



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

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# Office of Inspector General Report to the Congress

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Number 17

for the 6-month period  
October 1, 1986, through March 31, 1987  
Pursuant to Section 5(b)  
of Public Law 95-452



## PROFILE OF PERFORMANCE

Department of Housing and Urban Development

October 1, 1986  
through  
March 31, 1987

### Office of Inspector General Activities

• Cash Recoveries/Savings	\$21,846,480
• Commitments to Recover Funds	\$24,556,537
• Cost Efficiencies	\$18,968,493
• Total Fines Levied	\$ 246,096
• Persons/Firms Indicted (Convicted)	133(152)
• HUD Employees Indicted (Convicted)	1(2)
• Debarments of Persons/Firms Doing Business with HUD	89
• Suspensions of Persons/Firms Doing Business with HUD	55
• Mortgagees/Lenders Sanctioned as Result of Referrals to HUD Mortgagee Review Board	13
• Subpoenas Served	36
• Awareness Publications Issued	3
• Proposed Legislation and Regulations Reviewed	60

For additional details on OIG Audit, Investigation, and Fraud Control Activities, see Chapter 7, Statistical Summary.

THE INSPECTOR GENERAL

REPORT TO CONGRESS

# Office of Inspector General Report to the Congress

This report summarizes the significant and special efforts we undertook. Management's actions on audits and savings to the Department of Housing and Urban Development. Management has agreed to our questioned and disallowed amounts of \$18.9 million. Management has agreed to 154 convictions of persons for fraud.

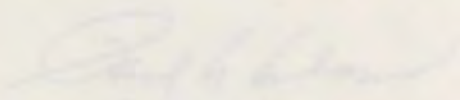
**Number 17**

**for the 6-month period  
October 1, 1986, through March 31, 1987  
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The annual report of the Inspector General of the Department of Housing and Urban Development (HUD) is a key document in the HUD's accountability system. HUD's annual report is a key document in the HUD's accountability system. HUD's annual report is a key document in the HUD's accountability system. HUD's annual report is a key document in the HUD's accountability system.

Several items of HUD's work programs in the third major item. Indicators are uniformly which would require HUD to address this problem in a more efficient manner. The Department is considering a quality control system to improve program integrity, and is also considering legislation which would enhance its ability to verify program integrity and simplify. Congressman Thomas Luken and David E. Bonior have introduced a bill in the House of Representatives and Senator Gordon Humphrey has introduced a similar bill in the Senate which, if passed, would require the Department to effectively deal with this problem.

Lastly, three awards were given to HUD employees for work related to the disclosure and detection of fraud, waste, and abuse. President Reagan presented the Paul Bourke Public Service Award to Henry J. Myers, one of our special agents, for his efforts as a task force in Camden, New Jersey. Two HUD employees, Lynn Stowell and Alexander Jones, were recognized under the authority of the Inspector General Civil Awards Program (Public Law 95-452) for their procedures which resulted in substantial cost savings to the Department. These awards and the publicity given them should encourage other employees to report suspected instances of fraud, waste, and abuse.



Paul A. Allen  
Inspector General

## THE INSPECTOR GENERAL'S MESSAGE TO CONGRESS

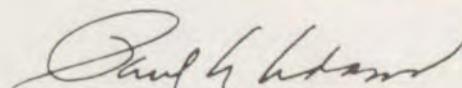
This report summarizes the significant audits, investigations, prevention activities, and special efforts we undertook during the 6-month reporting period. Management's actions on audits and investigations resulted in cash recoveries and savings to the Department of \$21.8 million and cost efficiencies of \$18.9 million. Management has agreed to recover an additional \$24.5 million that we questioned and disallowed. Moreover, there were 134 indictments and 154 convictions of persons or firms doing business with the Department.

Four items in the report deserve particular attention. The first is single family mortgage insurance fraud. We have discussed this in prior Semiannual Reports, but our work indicates that it is still a significant problem across the country. We continue to focus our resources on this area, and the Department has made numerous program changes. Additional civil and administrative actions are being taken which should help remedy the situation.

The second major item is the HUD-subsidized Section 235 loan program. HUD's subsidy outlay could be reduced by up to \$844 million if loans with high interest rates were refinanced at current interest rates. We have developed recommendations which the Department is working on to accomplish this refinancing.

Tenant fraud in HUD's rental assistance programs is the third major item. Initiatives are underway which would allow HUD to address this problem in a more efficient manner. The Department is establishing a quality control system to improve program integrity, and is again proposing legislation which would enhance its ability to verify tenant income and eligibility. Congressmen Thomas Carper and David Dreier have introduced a bill in the House of Representatives and Senator Gordon Humphrey has introduced a similar bill in the Senate which, if passed, would enable the Department to effectively deal with this problem.

Lastly, three awards were given to HUD employees for work related to the disclosure and detection of fraud, waste, and abuse. President Reagan presented the Paul Boucher Public Service Award to Henry J. Myers, one of our special agents, for his efforts on a task force in Camden, New Jersey. Two HUD employees, Lynn Stowell and Alexander Juarez, were recognized, under the authority of the Inspector General Cash Awards Program (Public Law 99-145), for their disclosures which resulted in substantial cost savings to the Department. These awards and the publicity given them should encourage other employees to report suspected instances of fraud, waste, and abuse.



Paul A. Adams  
Inspector General

## TABLE OF CONTENTS

	Page
SIGNIFICANT ACTIVITIES	
Message From The Inspector General .....	1
Chapter 1. Significant Activities .....	5
Chapter 2. Significant Audits .....	17
Chapter 3. Significant Investigations .....	33
Chapter 4. Prevention Activities and Special Efforts .....	39
Chapter 5. Review of Legislation .....	48
Chapter 6. Administrative/Prosecutive Actions Against HUD Employees .....	50
Chapter 7. Statistical Summary .....	52
Chapter 8. Audit Resolution .....	59
Appendix 1. Audit Reports Issued .....	64

Investigation  
Activities

Investigation Activities

A Washington, D.C. real estate developer, his father, the Registrar of the District of Columbia, and his brother-in-law, an attorney, were charged with conspiracy for arranging, executing, and forbear for illegally obtaining more than \$1.8 million in loans by means of mortgages. The mortgages were secured by properties and their sale proceeds were controlled by the father, who is alleged to provide the proper approval for the mortgages at which point the father, "assure[s]" that he is satisfied with the propriety of the loans. Documents in connection with the mortgages were used to obtain Federal guaranteed loans, which were then used to obtain Federal guaranteed loans. All the mortgages were handled by the father-in-law. More than half of the \$1.8 million in loans is presently in arrears and HUD has already lost at least \$560,000.

Because the individuals were charged with the conspiracy to obtain a Federal loan, the Federal Government was able to recover less than \$1.8 million against the defendants' assets. These assets include the defendant's mortgage and the HUD VA loan. These assets were seized by the Washington, D.C. and HUD by the same individual.

## Chapter 1

### SIGNIFICANT ACTIVITIES

This Chapter summarizes the most significant issues we dealt with during the reporting period. The Chapter contains sections on: Single Family Mortgage Insurance; Section 235 Refinancing; and Tenant Fraud.

#### Single Family Mortgage Insurance

Widespread abuse within HUD's Single Family Programs continues to be a major Departmental problem. During this reporting period, several significant criminal prosecutions occurred, and over 275 criminal investigations are in process. Seventeen mortgagee audit reports were issued to HUD's Mortgagee Review Board, and an additional 18 audits are in process. Actions to recover losses through civil actions were escalated, and HUD actively took administrative sanctions against persons and firms abusing its programs. The Department also took several significant steps in this period to tighten controls and curb the abuses. The following are highlights of the actions.

Investigative cases resulted in 45 indictments and 52 convictions of persons/firms perpetrating single family fraud. Fraud schemes generally fall into two distinct categories: loan origination and equity skimming. Investors and speculators are often involved in both types. Some of our more significant recent investigative cases follow:

#### Investigation Activities

- A Washington, D.C. real estate speculator, his father (a Veterans Administration appraiser), and his brother-in-law (a settlement attorney) were convicted of 88 counts of racketeering, conspiracy, and bribery for illegally obtaining more than \$1.8 million in Federally insured mortgages. The speculator purchased properties and then, using inflated appraisals provided by his father whom he bribed to provide the higher appraisals, resold the properties at much higher prices to "strawbuyers" whom he recruited with the promise of kickbacks. Because the strawbuyers were used, the purchasers were able to obtain Federally insured loans requiring minimal down payments. All the settlements were handled by the brother-in-law. More than half of the \$1.8 million in loans is presently in default and HUD has already lost at least \$560,000.

Because the individuals were charged under the Racketeer-Influenced and Corrupt Organizations (RICO) statute, the Federal Government was able to secure liens totalling \$1.8 million against the defendants' assets. These convictions are the first stemming from a joint OIG/FBI/VA task force investigation in the Washington, D.C. area. To date, nine other individuals have

pled guilty and one has been sentenced. He was ordered to serve 4 years in jail and to repay \$329,675. (United States vs. Jakey Madeoy, et al., District of Columbia.)

- Four individuals in California were convicted of equity skimming and multiple counts of mail fraud. The Federal charges involved 343 single family homes, 41 with HUD-insured mortgages. This case was described in local newspapers as the largest real estate fraud in the history of the State. The four investors bought properties with little or no down payments and then rented them out. They collected rents of about \$1.2 million but made few mortgage payments and the properties were foreclosed. Our office conducted this investigation with the Long Beach Police Department and the Veterans Administration OIG. The four individuals were also suspended from participating in HUD programs. (United States vs. Mark Christopher Meng, et al., Central District of California.)
- A Federal Grand Jury in Nashville, Tennessee, returned a 10-count indictment against a homebuilder, an attorney, and a lender. The homebuilder and attorney were charged with mail fraud, conspiracy to defraud the United States, and making false statements. The lender was charged with two counts of making false statements. The builder and lawyer allegedly formed a partnership to buy, rent, and sell homes constructed by the builder. They were charged with using strawbuyers to obtain HUD-insured mortgages that were later assumed by the partnership. The loan applications and earnest money agreements submitted to HUD contained false statements about the money the strawbuyers supposedly had on deposit. The indictment charged that an employee and an authorized agent of the mortgagee caused forgeries of the applicants' signatures on loan applications. (United States vs. Bobby D. Wall, G. Nelson Crowe, and Mortgage Trust Company, Middle District of Tennessee.)
- A Federal Grand Jury in Atlanta, Georgia, returned a 224-count indictment against two real estate attorneys, a real estate agent, a mortgage loan officer, four builders and four building companies. They were charged with conspiracy and submitting false documents to HUD in the origination of insured mortgage loans. Strawbuyers bought homes and resold them to investors who made little or no down payments. The strawbuyers allegedly received a refund of their down payments and additional cash. The indictment charged that false real estate sales contracts, applications for mortgage insurance, and settlement statements were used in the transactions. (United States vs. James O. Wilson, Jr., et al., Northern District of Georgia.)
- A former homebuilder in Kennewick, Washington, was sentenced to 5 years probation, fined \$4,000 and ordered to repay \$124,253 to HUD. The homebuilder pled guilty to four counts of causing the submission of false loan documents to HUD. These documents were used to conceal the fact that the builder received less than the required down payment amounts

for four FHA-insured mortgages. (United States vs. Solomon Sylvan, Eastern District of Washington.)

- A real estate broker in Memphis, Tennessee, was sentenced to 3 years in prison, 3 years probation, and ordered to repay \$50,000 for conspiracy to defraud HUD and making false statements to obtain Federally insured mortgages. Fifteen codefendants were also sentenced on similar charges. The broker used the codefendants to purchase properties from him and to originate mortgages by providing false documents. Some codefendants were not qualified for the loans. One codefendant, who acted as a finder of the strawbuyers, was incarcerated for obstructing justice by attempting to intimidate witnesses scheduled to testify against him in trial. (United States vs. Robert R. Higgins, et al., Western District of Tennessee.)
- A mortgagee branch manager in Memphis, Tennessee, was charged with three counts of making false statements to HUD in order to obtain a HUD-insured mortgage. The manager allegedly told applicants for HUD-insured mortgages how to apply for a mortgage exceeding the selling price of the property. This allowed them to cover their down payments and closing costs and have additional funds for their personal use. (United States vs. Lloyd Miller, Western District of Tennessee.)
- Seven individuals were charged in Minneapolis, Minnesota, in connection with equity skimming schemes. One real estate dealer was sentenced to 4 years and 1 day in prison and ordered to repay \$500,000 to HUD. He was involved in skimming rental payments from approximately 100 properties with HUD- or VA-insured mortgages. An FBI/OIG investigation determined that the investor had also used a strawbuyer scheme to obtain single family homes between 1982 and 1985. Another broker also received a 4-year prison sentence. Three others involved in the scheme were sentenced to 68 months in jail, with all but 6 months suspended. One broker is awaiting sentencing after pleading guilty, and another is awaiting trial. (United States vs. L. Michael Spars et al., District of Minnesota.)
- A real estate broker in Seattle, Washington, and his wife, operating under five business entities, were charged with equity skimming and 20 counts of mail fraud. The defendants allegedly acquired 36 properties and collected over \$115,000 in rents which were not applied toward those mortgages. Government losses through foreclosures were over \$650,000. (United States vs. Timothy W. and Nannette N. Lien, Western District of Washington.)
- A Houston, Texas investor was indicted on one count of equity skimming and eight counts of mail fraud as a result of the efforts of a task force comprised of staff from the FBI, the VA OIG, and our office. He allegedly defrauded nine homeowners with Federally insured mortgages by having them deed their properties to teenage boys who acted as "fronts" to assume the mortgages for the investor. After being arraigned, he was released on \$50,000 bond and fled to Canada. A husband and wife team of bail bonds-



persons went to Canada, located him and tried to bring him back. En route, they were involved in an automobile accident in Canada. The bondspersons were arrested for kidnapping, convicted, and sentenced to prison. The equity skimmer was returned to Texas by Canadian officials where his trial is pending. He has been suspended from participating in HUD programs. The Harris County District Attorney's Office is maintaining coordination with the Task Force and is prosecuting individuals involved in housing fraud in the Houston area. Harris County has convicted and sentenced eight individuals on a variety of charges connected with equity skimming or loan origination fraud under applicable local statutes. Sentences handed down by the local court total 47 years of prison, 15 years of probation, fines of \$11,500, and restitution of \$1,250. (United States vs. Jeffery S. Clair, Southern District of Texas.)

- Forty-two individuals have been prosecuted in Willingboro and Camden, New Jersey, as the result of the efforts of a joint task force from the FBI, the VA OIG and our office in the past 2 1/2 years. During this reporting period, charges were brought against seven individuals. Six were charged with making false statements, conspiracy, and/or obstruction of justice. The seventh individual, a speculator, was charged with and pled guilty to equity skimming. Two more real estate salespersons were sentenced to a total of 2 years in prison, fined \$5,000, and ordered to make restitution. (United States vs. George Dougherty and Arnold Mack, et al., District of New Jersey.)

\* \* \* \* \*

The widespread and pervasive extent of fraud in Camden led us to conduct a special review there. Our purpose was to determine whether the severity of the situation had broader implications and if adequate management controls existed to minimize the incidence of fraud. We found that the fraud occurred because the persons involved reaped considerable reward and saw no financial penalties for themselves if buyers defaulted on the HUD-insured loans. The Camden fraud was not detected sooner because: (1) HUD's emphasis was on production goals, not loan quality; and (2) HUD data bases were not systematically analyzed for indicators of fraud. A contributing factor was that weaknesses existed in HUD's mortgage credit guidelines for accepting insurance applications. These weaknesses allowed unscrupulous participants to process and obtain approval for mortgagors who were marginal at best. For example, the absence of an applicant's credit history or lack of financial resources, e.g., bank accounts, was not considered to be a negative factor in evaluating a borrower's qualifications. In 45 percent of the 102 cases we reviewed, HUD paid insurance claims on mortgagors who had no established credit history, no bank accounts, and less than \$50 cash after closing the loan.

Although our review was limited to Camden, the weaknesses cited apply to the entire Single Family Program. Accordingly, we recommended that HUD increase use of sanctions against participants who abuse the Program; use existing data bases to identify trends in claim rates; use a quality control checklist

in reviewing loan applications; and clarify existing mortgage application and processing instructions. The results of the Camden review were sent to the Assistant Secretary for Housing-Federal Housing Commissioner in January 1987.

Audit activities resulted in 17 reports being issued to HUD's Mortgage Review Board. In addition, as of March 31, 1987, 18 other mortgagee audits were in process. Most of the audit work is being done in eight cities: Denver, Oklahoma City, St. Louis, Fort Worth, Los Angeles, Chicago, Seattle, and Columbia, South Carolina. These cities were selected based on high default rates and paid insurance claims. The audit objectives are to: (1) evaluate mortgage originations; (2) determine the types of problems and the reasons for them; and (3) identify any functional weaknesses that should be the focus of further audits. Results to date point out significant mortgagee underwriting deficiencies and widespread schemes that mortgagee personnel were, or should have been, aware of. Highlights from two cities are typical of the abuses being found.

- Denver, Colorado. One scheme involves individuals or firms that purchase small apartments or row houses with the stated purpose of converting them to individual units. The properties are then sold to investor mortgagors for use as rental units at approximately twice their initial purchase price. The investors obtain HUD-insured mortgages using lease agreements showing inflated rents. Normally, the lease agreements are between the investor and a related company. The investors then transfer the properties, via assumption, to related parties at prices in excess of the mortgage amounts. The phony equity or profit is then used to obtain additional loans. As many as 700 loans insured between January and September 1986 are involved, with loan balances exceeding \$46 million.

In another scheme, real estate developers are using investors to expedite sales of newly constructed units. No cash is required. Rather, down payments take the form of promissory notes secured by second mortgages on other property owned by the investors. The second mortgages are not valid and oftentimes the same mortgage instrument is used to support several loans. False and/or inflated leases are used to show that income is sufficient to meet mortgage requirements. Loans are processed through several mortgagees, but in one situation, a branch manager also had an interest in the real estate development firm. Thus far, over 900 HUD-insured loans with balances exceeding \$54 million have been identified.

- Oklahoma City, Oklahoma. Between January 1985 and March 1986, a builder, acting as a seller, used strawbuyers to obtain 15 HUD-insured investor loans. The builder was able to pay off his short term construction loans once the loans were obtained. Some properties were sold by simple assumption to persons who could not qualify for HUD-insured loans. At the end of 1986, four loans were in default, five were in foreclosure, and one had been foreclosed. Mortgage amounts on the 10 loans in arrears totaled \$554,000.

## Audit Activities

In another scheme, a real estate speculator used five strawbuyers to purchase 25 existing properties. The strawbuyers obtained HUD-insured investor loans, but did not make the minimum required down payments. After closing, the speculator reacquired the properties by simple assumption. These transactions occurred between June 1984 and May 1986. As of September 15, 1986, 10 loans were delinquent, nine were in default, and three were in foreclosure. Mortgage amounts on the 22 loans in arrears were about \$743,000.

**Civil Actions to Recover Losses**

HUD and the Department of Justice have intensified efforts to recover losses resulting from fraud in the Single Family Insured Programs. Two significant cases during this reporting period illustrate the impact of this type of activity.

- Under the False Claims Act, the Department of Justice filed a civil suit to recover money from the former President of Bonafide Investment Corporation, Camden, New Jersey. He was previously found guilty of one conspiracy count, nine mail fraud counts, and five false statement counts. He is currently serving a 5-year prison sentence. This was the first civil action filed against an individual convicted of mortgage fraud in Camden. A Federal District Judge entered a Partial Summary Judgment in the amount of \$632,705 in favor of the United States on March 26, 1987. (United States vs. Francis Heck, District of New Jersey.)
- As a result of an OIG investigation, Equitable Mortgage Resources, Inc., of Atlanta, Georgia, entered into a settlement involving more than 70 loans. For the loans in question, they agreed to withdraw all claims which have not yet been paid, to not submit any additional claims, and to pay \$500,000 in damages (see check below). Of that amount, \$85,000 is being paid to HUD as reimbursement for the investigation. This case (United States vs. James O. Wilson) is discussed in greater detail in the "Investigation Activities" section of this chapter.

<p><i>The First National Bank of Atlanta</i></p>	<p><b>FIRSTATLANTA</b></p>
	<p>587666 <sup>64-14</sup>/<sub>810</sub></p>
	<p>Serial No. _____</p>
<p><u>MAIN OFFICE</u></p>	<p>Atlanta, Ga. <u>MARCH 12, 1987</u></p>
<p>Pay to the Order of</p>	<p>Issuing Office ***** UNITED STATES ATTORNEY ***** \$ 500,000.00</p>
	<p><u>THE SUM 5000000000</u> Dollars</p>
<p>Remitter <u>ENBA/EQUITABLE NATIONAL MORTGAGE</u></p>	<p><i>Julie H. Randall</i> <i>[Signature]</i> Authorized Signature</p>
<p>To Federal Reserve Bank Atlanta, Georgia</p>	<p>MC# 01</p>
<p>⑈ 587666 ⑈ ⑆061000146⑆ 061000010⑈</p>	

## Administrative Sanctions

Apart from criminal prosecutions and civil recoveries, OIG investigative and audit activities often provided the basis for HUD managers to take administrative sanctions. Many such actions taken this period involve persons/firms that violated HUD requirements concerning Single Family Insured Mortgage Programs. The primary sanctions are Mortgagee Review Board actions; suspensions and debarments; and temporary denials of participation.

### *Mortgagee Review Board Actions*

HUD's Mortgagee Review Board (MRB) is empowered to take sanctions ranging from a reprimand to withdrawal of approval against mortgagees that violate HUD regulations or requirements. During this period, we issued 17 audit reports to the MRB. These reports disclosed mortgagee deficiencies in underwriting loans and in maintaining quality control systems.

The MRB took action on three reports issued this period and ten reports issued in prior periods. Beverly Hills Mortgage Company, Tucson, Arizona, was referred to the Department of Justice so that a claim for insurance losses could be filed against the company in a bankruptcy proceeding. The other actions follow:

Company	Action Taken
U. S. Mortgage Co., Denver, CO	Approval suspended pending further review
Great Lakes Mortgage Corp., Flint, MI	Approval withdrawn
Combined Mortgage Services, Oak Park, IL	Approval withdrawn
Equibank, Pittsburgh, PA	Probation
Fed-One, Wheeling, WV	Probation
Fairway Mortgage, Inc., Seattle, WA	Probation
Real Estate Financing, Birmingham, AL	Settlement Agreement
Mortgages, Inc., Las Vegas, NV	Settlement Agreement
H.F., Inc., San Juan, PR	Settlement Agreement
ICM Mortgage, Denver, CO	Settlement Agreement
Central Federal S&L, Long Beach, NY (Title I Lender)	Settlement Agreement
Ameristar Financial Corp., San Diego, CA (Formerly Centralfed Mortgage Co.)	Settlement Agreement

These actions resulted in repayments to HUD for claims paid of over \$735,000, indemnification from future potential losses of over \$837,000 (based on average past losses per loan), and assurances that the lenders' quality control programs will be improved to prevent future recurrences of problems.

### *Suspensions and Debarments*

Assistant Secretaries may suspend and propose debarment of persons/firms doing business with HUD who fail to comply with HUD regulations or criminal

statutes. Suspension actions are taken when adequate evidence exists that contractors, grantees, or other program participants have engaged in criminal, fraudulent, or seriously improper conduct. Debarment actions typically are an extension of suspension actions. Assistant Secretaries propose debarment of irresponsible parties. Debarment actions are taken for specified periods of time depending on the gravity of the misconduct. Generally, debarment periods do not exceed 5 years, but in extreme cases debarment may be indefinite. A party that has been suspended or debarred may appeal, and an independent Hearing Officer is appointed to conduct a review of the basis for the proposed action. The party may also later appeal the Hearing Officer's determination to the Secretary.

During the reporting period, there were 169 suspensions and 257 debarments levied by the Department. Of these, 34 percent resulted from OIG activities. The following are examples of suspension and debarment actions taken against Single Family Program participants:

- Two real estate investors in Fresno, California, were suspended after being indicted for submitting false statements to HUD, mail fraud, aiding and abetting, and equity skimming. They acquired nine properties, rented them to others, collected the rents, and allowed the loans to go into default. They later pled guilty to the charges. (United States vs. Louis and Ralph Haros, Eastern District of California.)
- Two real estate brokers in Houston, Texas, were suspended by HUD pending the completion of an OIG investigation. There was evidence that the brokers knew of, or participated in preparing, false information concerning mortgagors' creditworthiness. The false information was used to induce HUD to insure the mortgages. Subsequently, the loans were foreclosed and insurance claims were paid.
- A real estate broker was debarred following State prosecution for theft. He was also indicted by a Federal Grand Jury in Baltimore, Maryland, on 19 counts of making false statements, mail fraud, and conspiracy in connection with 30 single family mortgages insured by HUD in the Capitol Heights, Maryland area. (United States vs. Donald Harmon, District of Maryland.)
- An escrow agent with a Houston, Texas title company was debarred for 2 years because she participated in improper loan closings. She falsely certified that mortgagors provided funds required for closing loans, when in fact the funds were provided by real estate brokers. In addition, she made unsupported disbursements to real estate brokers from sellers' proceeds. The false statements misled the mortgagee and HUD into believing all transactions were proper and approvable.

### *Temporary Denials of Participation (TDP)*

This sanction is available to Field Office managers. Unlike suspensions and debarments, TDP actions are limited to 12 months and to the specific HUD program and locality in which the program violations occurred. The party has a right to an informal hearing with the office manager and later may appeal the action to the appropriate Assistant Secretary. Housing's Compliance Office within HUD reported that 295 TDP actions were taken during the 6-month period. Examples of TDPs taken against Single Family Program participants based on OIG activities are:

- An Assistant Vice President for a mortgage company was the subject of a TDP in the Denver, Colorado jurisdiction. She conspired with another employee to refinance her property which allowed her to take cash out; processed the FHA credit application for a property she was selling; purchased two properties as an investor; and gave a phony note as a down payment in the purchase transactions.
- A mortgagee branch manager in Denver, Colorado, was the subject of a TDP for violating HUD lending requirements. He made false statements in support of an application for HUD insurance, and as an investor, used straw-buyers to sell his own properties to himself and take cash out in the HUD-insured transactions.
- A real estate agent was the subject of a TDP action in the San Antonio, Texas jurisdiction because she knew or should have known that false information was submitted to HUD in order to obtain insured mortgages.

As discussed in our prior Semiannual Report, the Secretary announced the recommendations of the Department's Single Family Task Force on April 3, 1986. Based on these recommendations, the Secretary called for a phased-in approach for changing policies and procedures to help curb abuses and strengthen HUD's quality control over loan underwriting. Among the significant changes that were taken or proposed during this reporting period are:

- HUD's Fiscal Year 1988 legislative package contains a measure eliminating the investor program. Investor claim rates are much higher than other segments of the programs.
- A proposed rule for pursuing deficiency judgments against defaulting mortgagors was published. Such judgments should serve as a deterrent for loan origination and equity skimming fraud.
- Press releases summarizing actions taken by HUD's Mortgagee Review Board were widely distributed.

### **HUD Management Actions**

- A Problem Mortgagor List of mortgagors for whom a claim has been paid within the last 3 years or who hold a loan in default has been provided to mortgagees. The list should aid lenders and HUD personnel in making credit-worthiness determinations.
- Lenders are required to report to six national credit bureaus foreclosure actions against mortgagors and mortgagors who are over 90 days delinquent on their mortgages.
- Additional enhancements were developed for the daily management and operational effectiveness of the various computerized data bases that are used to account for and monitor Single Family Program activities.
- Lenders originating more than 300 loans per year that had a default and claim rate above the national average are being contacted by the Department to explain the high rates.
- A proposed rule terminating the Section 245(b) Graduated Payment Mortgage Program was published. This Program is a high risk program because it allows low down payments and negative amortization.

These changes, when fully implemented, will address many of the weaknesses and deficiencies noted in the Single Family Insured Programs. We will monitor implementation of these actions and will report progress in future Semiannual Reports.

#### **Section 235 Savings of \$800 Million**

In our February 25, 1987 report, we estimated that HUD subsidy outlays could be reduced by \$844 million for the Section 235 Program if steps were taken to refinance mortgages to current interest rates. The Section 235 Program is designed to make homeownership affordable to low- and moderate-income families by subsidizing mortgage interest. Most subsidy contracts continue over the 30-year mortgage life. We estimate that HUD currently subsidizes approximately 47,000 Section 235 mortgages. These mortgages were insured at interest rates up to 17.5 percent.

We recommended that the Department act timely to refinance Section 235 mortgages while market interest rates are at their lowest point in more than 8 years. More specifically we recommended:

- Developing legislation to provide funding for the refinancing expenses. Unexpended Section 235 budget authority or recaptured assistance are possible sources of funding.
- Developing an aggressive publicity campaign and using financial incentives to encourage mortgagors to refinance and seek lower interest rate mortgages.

- Exploring the possibility of contracting-out the refinancing effort to one or more large mortgagees capable of providing the necessary support to accomplish refinancing in a timely and effective manner.

On April 9, 1987, the Assistant Secretary for Housing-FHA Commissioner responded that our proposals had merit and further study was needed to avoid potential problems. We encouraged prompt action, inasmuch as about \$5 million per month could be saved if the proposal were implemented.

### **Tenant Fraud**

Each year HUD provides over \$9 billion of rental assistance to about 4 million households. Tenant eligibility in rental assistance programs is based on voluntary disclosure by individuals certifying that they have accurately listed all sources and amounts of household income. Currently, there are no systematic means for independently verifying tenant-supplied data, and we have found that eligible individuals are precluded from obtaining housing assistance, since ineligible persons are receiving assistance. To remedy this situation, more systematic methods of verifying tenant income and eligibility are needed.

Since 1982, we have targeted significant investigative resources to tenant fraud cases. In 1984, there were 111 convictions in rental assistance programs; in 1986, there were 183 convictions (an increase of over 60 percent). Fines and court-ordered restitutions during the same time period increased from approximately \$752,000 to \$1.3 million (a 57 percent increase).

The Department is working with the Office of Inspector General in responding to the problem of tenant fraud. Initiatives are underway that would give HUD additional tools to address tenant fraud in a more efficient manner. The two major initiatives are Income Verification Legislation and the Departmental Quality Control Program for Tenant Eligibility.

Legislation is needed to supplement the current voluntary disclosure system. Specifically, three legislative authorities are needed: (1) applicants and tenants be required to provide Social Security numbers as a condition of eligibility; (2) State employment security agencies be required to disclose wage information to HUD; and (3) applicants and tenants, as a condition of occupancy, be required to complete verification consent forms authorizing HUD or its designees to verify any previously undisclosed income.

### **Income Verification Legislation**

HUD has again requested these authorities in its Fiscal Year 1988 authorization bill. H.R. 4, "The Housing and Community Development Act of 1987," introduced on January 6, 1987, contains a provision that would give HUD the authority to require the collection of Social Security numbers. A similar provision was introduced in the Senate on March 24, 1987, and was reported out as S. 825. In addition, on January 6, 1987, S. 250, the "Income Verification Act of 1987," was introduced by Senator Gordon Humphrey and H.R. 1028, "HUD Income Verification Act of 1987," was introduced on February 5,



1987, by Congressman Thomas Carper for himself and Congressman David Dreier. These latter two bills contain the three authorities needed. Income verification legislation would facilitate matching efforts so that more efficient comparisons of the income reported by tenants could be made with employer-reported wage data collected by the State. The passage of these proposals is critical to implementation of the computer matching component of the Quality Control Program.

**Departmental  
Quality Control  
Program for Tenant  
Eligibility**

The Quality Control Program consists of two major components. One component is periodic quality control sampling to measure error rates and determine needed program changes to reduce administrative error and improve program integrity. The Department will be establishing Quality Control Offices in the Offices of Housing and Public and Indian Housing in Fiscal Year 1988.

The other component of the Quality Control Program is computer matching. Our office is responsible for implementing this aspect of the program. While our past efforts have been limited and on occasion have been staff intensive, the results of computer matching have proved cost beneficial. For example, computer matches in Georgia over the last year identified an estimated \$1 million of excessive housing assistance paid to tenants. During this reporting period, we identified 284 instances where all tenant or household income was not reported, resulting in an estimated \$642,000 in excessive housing assistance. (Audit Report No. 87-AT-214-1003.)

Additional matches are in process in the District of Columbia, Jacksonville, Florida, and West Palm Beach, Florida. The matches in Florida are noteworthy because, unlike our other efforts in which OIG staff conducted the follow-up reviews, the housing authorities with guidance from our office are performing the follow-up work.

## Chapter 2

### SIGNIFICANT AUDITS

This Chapter summarizes audit activities in four areas: Assisted Housing Programs; Multifamily Insured Programs; Community Planning and Development; and General Administration.

#### Assisted Housing Programs

We focused our efforts on four major areas within Assisted Housing and found that: improvements are needed in the Section 8 Existing Housing Program; over-payments were made to State Housing Finance Agencies; improvements were noted in financially troubled public housing authorities; and excess rents are being paid in the Section 8 Moderate Rehabilitation Program.

Over the past 30 months, our office issued numerous reports covering public housing authorities (PHAs) administering the Section 8 Existing Housing Program. In selecting the PHAs for audit, we concentrated on those with larger programs, i.e., over 1,000 units authorized or those where local HUD reviewers had detected problems during on-site monitoring visits. Many of the individual reports and related recommendations were discussed in prior Semiannual Reports.

We issued a draft summary of 24 external audits that contained recommendations for improving program operations. The summary cited deficiencies that were common among most PHAs reviewed: compliance with requirements relating to Housing Quality Standards; rent reasonableness tests; and allowances for utilities.

#### *Inadequate Housing Inspections*

We found that PHA housing inspectors are not conducting adequate inspections. A significant number of units we inspected contained potential threats to the safety and health of their occupants, despite the fact that the same units had been inspected and accepted by the PHAs prior to the audit. We found Housing Quality Standards (HQS) violations in 539 of 998 (69 percent) of the units reinspected. We selected older, more deteriorated units in high density population centers under the presumption that if the PHA inspectors did adequate inspections of the most deteriorated housing stock, then their inspections of newer, less deteriorated units would be as good or better.

#### *Rent Reasonableness Requirements*

Most of the PHAs audited were not complying with the rent reasonableness test requirements to assure that assisted rents compare favorably with unassisted rents

#### **Improvements Needed in the Section 8 Existing Housing Program**

in the same housing market. Specifically, at two PHAs in localities having rent control laws, rents for assisted tenants significantly exceeded rents for unassisted tenants; while at 20 other PHAs comparability of assisted and unassisted rental prices was not documented in accordance with HUD requirements.

The audits showed that rent reasonableness activities received a low priority as demonstrated by inadequate staffing, supervision, training and procedures. Consequently, program funds may not be used economically by these 22 PHAs.

#### *Allowances for Utilities and Other Services*

Deficiencies relating to utility allowances were identified as significant problems at 20 PHAs. Some PHAs had not properly established initial allowances and most PHAs were not adjusting the allowances timely. In some cases, HUD is paying excess rents; in other cases tenants' rents exceed 30 percent of adjusted gross income contrary to program regulations.

Our summary concluded that changes are needed in nationwide regulations, monitoring procedures and enforcing PHA compliance with regulatory and contractual requirements. Specifically, we recommended that the Department:

- Review communities with a Section 8 Existing Program as well as a rent control program to determine whether the Section 8 rents are proper.
- Develop, implement, and staff an independent quality control program that could be patterned after similar programs in the Federal and private sectors.
- Revise and expand instructions for monitoring problem areas to give attention to program compliance issues most vulnerable to abuse and mismanagement.
- Develop a video tape training film to provide adequate HQS training to housing inspectors and distribute it to PHAs on an as-needed basis.
- Issue directives calling for: (1) wider use of available sanctions as a means for improving program delivery; and (2) the development of more comprehensive sanctions along with guidelines for their use.
- Study the feasibility of developing and providing the utility allowance to the PHAs and develop a regulatory initiative for eliminating the utility allowance from the rental calculation.

While the Office of Housing did not agree with all of our conclusions, their response to the draft report was very positive, citing steps taken or proposed to address the problems discussed in our summary report. In some areas, Housing suggested alternative measures or provided reasons why our recommendations were considered inappropriate. Our office is analyzing Housing's response prior to issuing a final report.

State Housing Finance Agencies (SHFAs) are corporate entities created by State law to enter into agreements with qualified housing sponsors for the purpose of financing the construction or rehabilitation of housing projects. SHFAs or their instrumentalities are authorized to issue tax-exempt notes and bonds to finance Section 8 housing projects.

### **Overpayments Made to State Housing Finance Agencies**

During the current report period, we reviewed the administration of the Section 8 New Construction and Substantial Rehabilitation Program by the Maryland Community Development Administration (Maryland CDA) and the Massachusetts Housing Finance Agency (Massachusetts HFA). The reviews identified actual and potential overpayments of Section 8 subsidies amounting to about \$4 million due to inadequate administration of tenant utility allowances and rent increases/adjustments. Of this amount, about \$2.9 million was attributable to the Maryland CDA.

In addition, the Massachusetts HFA did not establish adequate controls over about \$9.8 million in surplus funds generated by the issuance of Section 8 bonds and notes. Although these funds were required to be deposited with the Massachusetts HFA or with a depository approved by the Massachusetts HFA, the funds were actually in unrestricted bank accounts under the mortgagors' control. Consequently, the Massachusetts HFA could not adequately assure that the \$9.8 million of surplus funds would be returned to HUD after expiration of the Section 8 contracts.

We recommended that the Maryland CDA and Massachusetts HFA reimburse HUD for the excess Section 8 subsidy payments and rent increases identified in our report, plus any additional excess amounts disclosed through review of their remaining project inventory. We also recommended that the Maryland CDA establish formal policies to correct the conditions we identified. In addition, we recommended that the Massachusetts HFA establish proper controls over Section 8 surplus funds. (Audit Report Nos. 87-PH-203-1002 and 87-BO-203-1011.)

We performed follow-up reviews of eight of 16 financially troubled public housing authorities (PHAs) we previously audited between 1982 and 1984. We initiated these follow-up reviews primarily to: (1) evaluate the progress of the eight PHAs in correcting the adverse conditions disclosed in our prior audit reports; and (2) determine whether the PHAs were faced with any new significant problems.

### **Improvements Noted in Financially Troubled PHAs**

Of the eight PHAs currently reviewed, Wilmington, Memphis, and Portland showed the most improvement, followed by Camden, Indianapolis, and Oakland. However, the latter three PHAs did not implement all prior audit recommendations and did not correct all previously reported problems. Conditions at Providence and Detroit may have worsened since our prior audits.

With respect to Wilmington and Memphis, we attribute their improved status largely to changes in top management subsequent to our initial audits. For

example, the leadership and innovative management approaches of Wilmington's Executive Director, appointed in August 1984, were instrumental in expediting improvements at that PHA. At Memphis, top management changes at nearly all levels, including the Executive Director, were key factors accounting for the PHA's turnaround. Our audit reports, HUD management attention, and media attention contributed to the management changes at these PHAs. Similarly, Portland implemented most of our prior audit recommendations and generally improved its operations, although to a lesser degree than Wilmington and Memphis. We did identify deficiencies in connection with their checkmated utility conversions and preventive maintenance inspections. Based on their improvements, HUD removed Wilmington, Memphis and Portland from the "financially troubled" category.

Although Camden, Indianapolis, and Oakland improved their operations, results are somewhat mixed. These PHAs did not implement a number of our prior audit recommendations as well as those made by the Regional/Field Offices. Consequently, each needs to take further action to correct its reported problems. Of these three PHAs, Camden's progress merits special mention. The Authority has recently taken steps to turn its deficient operations around. The Authority still needs to make further improvements, but appears to be on the right track.

Indianapolis took steps to improve its operations and has achieved some positive results, most notably in decreasing its vacant units. However, the PHA still needs to place greater emphasis on enforcing existing policies and procedures. Indianapolis implemented some but not all of our prior audit recommendations.

With respect to Oakland, some corrective actions were either incomplete or not taken, while other audit recommendations were implemented and generally improved the reported adverse conditions.

In contrast, we found that conditions at Providence and Detroit did not improve and may have worsened. Both PHAs are still "financially troubled." Providence was faced with a developing financial crisis, as its operating reserve level was declining and vacancies were increasing. In addition, at the time of our follow-up review, a group of tenants at two of the PHA's projects were staging a rent strike over unsafe and unsanitary housing conditions. A contractor was seeking \$2.8 million in damages for modernization work delays allegedly caused by the PHA. Providence, however, is now taking some positive steps. While its management staff and former Board members have delayed in their efforts to implement our prior audit recommendations, the newly constituted Board appears to be taking some needed actions to address the PHA's problems.

Of all the PHAs reviewed, Detroit was making the least progress in addressing its problems. Detroit's major problems are the deteriorating condition of its housing stock and its rising vacancies. Detroit has not been taking adequate measures to address these conditions.



*This unoccupied unit managed by the Detroit PHA shows severe damage. The photograph is representative of many unit interiors.*

Even after demolishing about 500 dwelling units, Detroit's vacancies still increased from 2,600 vacant units in 1983 to 3,700 units in 1986—about 37 percent of the PHA's current housing stock. Detroit's preventive and nonemergency maintenance work still is not performed and its modernization work is not always effective. Our appraisers disclosed that a large number of occupied units are in extremely poor physical condition and, in many cases, are not safe, decent, and sanitary. Our inspections disclosed many instances of mismanaged or ineffective maintenance and modernization resources and wasteful utility consumption resulting from an inadequate maintenance program. We believe these conditions require both HUD's and Detroit's immediate attention. HUD staff has initiated steps to achieve corrective actions. (Audit Report and Audit-Related Memoranda Nos. 86-BO-202-1017; 87-NY-204-1801; 86-PH-201-1802; 86-AT-201-1805; 87-CH-201-1007; 86-CH-201-1802; 86-SF-201-1803; and 86-SE-201-1801.)



*Inoperable stove. Detroit tenant said the stove "blew up" over a year ago and she has yet to receive a requested replacement. Note that the stove is adjacent to a window with curtains and represents a fire hazard.*

**Excess Rents in the  
Section 8 Moderate  
Rehabilitation  
Program**

Under the Section 8 Moderate Rehabilitation Program (MRP), HUD allocates funds to eligible public housing authorities (PHAs) or other eligible entities for the purpose of upgrading existing housing units and providing rental subsidies that limit the amount of rent paid by lower-income households.

As indicated in previous Semiannual Reports, the most significant problem identified by our MRP audits has been excessive rents that ultimately result in excessive HUD subsidies (Housing Assistance Payments). Our audits disclosed that HUD may be paying millions in excessive Section 8 MRP subsidies as a result of excessive MRP rents. On October 3, 1985, we recommended that HUD recompute Section 8 MRP rents on a nationwide basis and prepare revised instructions to prevent excessive MRP rents in the future.

Under the direction of the Assistant Secretary for Housing, tests are underway of selected MRP projects containing 50 or more units to determine the extent of excessive MRP rents. However, progress has been slow due to the complexity of the issues involved and the need for staff training prior to HUD's testing. Of the 24 Field Offices which conducted rent tests, 15 have submitted final reports and seven have submitted preliminary reports. To date, Headquarters has reviewed 11 of the reports. Six of the reports cited excessive rents and two reports are being reevaluated by Headquarters staff. In no cases have excess rents been recovered by HUD or the PHAs.

### **Multifamily Insured Programs**

During the reporting period, we found problems in the areas of multifamily project operations (including Regulatory Agreement violations, inadequate application processing, and inadequate repairs on multifamily projects), and inadequate review of claims paid to project owners for damages, vacancy losses, and other claims.

In return for HUD's mortgage insurance or direct loan financing for multifamily and elderly projects, owners execute Regulatory Agreements with the Department. These Agreements stipulate that expenditures incurred on behalf of such projects must be reasonable and necessary for their operation. The Regulatory Agreement also limits the conditions and manner governing an owner's withdrawal of funds from the project. In addition, owners and management agents agree to abide by the Department's policies and procedures governing the use of such assistance for multifamily housing operations. In audits of 13 HUD multifamily housing projects, we identified nearly \$3 million in improper distributions of project funds, ineligible expenditures, and unauthorized project encumbrances.

- The owner of the Concord, a 150-unit housing project for the elderly in Pasadena, California, and other affiliates, improperly benefited from nearly \$117,800 of project revenues. The improper use of such revenues reduced the assets of the project, which at the time of our audit, was in receivership and under the control of a court-appointed trustee.
- Calvary Arms, a 150-unit housing project in Dallas, Texas, was the recipient of about \$1.7 million of Section 8 rental subsidies and flexible subsidy funds for property improvements over about a 5-year period. However, despite such funding, the owner and management agents allowed the physical condition of the project to deteriorate to the point where units were below HUD's Housing Quality Standards. They also spent about \$118,500 for improper and unnecessary repairs to the project. HUD has held the project's mortgage since December 1976.
- Nearly \$745,000 of revenues from the Flatbush Patio No. 1 and No. 2 projects in Brooklyn, New York, were used to repay the owner's loans and notes while the projects were in default. As a result, the \$745,000 was not avail-

### **Multifamily Project Operations**



able to cure the mortgage default. Upon completion of our audit site work, the owner returned the funds to the project.

- The land contract purchaser of Country Way Apartments, a 140-unit housing project in Saginaw, Michigan, improperly withdrew project funds totaling nearly \$130,000 in excess of the project's available surplus cash. As a result, operating revenues were not available to finance the deferred maintenance needs of the project. The purchaser also failed to comply with other HUD financial reporting and operating requirements, and did not establish effective controls over project assets. Moreover, the purchaser was charging nearly \$168,000 of rents annually in excess of the HUD-approved rents.
- Contrary to State law and HUD requirements, nearly \$530,000 of funds of the Dayton Operating Company, Dayton Seaside Associates #2 and Dayton Seaside Associates #3 projects, Queens, New York, were loaned to the stockholders of the projects' management agent. In addition, over a 5-year period, improper cash distributions totaling about \$468,000 were made to the projects' owners. The improper loans and cash distributions occurred while all three projects were in need of extensive roof repairs and while two of the projects were delinquent on their HUD-held mortgages.
- The former general partner for Parkway Center, a two-project housing complex in Denver, Colorado, owed the Center about \$481,300 for items considered inappropriate/ineligible for project operations. In addition, \$983,225 in liabilities of the projects' four partnerships were not segregated from project liabilities to ensure that such debts would not be repaid from project funds.
- The owner of Foxdale Manor, a 287-unit housing project in San Jose, California, improperly encumbered and expended project funds totaling nearly \$540,000 to help satisfy the general partner's liability to the former limited partner. The use of these funds was not for project purposes and was not approved by HUD. As a result, the project was improperly deprived of needed operating funds and HUD's insurance risk was increased.
- The original owners of Wonderwood Villa Mobile Home Park, Atlantic Beach, Florida, sold their interest in the property without first obtaining written approval from HUD. Also, without HUD's approval, the new owners executed a management contract with an identity-of-interest firm and improperly increased rent rates. Moreover, the owners erroneously distributed \$23,500 in cash to the project's partners and improperly expended \$113,000 of project funds.

We made recommendations to HUD management in each of our audit reports to ensure proper restoration of project funds, completion of needed repairs, and proper accounting for all project expenditures and revenues. (Audit Report Nos. 87-SF-212-1002; 87-FW-212-1002; 87-NY-211-1009; 87-CH-212-1003; 87-NY-211-1014; 87-SF-212-1003; 87-DE-212-1007; 87-SF-212-1001; and 87-AT-212-1002.)

- In our Semiannual Report for the period ending March 31, 1982, we reported that the owners of the Franklin Park Development I and II projects in Boston, Massachusetts, improperly diverted \$137,000 and spent \$254,000 on unsupported or questionable expenses. We recommended that HUD seek reimbursement of all monies spent improperly and obtain support for questionable expenses.

During this reporting period, we conducted another audit of Franklin Park Development. Our review disclosed that conditions cited in a 1981 audit had worsened. We found: failure to maintain the projects in good repair and condition; questionable costs of \$652,738; unresolved findings from our 1981 audit amounting to \$296,941; a possible underfunding of the security deposit account by \$26,483; and ineligible costs of \$13,734. We also found that the owners failed to establish books of account, provided little documentation supporting receipts and disbursements, failed to submit financial statements to HUD and were unresponsive to HUD requests for information.

In our opinion, the cause of the violations was continued poor management by the owners and their management agent. As a result of these deficiencies, the physical condition of the projects deteriorated and the tenants were living in substandard units, despite the fact that HUD was providing Section 8 subsidies for 100 percent of the units. Consequently, the projects have now been assigned to HUD. HUD will pay out at least \$1.77 million in insurance claims and has been burdened with the cost of repairing the properties.

We recommended that HUD consider debarring all involved firms and/or principals and consider taking legal action to recover any losses suffered by the Department as a result of the mismanagement of the projects. (Audit Report No. 87-BO-212-1012.)

- In addition to the owner/management agent violations cited above, we found that HUD's Charleston Office incorrectly processed the fund reservation application for Lemma Village, a 60-unit project for the elderly located in Nitro, West Virginia. The application was submitted under the Section 202 Program in Fiscal Year 1985 and was approved by HUD for a loan reservation of \$3.4 million. Our review disclosed that the project was incorrectly processed and approved by HUD after a series of review errors and oversights including inspection and endorsement of the wrong project site by the Charleston Office appraiser. We found that the proposed site for this

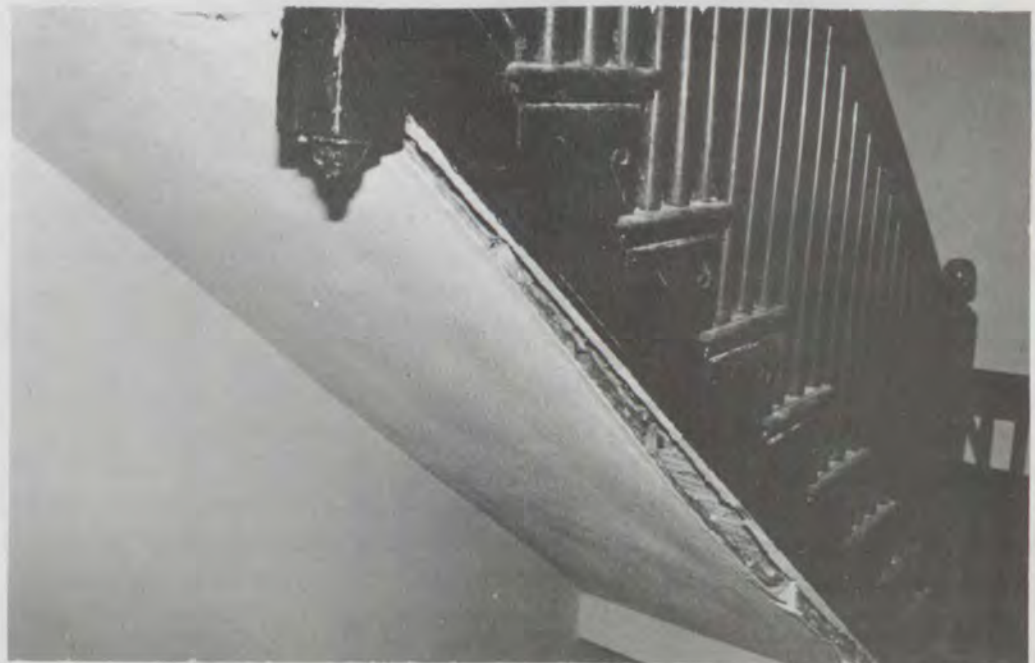
elderly project was unacceptable because it was located next to railroad tracks and was near a large chemical installation, a container plant, and a mobile home sales office. The site was separated from shopping by a busy highway and railroad tracks. The site also included structures which required demolition.

Based on our review, we recommended cancellation of the project's fund reservation. However, because of the time that had elapsed since fund reservation and the expenses incurred by the project's borrower and sponsor, HUD instead granted the borrower 90 days to come up with a new site for the project. (Audit Report No. 87-PH-112-0001.)

**Inadequate Repairs  
on Multifamily  
Projects in HUD's  
Possession**

Improved efforts are needed to ensure that multifamily housing projects in HUD's possession are properly maintained and preserved and that the tenants residing in such projects are not exposed to risks to their health and safety. Multifamily housing projects come into HUD's possession as a result of abandonment or default by their owners. HUD can either be mortgagee-in-possession or the owner of a project. While in HUD's possession, the Department is responsible for making any necessary repairs to such projects.

Our inspections of five HUD-owned multifamily housing projects under the Boston Office's jurisdiction disclosed adverse conditions such as water infiltration, deteriorated walls, stairways, and entranceways, electrical hazards, defective water heaters, and hazardous fire escapes. Although the primary concern is the protection of the health and safety of tenants, a lack of prompt action to address needed repairs to projects can expose HUD to increased financial losses.



*Sheetrock ceiling beneath stairway at Boston project has separated and could collapse.*



*Entrance steps are deteriorated, and rail and sections of canopy are partially missing.*

We recommended that the Boston Office repair the defects identified by our inspections or obtain Headquarters approval for delaying repairs and implement improvements to the system for identifying and addressing required repairs to properties. (Audit Report No. 87-BO-111-0002.)

HUD's Newark, San Francisco and Chicago Offices did not adequately review special claims submitted by or on behalf of project owners participating in the Department's Section 8 Housing Assistance Payments Program. Our review of special claims in conjunction with 29 assisted projects disclosed that claim payments by HUD were overstated by about \$677,000 due to improper or unsupported claim submissions by project owners or management agents.

Project owners may submit special claims to HUD for unpaid rent, tenant damages, and vacancy losses. However, most claims are submitted for vacancy

### **Excess Claim Payments Made to Project Owners**

HUD  
Newark Office

losses which are limited to 80 percent of the Section 8 rent up to a maximum of 60 days. The \$667,000 of ineligible claim payments occurred because Field Offices did not consider special claims a high priority and because they did not establish adequate procedures to ensure payment of only eligible and proper claims.

We recommended that the Newark, San Francisco and Chicago Offices implement effective procedures for reviewing Section 8 special claims and obtain repayments from project owners for the improperly paid claims identified in our audit reports. (Audit Report Nos. 87-NY-103-0001, 87-SF-103-0001, and 87-CH-103-0002.)

### **Community Planning and Development**

Our audits disclosed problems in three areas of Community Planning and Development: Servicing Rehabilitation Loans; the Rental Rehabilitation Program; and the Community Development Block Grant Program.

#### **Servicing Rehabilitation Loans**

Our review of HUD's contract for the servicing of rehabilitation loans provided under Section 312 of the Housing Act of 1964 found that the contractor was seriously deficient, and HUD did not adequately monitor the contractor. The contractor was responsible for servicing loans totalling about \$326 million. There were repeated cases of deficiencies where: borrowers did not receive timely or accurate bills; prompt and appropriate follow-up was not made on delinquent accounts; escrow analyses were not performed as required; disbursements for property taxes and insurance premiums were not made on time; seriously delinquent loans were not promptly processed for collection through legal action; and loans were recommended for write-off even though all required collection actions were not taken.

These deficiencies resulted in collection delays; increased exposure to losses; borrower inconvenience; unnecessary funding of interest-free escrow advances; insurance terminations which exposed the government to potential claims for property damages; improper charges to borrowers for late property tax payments; and unproductive use of contractor resources.

We recommended that HUD: (1) require the contractor to develop a detailed action plan, fully describing the necessary internal controls, to correct the servicing deficiencies; (2) develop and implement a detailed plan to monitor corrective actions; and (3) revise the contract to provide the servicer with incentives to meet loan servicing requirements.

#### **Rental Rehabilitation**

Since September 1, 1986, our office has issued seven audits on the Rental Rehabilitation Program. This is a relatively new program started in Fiscal Year 1984 which provides assistance in two ways: funds are provided to private owners of rental properties for repairs, and Section 8 rental subsidies are

provided to low- and moderate-income residents. The funds are allocated to States and local governments on a formula basis. The problems we identified are summarized below.

- Grantees did not document that at least 70 percent of the beneficiaries were lower income.
- Grantees could not document that properties did not meet Section 8 Housing Quality Standards before rehabilitation and did meet the Standards after rehabilitation.
- Grantees could not document that only 50 percent of repairs were paid for with Rental Rehabilitation funds.
- Section 8 assistance was provided to ineligible recipients and was not provided to eligible recipients.
- Local governments did not effectively monitor the operation of the Rental Rehabilitation Program.
- Rental Rehabilitation funds were spent on administrative costs which are not allowable.

We recommended that the State and local governments develop procedures to assure that the subgrantees meet the program requirements. In addition, the grantees should monitor the operations of the subgrantees to determine compliance.

The following were significant audits of the Community Development Block Grant (CDBG) Program:

#### *Virgin Islands*

Financial management and operations in the Virgin Islands (V.I.) Government have been deteriorating since at least 1982. At that time, a task force composed of OIG representatives from agencies providing funds to the V.I. found significant weaknesses in: (1) payroll and procurement operations; (2) automatic data processing; and (3) financial management systems. The magnitude of these deficiencies seriously jeopardizes the integrity of programs funded with Federal money. The task force report triggered promises of improvement from the Virgin Islands Government and the development of new systems which appeared to contain the requisite safeguards against abuse. However, conditions did not improve.

In October 1986, the Inspectors General for eight agencies wrote a joint letter to their agency heads outlining the problems in the Virgin Islands and the impact these problems could have on agency programs. The letter recommended that senior grants management officials become personally involved to ensure necessary technical assistance and oversight of financial operations.

#### **Community Development Block Grant Program**

Our audit report of January 22, 1987, discussed several significant deficiencies in the operations of the Virgin Islands Planning Office. The Planning Office improperly drew down \$600,000 from the U.S. Treasury, prematurely disbursed the funds to a local development company, and failed to monitor the company's activities. We disallowed \$350,000 of the costs as ineligible and questioned the remainder because the costs were not properly supported.

The Planning Office did not adequately monitor and evaluate program progress or ensure that program objectives were met. Excessive administrative and planning costs of \$262,000 were charged to the Program and the Planning Office did not properly use \$155,000 of program income.

We recommended that HUD require the Planning Office to install effective management controls to prevent the recurrence of the noted problems. In addition, HUD should request that improper costs be repaid from non-Federal funds. (Audit Report No. 87-NY-244-1018.)

#### *Bayamon, Puerto Rico*

We examined the CDBG operations of the Municipality of Bayamon, Puerto Rico, and found that Bayamon was unable to provide adequate evidence showing that three funded activities met at least one of the CDBG Program's broad national objectives. The three activities were the acquisition of land to be used as a stadium parking lot, the purchase of an old theater, and the construction of a Science Park. We questioned total costs of over \$3.1 million.

We also found that Bayamon charged \$1.5 million to the CDBG Program for other activities that are not allowable and \$400,000 that is questionable due to a lack of documentation. These questionable and ineligible costs include: (1) construction costs of 16 housing units that were not included in the CDBG application; (2) costs improperly incurred to convert the old City Hall into a museum; (3) salaries and fringe benefits paid to employees who did not work on CDBG-related activities; and (4) charges that are excessive or not of benefit to the CDBG Program.

We recommended that the \$1.5 million in ineligible costs be disallowed and Bayamon be directed to reimburse that amount to the CDBG Program from non-Federal funds. We also recommended that the HUD Caribbean Office determine the eligibility of \$3.5 million of questionable costs. (Audit Report No. 87-NY-241-1019.)

#### *San Mateo, California*

Our audit of the CDBG Program administered by the County of San Mateo, Redwood City, California, disclosed that the County did not maintain an adequate inventory control for almost 500 rehabilitation loans totaling about \$7.6 million which were transferred to loan servicers. As a result, they could not readily determine how many loans had been made or their status; ensure

loan servicers accounted for all loans and repayments; or monitor the proper servicing of loans.

We also found inconsistent, inaccurate and untimely loan processing; improper loan processing which disregarded loan limitation factors; lack of monitoring to ensure compliance with processing requirements; no evidence of competitive bidding in awarding repair work; inadequate inspections of repairs; and lack of a system to receive and resolve homeowner complaints about rehabilitation work. This meant there was no assurance that loans were eligible, repair work costs were fair and reasonable, and loan processing and approval were proper. The results were payments for unsatisfactory work, dissatisfied homeowners, and an unnecessary financial burden to low- and moderate-income loan recipients.

We recommended that the County develop and implement procedures to improve loan processing, control, and follow-up; the County should also establish a system of controls to ensure proper management oversight of the rehabilitation program. We also recommended that the County consider formal program policy change to avoid foreclosing on low-income homeowners who encounter unforeseen financial difficulties or whose defaults were partially caused by the County's actions. (Audit Report No. 87-SF-241-1005.)

### **General Administration**

This section summarizes the major audits we performed in the area of administration.

Our audit of HUD's Single Family insurance processing disclosed errors, omissions and delays in entering data that contributed to errors in paying insurance claims, ineffective controls over mortgage insurance premiums, inaccurate accounting for mortgage insurance funds, and reporting of unreliable information to management and external entities. Delays in entering the data and data entry omissions contributed to the Department's incurring \$1.5 million in interest costs for the 12-month period ending April 30, 1986.

### **Inadequate Insurance Processing System**

Our audit included analyses of the Computerized Homes Underwriting Management System (CHUMS) and related manual processes. Since CHUMS was implemented in 1985, the Department has concentrated its efforts on meeting the record volume demands for single family mortgage insurance. Less attention has been paid to the accuracy and completeness of processing single family insurance data. Housing staff have not established goals for the accuracy and completeness of data entered into CHUMS. As a result, the Department's automated single family systems contain errors and omissions.

We recommended that the Department: establish goals for the accuracy, completeness, and timeliness of entering data into CHUMS; implement procedures for evaluating accuracy, completeness, and timeliness for each Field Office at least annually, and reporting results to Headquarters and Field Office



management; and establish automated audit trails over HUD-processed mortgage insurance. (Audit Report No. 87-AA-166-0002.)

**Implementation of  
the Federal  
Managers' Financial  
Integrity Act of  
1982**

For the fourth consecutive year, we reviewed HUD's compliance with the Federal Managers' Financial Integrity Act of 1982 and the related guidance provided in Office of Management and Budget (OMB) Circular A-123 (Internal Control Systems) and OMB Circular A-127 (Financial Management Systems). With regard to internal control systems, we found that HUD's Fiscal Year 1986 activities included some reviewing, testing, and improving of internal controls, as well as initiating changes to the internal control evaluation process to comply with revisions to OMB Circular A-123. Although our review disclosed deficiencies in HUD's recorded accomplishments and changes to its evaluation process, we concluded that HUD could provide required assurances for internal control systems which had been evaluated through September 30, 1986.

However, the Department had not conducted internal control reviews in all of the most vulnerable areas. In 1984, HUD identified 62 highly vulnerable areas, but by the end of Fiscal Year 1986, only 25 reviews had been performed. OMB guidelines require that all highly vulnerable areas be acted upon in Fiscal Year 1987, but HUD's management control plans indicated that all of HUD's highly vulnerable areas would not be reviewed until 1990. We recommended that HUD schedule reviews of all the highly vulnerable areas by the end of Fiscal Year 1987. In responding to our audit, the Office of Administration indicated that the management control plans would be reassessed. We will conduct a mid-year review of HUD's Fiscal Year 1987 internal control evaluation activities to evaluate the Department's progress.

With regard to HUD's financial management systems, we found that HUD had not performed sufficient work to conclude whether or not its systems conform with applicable accounting principles and standards. The Assistant Secretary for Administration agreed with our conclusions, and reflected them in the Secretary's Annual Statement to the President and the Congress on HUD's compliance with the Federal Managers' Financial Integrity Act. (Audit Report No. 87-AO-161-0001.)

## Chapter 3

### SIGNIFICANT INVESTIGATIONS

This Chapter describes some of the more significant prosecutive actions which occurred during the reporting period. The Chapter is divided into Rental Assistance; Public Housing and Multifamily; the Community Development Block Grant Program; and Title I. Chapter 1 of this report summarizes our efforts in the Single Family Program area, e.g., loan origination and equity skimming, and details significant investigative results.

#### Rental Assistance

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. Investigations involving landlords and other individuals administering rental assistance programs are discussed under Public Housing and Multifamily. The following actions were recorded:

- Individuals Indicted: 48
- Individuals Convicted: 44
- Restitution/Repayments: \$465,898
- Total Fines: \$ 11,996

The following are examples of recent investigation activities in the rental assistance area involving tenants.

- Thirteen tenants of the Athens, Georgia Housing Authority were sentenced for submitting fraudulent information which resulted in their receipt of ineligible rental assistance totalling \$85,882. Eleven of the tenants were each sentenced to 5 years probation and ordered to make restitution of the over-paid assistance to the Housing Authority. Each of these tenants was also sentenced to serve a specific amount of jail time which varied in length from 2 to 20 days. One tenant entered into a pretrial diversion agreement with the Department of Justice. Another tenant was not ordered to make restitution but was sentenced to 1 year confinement and 5 years probation; her husband was sentenced to 2 years confinement for aiding and abetting. This brought the total number of convictions to 19 and the total restitution ordered to \$135,643 for this effort at the Athens Housing Authority. The investiga-

tions were conducted by the OIG as a result of an earlier computer matching effort.

- Eleven individuals were indicted by a Federal Grand Jury in Memphis, Tennessee, and charged with 37 counts of submitting false statements to HUD in order to obtain Section 8 housing assistance payments. Eight of the tenants were indicted for submitting false statements to HUD to obtain rental assistance by understating their income. A daughter of a tenant and the daughter's employer were indicted for falsifying a Verification of Employment (VOE) form which understated the daughter's income. A co-worker of another tenant was indicted for falsifying the tenant's VOE. Investigation disclosed that between 1972 and 1984, a total of \$47,945 in unauthorized rental assistance was realized by the tenants.
- Two tenants in Basking Ridge, New Jersey, concealed bank assets totalling \$176,000 and received Section 8 assistance from 1978 through 1986 to which they were not entitled. A default judgement was entered against them in U.S. District Court, Newark, New Jersey, for \$99,304 through the False Claims Act for not properly disclosing their assets and income from the assets. (United States vs. Benjamin and Ida Kfefel, District of New Jersey.)
- In San Francisco, California, a husband and wife were sentenced for submitting false statements to HUD and the State Department of Social Services. From 1980 through 1985, they failed to disclose their true family income and composition and received housing and welfare assistance to which they were not entitled. The tenants were sentenced to 5 years probation and ordered to make restitution of \$24,019 to HUD and \$20,203 to the Department of Social Services. (United States vs. Allen and Joyce Jordan, Northern District of California.)
- A Section 8 tenant was sentenced in United States District Court, San Francisco, California, to 5 years probation and ordered to make restitution of \$13,439 to HUD and \$11,018 to the Department of Public Services, City and County of San Francisco. The sentencing followed a guilty plea to two counts of theft of government funds. The tenant failed to report her true income between 1981 and 1984, thereby benefitting from overpayments of Section 8 assistance amounting to \$13,439 and Aid to Families with Dependent Children and food stamps amounting to \$11,018. (United States vs. Cheryl Ann Weaks, Northern District of California.)
- A tenant in Buffalo, New York, who received rental assistance for three apartments, pled guilty to theft of government funds. A civil judgement in favor of the U.S. Government for \$35,142, which represents the amount of overpaid Section 8 assistance he received between 1982 and 1985, was also obtained by the U.S. Attorney. The tenant owned four properties and six cars while receiving rental assistance. (United States vs. Verzel Johnson, Western District of New York.)

### Public Housing and Multifamily

- A project site manager was indicted, and a management firm president and 1986 Congressional candidate was convicted, on charges involving placing ineligible tenants in Damen Court Apartments, a Chicago, Illinois housing complex. The manager was also a director of the East Garfield II organization, one of the general partners which developed the project. She was charged with eight counts of mail fraud and four counts of submitting false statements to HUD in conjunction with her role in placing ineligible and over-income tenants in Section 8 assisted units.

The management firm president/Congressional candidate was convicted on five counts of submitting false statements to HUD and one count of obstruction of justice. In addition to using his position to place ineligible tenants in the project, he also submitted false records to the government to conceal his activities.

To date, the investigation at Damen Court Apartments has resulted in guilty pleas, convictions, civil judgements, and/or pretrial diversion agreements involving 20 individuals. Court-ordered fines and restitutions have exceeded \$210,000. (United States vs. Jeannette Nickles and Jerald E. Wilson, Northern District of Illinois.)

- A Federal Grand Jury indicted the Executive Director of the Greenville, Michigan Housing Authority on one count of embezzlement. An OIG investigation, which followed an OIG audit performed at the Housing Authority, disclosed that the Executive Director allegedly embezzled \$29,194 in tenant rental receipts. The apparent thefts were masked with manipulation of subsidy payments made by HUD to the Housing Authority. (United States vs. Patricia Ann Heynen, Western District of Michigan.)
- An Executive Director of the Marshall Housing Authority (MHA) and Jefferson Housing Authority (JHA), was sentenced in Marshall, Texas, to 5 years probation and ordered to make restitution of \$26,189 to HUD. The Director pled guilty to one count of embezzlement. She admitted converting \$14,613 from the MHA and \$11,575 from the JHA for her own personal use. (United States vs. Jean Brown Bradix, Eastern District of Texas.)
- An Assistant Executive Director of the Pontiac, Illinois Housing Authority and a Section 8 housing owner, who was the official's husband, were sentenced to a total of 5 months in jail, 10 years probation, fined \$200 and ordered to make restitution in excess of \$21,000. The Assistant Executive Director caused the distribution of rent subsidy funds to her husband for tenants who were never in the assisted housing program. False payments were also made to the owner for nonexistent damages and vacancy losses, resulting in misappropriation of rental subsidies from 1983 to 1985. (United States vs. Sandra and Thomas Kenward, Central District of Illinois.)

- An Executive Director for the Housing Authority of the City and County of Nacogdoches, Texas, was sentenced to 6 months in prison and 5 years probation, and ordered to serve 300 hours of community service and make restitution of \$8,586 to HUD. The Director previously pled guilty to one count of embezzlement. She used the names of fictitious tenants and landlords to divert Section 8 payments to herself. (United States vs. Carolyn Kay Johnson, Eastern District of Texas.)
- An Executive Director of the Riviera Beach, Florida Housing Authority was sentenced to 3 years probation upon release from State prison where he is currently serving a 10-year term for manslaughter, and ordered to make restitution of \$8,000 to HUD. The Executive Director was charged with two counts of defrauding the Housing Authority by converting funds entrusted to his care for his own personal use. (United States vs. Clarence Stringer, Southern District of Florida.)
- The Executive Director of the Billings, Montana Housing Authority pled guilty to stealing money from the Authority. He was sentenced to 4 years confinement and fined \$7,500. A joint investigation by the FBI and the OIG disclosed that the Executive Director embezzled \$26,780 for which full restitution has been made. This individual has been suspended from participating in HUD programs. (United States vs. Peter Langdorf, District of Montana.)
- An Executive Director of the Indian Housing Authority (IHA), Iowa Tribe of Kansas and Nebraska, White Cloud, Kansas, pled guilty to one count of making a false statement. The Director had been indicted on three counts of embezzling IHA funds totaling \$5,010 between January 1983 and April 1984. He converted funds from a laundry receipts cash fund and from cashed checks drawn on the IHA insurance account to his own use. (United States vs. James A. Rhodd, District of Kansas.)
- A Chicago area businessman was charged with 27 counts of mail fraud, wire fraud and interstate transportation of stolen property. Between 1976 and 1984, he allegedly provided worthless bids and/or payment and performance bonds, or offered to obtain sureties and loans in exchange for substantial fees from clientele throughout the United States. Allegedly, neither the bonds, loans, nor services were provided, nor was the money returned. Seven counts of the indictment related to the businessman's role in providing a purportedly fraudulent payment and performance bond for the construction of an elderly housing project in Indiana. A default by the general contractor on the project, and the lack of a bona fide performance bond, resulted in additional costs to HUD of approximately \$495,000. (United States vs. Robert A. Allabastro, Northern District of Illinois.)

#### **Community Development Block Grant Program**

- Two developers of the Citadel housing project in Kansas City, Missouri, were each sentenced to 3 years in prison, 5 years probation to be served after

the prison sentence, fined \$10,000, and ordered to make restitution of \$35,000. The developers were found guilty by jury trial to one count of conspiracy to defraud the government and five counts of making false statements. An FBI investigation disclosed that the developers submitted a bill to the City of Kansas City, which administered the Community Development Block Grant (CDBG) Program, for \$135,000 for site preparation work which was not performed. They certified that the work was completed during 1982 and 1983, even though the work was not eligible for reimbursement from CDBG funds. The developers also falsely certified to the ownership of a subcontracting firm which was actually owned by one of the developers. The developers have been suspended from participating in HUD programs. (United States vs. Troy P. Campbell and Luther D. White, District of Missouri.)

- A director of a rental housing improvement program which received CDBG funds in Pittsburgh, Pennsylvania, was indicted for embezzlement, conspiracy, making false statements and extortion over a 2 1/2-year period. The director was charged with allegedly funneling money into a business which he owned and which was set up in the name of another man. Loans were made to the business to remodel houses. The money did not have to be repaid if the houses were rented to low- or moderate-income tenants. It was alleged that approximately \$89,000 was embezzled between 1983 and 1985, with more than \$900,000 spent on projects in which the director, relatives or business associates had interests. The FBI conducted the investigation. (United States vs. David Joseph Panza, Western District of Pennsylvania.)
- An inspector for the Bureau of Housing, South Bend, Indiana, an agency funded by HUD, was arraigned on a charge of embezzlement of property from a program receiving Federal aid. It was alleged that a contractor was bribing the inspector to find out what cost estimates were being placed on houses to be rehabilitated so that he might make bids close to those estimates. The FBI conducted the investigation. The inspector has been suspended from participating in HUD programs. (United States vs. Henry Lee Davis, Northern District of Indiana.)
- In Jackson, Mississippi, an employee of an administrator of funds through the CDBG relocation program, was sentenced to 6 months in prison, placed on probation for 5 years, and ordered to make restitution of \$14,779. The employee had been indicted on 10 counts of receiving funds with the intent to defraud HUD. An FBI investigation disclosed that the employee would accompany recipients of relocation payments to a bank to cash their relocation checks. She then told the recipients that she would retain a certain amount of the funds in an escrow account to be used if the recipient failed to make future rental payments, but she converted the money to her personal use. The employee has been suspended from participating in HUD programs. (United States vs. Clara Harges, Northern District of Mississippi.)

### Title I

- The president of a mobile home dealership in Cincinnati, Ohio, was sentenced to 90 days in jail, 3 years probation, a \$5,000 fine, and was ordered to make \$25,000 restitution to HUD. The mobile home corporation was also fined \$15,000 and ordered to make \$50,000 restitution to HUD. From 1982 to 1984, the president and sales personnel submitted false loan applications for mobile homes so that minimum down payment requirements were not met. (United States vs. Jack Woods and WSH Development, Inc., d/b/a Orchard Lake Mobile Homes Sales, Southern District of Ohio.)
- A Federal Grand Jury in Philadelphia, Pennsylvania, returned indictments against eight people for submitting numerous false applications for Title I home improvement loans during 1982 and 1983. The eight individuals allegedly created fictitious background and credit information, including false dates of birth and Social Security numbers, to obtain loan approval. There were 29 fraudulent loans insured by HUD, and 19 have resulted in defaults with losses totaling approximately \$246,300. Several loans were on condemned properties. (United States vs. Alonzo Pride, et al., Eastern District of Pennsylvania.)
- A former HUD loan specialist in San Juan, Puerto Rico, was placed on 5 years probation and ordered to make restitution of \$7,500 to HUD for falsifying documents for two Title I loans. After receiving loans to make home improvements, the employee submitted photographs of another property, not his own, to show the work was completed, when in fact it was not. (United States vs. Felix E. Ramos-Carraballo, District of Puerto Rico.)

## Chapter 4

### 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. The chapter consists of five parts: Fraud Awareness; Monitoring Audit Quality; the President's Council on Integrity and Efficiency; the Committee on Fraud, Waste, and Mismanagement; and the HUD Hotline.

#### Fraud Awareness

During this reporting period, three major awards were given to individuals for their actions combatting fraud, waste, and mismanagement. Our awareness efforts included publicizing these awards, as well as educating program participants, program administrators, and HUD employees in the prevention and detection of fraud and abuse.

President Reagan presented Henry J. Myers, a Special Agent with HUD's Office of Inspector General Philadelphia Office, with the Paul R. Boucher Public Service Award for exceptional performance in fighting fraud and waste in the Federal Government. The award was presented on behalf of the President's Council on Integrity and Efficiency.

**Paul R. Boucher  
Public Service Award**

Since 1983, Mr. Myers has worked on a joint FBI/HUD-OIG/Veterans Administration-OIG task force investigating single family mortgage fraud in the Camden, New Jersey area. As a result of his leadership, 34 persons have been convicted and the government has recovered \$857,000 in fines and restitutions. The Department of Justice is pursuing civil cases against those convicted in an effort to recoup the government's losses. Special Agent Myers was among the first to recognize the magnitude of the problem and was instrumental in organizing the task force. The investigation and the problems in Camden are reported in Chapter 1 and have attracted widespread media attention, including a segment on the CBS television show "60 Minutes."

The Inspector General made two cash awards to HUD employees whose disclosures resulted in cost savings to the Department. These awards were given under authorities granted in Public Law 99-145. The first award went to Lynn Stowell of HUD's Seattle Regional Office. Mr. Stowell obtained an allegation from a mortgage company that suspected three homebuilders of supplying false information about down payments in order to get FHA-insured mortgages. Mr. Stowell took this information to the Regional Inspector General for Investigation along with a list of properties sold by the homebuilders. The subsequent investigation substantiated the allegations and resulted in convictions of all

**Inspector General  
Cash Awards**



three builders on charges of making false statements on 76 loan applications. In addition to 6-month prison terms, the builders were ordered to repay \$575,000.



*The above certificate and a cash award are presented by the Inspector General to HUD employees whose disclosures of fraud, waste, or mismanagement result in cost savings to the Department.*

The second award went to Alexander Juarez for detecting and reporting the failure of a public housing authority to fully disclose \$748,000 which should have been returned to HUD. In the HUD Fort Worth Office, Mr. Juarez was responsible for reviewing independent public accountants' reports on public housing authorities. Although he was only required to review reports with regard to the audit findings referred to him by the Office of Inspector General, he extended his review of the Dallas (Texas) Public Housing Authority and determined that the accountant had not detected \$496,000 due HUD. Mr. Juarez brought this information to the attention of the Regional Inspector General for Audit, who found that he was correct. A subsequent review by Mr. Juarez of another audit report of the same housing authority identified additional excess subsidies. The Authority agreed a refund was due and returned a total of \$748,000 to HUD.

These publications are intended to increase participants' awareness of fraud and to enhance their ability to detect and prevent it. During the past 6 months, we distributed the following bulletins:

## **Awareness Publications**

- **GNMA Mortgage-Backed Securities.** This bulletin discusses the responsibilities of issuers of Government National Mortgage Association mortgage-backed securities to identify areas of risk and to minimize potential loss. It also describes sanctions that HUD's Mortgagee Review Board may take against mortgagees that violate HUD rules.
- **Section 8 Moderate Rehabilitation Program.** This bulletin is designed to make public housing authorities aware of actual and potential mismanagement and abuse in the Section 8 Moderate Rehabilitation Program. The bulletin provides examples of irregularities found by the OIG staff to illustrate the common mistakes, schemes, and trouble areas in the administration of the program.
- **Rental Assistance Program.** We are preparing a publication for rental assistance applicants and tenants to alert them of their responsibilities under the rental assistance program and the sanctions that exist for violations of the program.

To aid the Department in addressing problems in the single family area, we are also developing awareness publications aimed at different participants in the single family process. These publications include:

- **Fraud in Single Family Loan Originations.**
- **Auditing HUD-Approved Mortgagees.**
- **Fee Appraisers.**
- **Single Family Mortgage Servicing Responsibilities.**

We presented training on "Prevention and Detection of Tenant Fraud at sessions sponsored by housing organizations across the country. These included: the North Carolina Section 8 Association; the Mississippi Association of Housing and Redevelopment Officials; the Southeast Regional Council of the National Association of Housing and Redevelopment Officials; the Florida Association of Housing and Redevelopment Officials; and the Kentucky Housing Association. These presentations covered tenant fraud and used specific prosecuted cases to illustrate different types of schemes and how they were uncovered. The presentations also explained what to do when tenant fraud is suspected or found.

## **Training Workshops**

### Monitoring Audit Quality

This section summarizes activities we have undertaken to monitor and improve the quality of audit work performed by non-Federal auditors. Such monitoring is required by the Inspector General Act of 1978 which provides that the Inspector General shall take appropriate steps to ensure that audit work performed by non-Federal auditors complies with the audit standards established by the Comptroller General.

The Department annually receives, pursuant to program requirements, more than 25,000 non-Federal audit reports. These include audits of State and local governments under the Single Audit Act, as well as entities participating in Federally insured housing programs and the mortgage-backed securities program under the National Housing Act. Only about 3,200 reports are reviewed by the Office of Inspector General (OIG). The majority of non-Federal audit reports are submitted directly to HUD program managers. HUD officials rely on these audits to provide financial and compliance information necessary for proper administration and oversight of Federal programs.

OIG monitoring activities include performing desk reviews of issued reports and more extensive on-site quality control reviews of audit work supporting non-Federal audit reports. Where necessary, clarifications and revisions of audit reports are obtained. In some instances, where the non-Federal audit work is found to be substandard or the non-Federal auditor has previously been advised of similar major inadequacies, the OIG will initiate referrals to regulatory and professional bodies. Referrals have been made to the American Institute of Certified Public Accountants (AICPA) and appropriate State Licensing Boards. In each case, we request that the AICPA or State board review the case and take appropriate sanctions. HUD may also take sanctions, including debarment, suspension, and temporary denial of participation in HUD programs.

The following table summarizes the monitoring results for the reporting period.

## 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 <sup>1</sup>	1,527	38	1,565	184	3	187	1,752 <sup>2</sup>
Total Reports on which Quality Control Reviews (QCRs) were Performed	153	3	156	140 <sup>3</sup>	0	140	296 <sup>3</sup>
Number of Reports Issued Without Modifications	1,330	26	1,356	133	3	136	1,492
Number of Reports Issued that Required Auditor Modifications:							
a. Based on Desk Reviews	168	12	180	40	0	40	220
b. Based on QCRs	29	0	29	11	0	11	40
c. Totals	197	12	209	51	0	51	260
Number of Reports Determined Not to Satisfy Federal Audit Requirements	1	0	1	14	0	14	15
Number of Non-Federal Auditors Referred to State Boards/AICPA for Substandard Work	2	0	2	6	0	6	8
Number of Non-Federal Auditors against which Other Sanctions Were Taken	0	0	0	3	0	3	3

<sup>1</sup>All reports are subject to desk reviews.

<sup>2</sup>This does not include Defense Contract Audit Agency and Single Audits for which we are not the cognizant agency.

<sup>3</sup>This includes 112 QCRs done on reports not issued in line 1.

The following is a brief description of the results of our monitoring efforts during the reporting period.

- Working papers lacked supporting documentation of required compliance tests.
- Little or no documentation existed of reviews of internal controls.
- Audit programs setting forth the objectives of the reviews were not prepared.
- Working papers were unclear, requiring oral explanation.

### Frequently Identified Audit Deficiencies

**Examples of  
Extremely Deficient  
Audits**

- An Independent Public Accountant (IPA) did not detect and report significant internal accounting and administrative control weaknesses. Because these weaknesses went undetected, the IPA also did not detect a major embezzlement. The IPA's report contained an unqualified opinion with respect to the fair presentation of the financial statements, even though the IPA knew there was a material overstatement of cash.
- Another IPA's working papers were not properly prepared and there were deficiencies in performing audit tests and in reporting internal control weaknesses. The IPA had to issue a 46-page addendum to the original 81-page audit report in order to properly correct or address all the deficient audit areas.
- An IPA issued an audit report that expressed an unqualified opinion on the financial statements of the insured housing project. However, the IPA's working papers indicated that financial statements were not reviewed and that only a compilation review was conducted.

**Results of Referrals  
to State  
Boards/AICPA**

During the reporting period, eight IPAs were referred to State Boards and/or the AICPA. As of March 31, 1987, 16 reviews were underway. Sanctions were administered against three IPAs. The sanctions consisted of a fine of \$250, a required 40-hour continuing education course, and a required General Accounting Office standards quiz.

\* \* \* \* \*

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). The guides were field-tested during this reporting period. Final publication of the guides is expected by the end of Fiscal Year 1987. In addition, a standardized methodology has been developed for PCIE members to use in reporting statistical information on their agencies' efforts to monitor IPAs. These projects will contribute to improved quality of audits performed by non-Federal auditors.

The Office of Inspector General is also heading a Standards Committee review of the disciplinary processes of all State Boards of Accountancy. The primary objectives are to determine: (1) how the various State Boards handle referrals of substandard work; (2) what obstacles exist to preclude effective disciplinary actions; (3) how State Boards define substandard or poor quality work; and (4) what action the IG community can take to improve the referral process. The PCIE will conduct this review in coordination with the National Association of State Boards of Accountancy.

### **President's Council on Integrity and Efficiency**

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

- Chairing the Training Committee which provides training and career development programs for Council members. The committee activities consist of auditor training, investigator training, executive development, and support activities. During this period, we co-hosted a PCIE Executive Development Workshop on "Computer Technology in the IG Community." We also worked on a study of Federal auditor training needs.
- Issuing a Prevention Committee report entitled "Awareness Practices for External Parties." Our office had the lead on this project, conducted in cooperation with the President's Council on Management Improvement. Twenty-one departments and agencies were surveyed regarding the nature and extent of awareness practices to educate external parties on the prevention or detection of fraud, waste, and mismanagement. The survey found diversity in both the level of effort and type of outreach techniques used, and a consensus that efforts undertaken were worthwhile.
- Participating in a Prevention Committee project designed to improve Federal Hotline operations.
- Assisting in an Inspections and Special Reviews Committee study of audit follow-up practices and procedures, which was completed in January.
- Working on a Computer Committee project on computer integrity.
- Participating in an Inspections and Special Reviews Committee project on entry-level hiring, including chairing its entry-level compensation subcommittee.
- Taking part in a Standards Committee project to develop a model audit guide for Inspector General review of implementation of the Federal Managers' Financial Integrity Act.

### **Committee on Fraud, Waste, and Mismanagement**

After approval by the Secretary of HUD, the Department's Committee on Fraud, Waste, and Mismanagement (CFWM) initiated two comprehensive, cross-cutting evaluations of HUD operations. The evaluations are being led by HUD program managers with staff participation from all Departmental components including Headquarters and the Field.

- Evaluation of HUD's Issuances System. Prior HUD reviews and audits have shown that waste and mismanagement have occurred because HUD did

not have adequate policies or procedures for staff and/or program participants. The HUD Unified Issuances System is the official means for developing and disseminating policies and operating instructions. Some of the more frequently mentioned problems with HUD's Issuances System include: outdated policies and procedures; policies in non-handbook form; cumbersome, ineffective clearance process; and inadequate Field involvement in developing issuances.

Accordingly, the objectives of this CFWM evaluation are to isolate system weaknesses and recommend improvements to the existing process for: (1) developing and clearing HUD policies, procedures, forms and operating instructions; and (2) printing, storing, managing and distributing HUD issuances.

- Review of HUD's Evaluation and Resolution Systems. Problems and weaknesses related to HUD programs and activities that are cited in audit reports and other evaluation reports are frequently found to be restatements of findings from previous reviews. This phenomenon of recurring findings may be due to the following: failure to identify the real cause of the problem; failure to recommend a feasible or realistic solution to the problem; inadequate follow-up or tracking of recommendations; failure of management to implement agreed upon actions; failure to hold managers accountable for solving the problem; and overlapping or duplicative reviews.

The comprehensive CFWM review is designed to: (1) determine the effectiveness of these systems in identifying and resolving problems; and (2) make recommendations for correcting noted weaknesses.

### HUD Hotline

The HUD Hotline has been in operation since February 1, 1979. Since that time, we have received over 3,000 complaints. Through Fiscal Year 1986, 22 percent of the complaints generated corrective actions. Although the Hotline was originally set up for HUD employees to report suspected violations, a larger percentage of complaints come from the general public. Complaints vary greatly from suspected violations by subsidized housing tenants to noncompliance with HUD rules and regulations and misuse of HUD funds.

For the reporting period, 118 complaints were closed. Of these, 22.9 percent were valid. The valid complaints generated corrective action consisting of monetary recoveries of over \$652,000, written and verbal reprimands, court-ordered probations, removals, and debarments.

The following highlight some of the Hotline cases resolved during the reporting period:

- A review of a public housing authority (PHA) was performed in response to allegations of improper procurement practices. As a result of that review, the PHA reimbursed HUD \$86,840 in ineligible expenses, hired an experienced procurement director, revised procurement policies, and established internal controls.
- A manager of a HUD office was investigated in response to allegations of violations of HUD's Standards of Conduct. The investigation disclosed that the employee had accumulated bonus "points" on trips associated with governmental travel and had used the "points" to obtain free airline tickets and discount benefits for himself and his family. It was also disclosed that he accorded preferential treatment to personal friends by recommending that they be used to assist in the development of a HUD property, thus giving the appearance of a lack of independence and impartiality. The employee resigned his position as a HUD manager.
- An allegation of improper expenditures of HUD grant funds resulted in a PHA and a City community development authority being required to reimburse a total of \$535,800. These ineligible expenditures involved low-income housing funds for non-program purposes and unreasonable charges to the program for an executive director's salary.
- An investigation of an allegation that a contractor was attempting to receive payment for incomplete and/or shoddy work revealed that the contractor had performed unsatisfactorily on a community development rehabilitation contract. The City was required to reprogram \$7,200 back to the community development project, the contractor was admonished for his substandard rehabilitation work, and the City pledged to maintain higher standards for contractors involved in community development projects.
- A recipient of Section 8 subsidy falsified her employment verification forms by indicating that she was working part time when, in fact, she was working full time and making more than twice what she declared. Prosecution was declined when she repaid the ineligible housing assistance she had received.
- A mortgage company was audited for alleged violations of FHA loan origination requirements and submission of false statements in order to participate in HUD's Direct Endorsement Program. As a result of the audit, the company filed for bankruptcy and the President and Vice President of the company were debarred from participating in HUD programs. The audit report was referred to the Department of Justice for recovery of HUD's losses. A Proof of Claim was filed on behalf of HUD in Federal Bankruptcy Court listing mortgage insurance premiums owed to HUD and other losses suffered by HUD that were attributable to the mortgage company's violations of HUD requirements. Action by the Mortgagee Review Board against this company is discussed in the Single Family Mortgage Insurance section of Chapter 1.



## Chapter 5

### REVIEW OF LEGISLATION

We reviewed legislative proposals 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 on which we commented are described as follows:

#### **Computer Matching and Privacy Protection Act of 1987**

We compared S. 496, "Computer Matching and Privacy Protection Act of 1987," to S. 2756 (same subject), on which we previously voiced serious concerns. Although S. 496 contains some significant improvements over S. 2756, we still had reservations concerning notice requirements and Data Integrity Boards. We objected to the requirement that the matching agreement include procedures for notifying applicants for Federal assistance that any information they provided may be subject to verification through matching programs. Currently, individuals applying for Federal benefits receive Privacy Act notices which state that the information provided will be used for the general purpose of verifying their eligibility to receive specific Federal benefits. The time required to obtain Office of Management and Budget (OMB) approval to print new forms containing revised Privacy Act notices and to provide them to Federal program applicants would preclude the use of computer matching over the next few years. The proposed requirement would seriously impair the ability of program administrators and Inspectors General to detect fraud and abuse in Federal programs. We believe that the notice requirements would be satisfied by current Privacy Act notices until a reasonable period of time has elapsed for agencies to develop and distribute forms to Federal program applicants.

We believe that S. 2756's provision to create Data Integrity Boards could potentially conflict with the authority and independence of Inspectors General. We believe oversight can be effectively addressed through OMB Circular A-130 requirements for annual reviews of computer matching activities. We suggested that responsibility for oversight of agency matches be vested in the agencies' Privacy Act officials.

Our comments were provided to the President's Council on Integrity and Efficiency Legislation Committee for use in commenting on the proposed legislation.

### Low-Income Opportunity Improvement Act of 1987

The draft "Low-Income Opportunity Improvement Act of 1987" contained no mention of any method of preventing fraud, waste, and abuse. Specifically, the proposed bill would allow a State to retain any funds remaining once the objectives of the Act had been attained. No criteria were given for determining when the objectives are met; further, there were no restrictions proposed concerning use of excess funds. It is our opinion that if the recipient is aware that excess funds may be retained for any use without restrictions, the estimate of funds required might well be higher than necessary, thus providing the recipient (the State) with "windfall" money at the Federal Government's expense.

## Chapter 6

### 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, 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 property disposition branch chief was sentenced to 1 year in prison following a guilty plea to one count of mail fraud. The employee altered HUD documents and improperly approved work that contractors performed at a HUD-acquired property beyond the 1-year warranty period. The employee resigned.
- An equal employment opportunity specialist was sentenced to 2 years in prison following a guilty plea to one count of conspiracy and one count of making a false statement (which occurred before the employee began working at HUD). This employee recruited a friend to obtain a HUD mortgage and sign settlement documents which were false. The home was allowed to go into foreclosure. The employee was terminated from her position.
- A loan specialist was sentenced to 18 months in prison and 5 years probation after serving the prison sentence. The employee was found guilty of bribery, mail fraud and wire fraud for soliciting a \$200 bribe from a homeowner to ensure that she would qualify for the mortgage assignment program to save her home from foreclosure. The loan specialist was indefinitely suspended from HUD employment upon being arrested. When the employee was found guilty of the charges, HUD issued a proposal to remove and the employee resigned.
- A loan specialist was suspended for 30 days for creating the appearance of using a position for private gain. The employee solicited employment with a mortgage company while participating in a review of the lender's operations. The employee also asked the mortgage company to waive the loan origination fee on a single family mortgage which the employee was seeking from the lender.
- A clerk-typist was terminated from employment during the probationary period for failing to disclose an arrest and conviction record on an application for employment with HUD.

- A construction analyst received a 10-day suspension for creating the appearance of using a position for private gain. The employee was assisted in the construction of a personal residence by a contractor who had been involved in modernization projects for local housing authorities.
- An environmental engineer received an official reprimand for activity which could have damaged the public's image of the integrity of the Department. The employee attempted to become socially involved with female employees of a real estate developer and discussed with them plans for seeking FHA approval of a subdivision.
- A loan assistant was suspended for 3 days. The employee attempted to obtain court leave under false pretenses. The employee was also charged with 16 hours of absence without leave.
- An equal opportunity specialist was suspended from duty for 5 days for abuse of the Federal Telecommunications System. The employee admitted to making numerous telephone calls to promote a personal business during official government time.
- An appraiser was suspended for 10 days for falsifying government records and withholding information during an investigation. Also, the employee was asked to reimburse the Department \$1,080 for relocation expenses to which the employee was not entitled.

## Chapter 7

### STATISTICAL SUMMARY

Department of Housing and Urban Development

Office of Inspector General

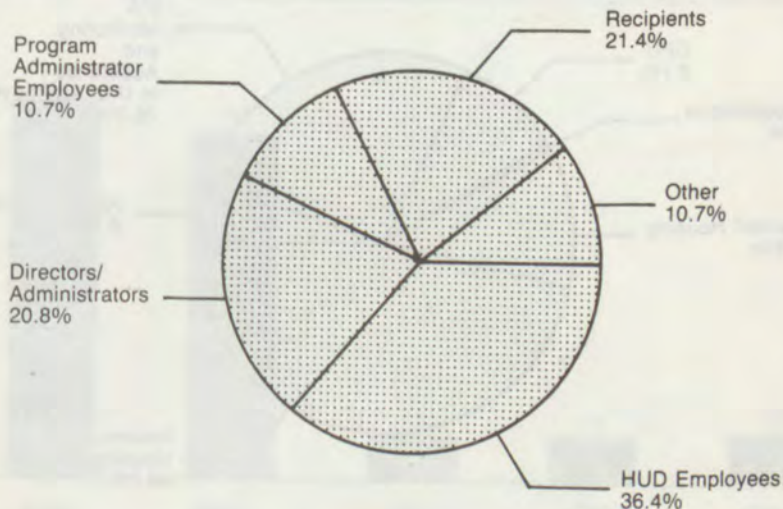
October 1, 1986 through  
March 31, 1987

• <b>Cash Recoveries/Savings</b>		\$21,846,480
Audit:	\$19,885,042	
Investigation:	\$ 1,961,438	
• <b>Cost Efficiencies</b>		\$18,968,493
Audit:	\$18,593,868	
Investigation:	\$ 374,625	
• <b>Commitments to Recover Funds</b>		\$24,556,537
Audit:	\$24,152,759	
Investigation:	\$ 403,778	
• <b>Total Fines Levied</b>		\$246,096
• <b>Indictments (Convictions)</b>		134(154)
Persons and Firms:	133(152)	
HUD Employees:	1(2)	
• <b>Total Years of Prison Sentences</b>		196
• <b>Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board</b>		13
• <b>Suspensions of Persons/Firms Doing Business with HUD</b>		55
Audit:	11	
Investigation:	44	
• <b>Debarments of Persons/Firms Doing Business with HUD</b>		89
Audit:	2	
Investigation:	87	
• <b>Personnel Actions Initiated Against HUD Employees</b>		24
• <b>Subpoenas Served</b>		36
Audit:	24	
Investigation:	12	
• <b>Reports Issued</b>		2,303
Internal Audit Reports:	13	
External Audit Reports:	103	
Audit-Related Memoranda Issued:	74	
Non-Federal & Other Agency Reports Accepted:	2,113	
• <b>Fraud Awareness Publications Issued</b>		3
• <b>Hotline Complaints Opened</b>		121
• <b>Proposed Legislation and Regulations Reviewed</b>		60

The following chart depicts the category of subjects for the 121 hotline complaints received during the past 6 months. Ninety-six of the complaints were received over HUD's hotline and 25 over the GAO hotline.

## Hotline Activities

**Distribution of Hotline Complaints by Subject**  
October 1, 1986 Through March 31, 1987



The following is a summary of significant results for the 118 complaints closed during the reporting period.

- Cash Recoveries = \$652,110
- Court-Ordered Probation = 7 years
- Reprimands or terminations = 14
- Debarment or Temporary Denial of Participation = 3

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

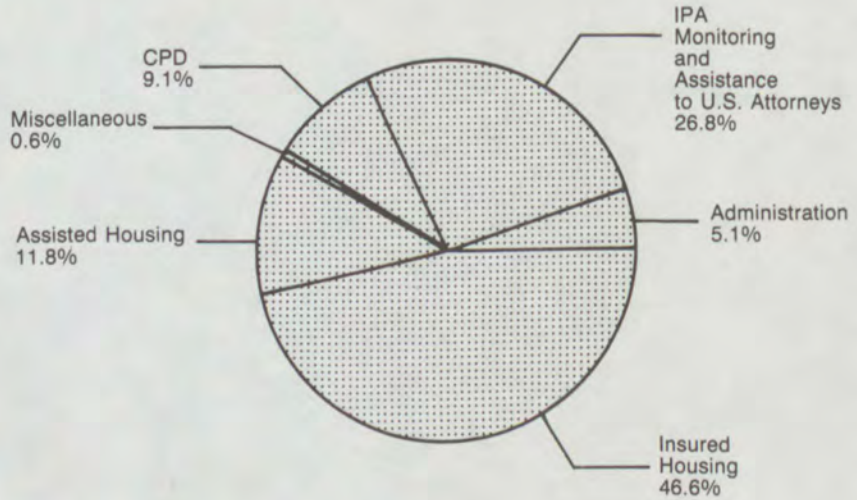
## Audit Findings

- Audit findings unresolved at 10/1/86 = 1,320
- Audit findings issued during the period = 2,453
- Audit findings resolved during the period = 2,339
- Audit findings unresolved at 3/31/87 = 1,434
- Audit findings unresolved over 6 months old = 111 (\$6 million)

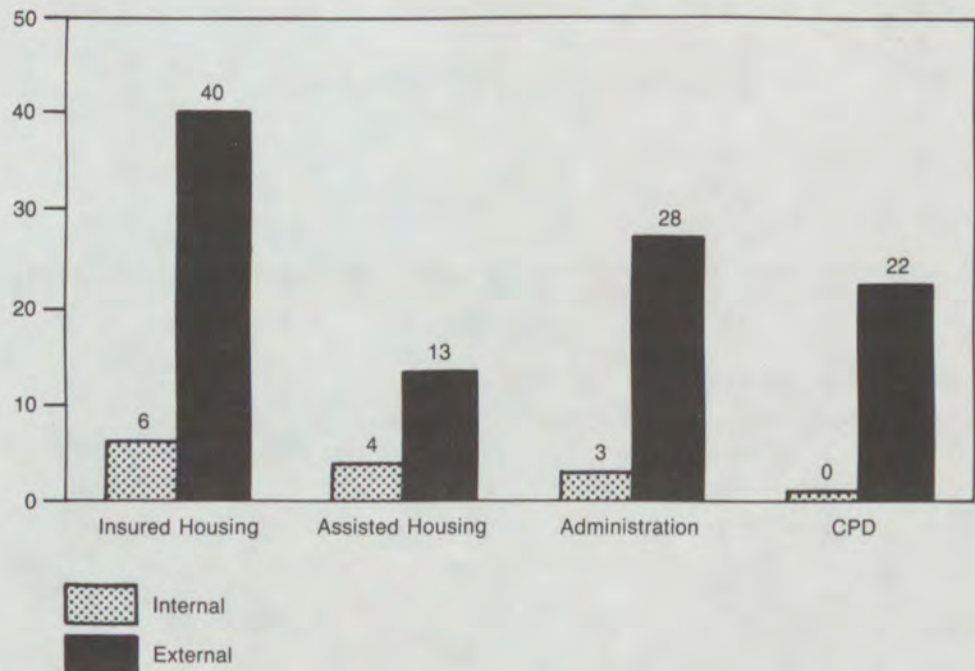
**Audit Resources  
and Results**

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**  
*October 1, 1986 Through March 31, 1987*



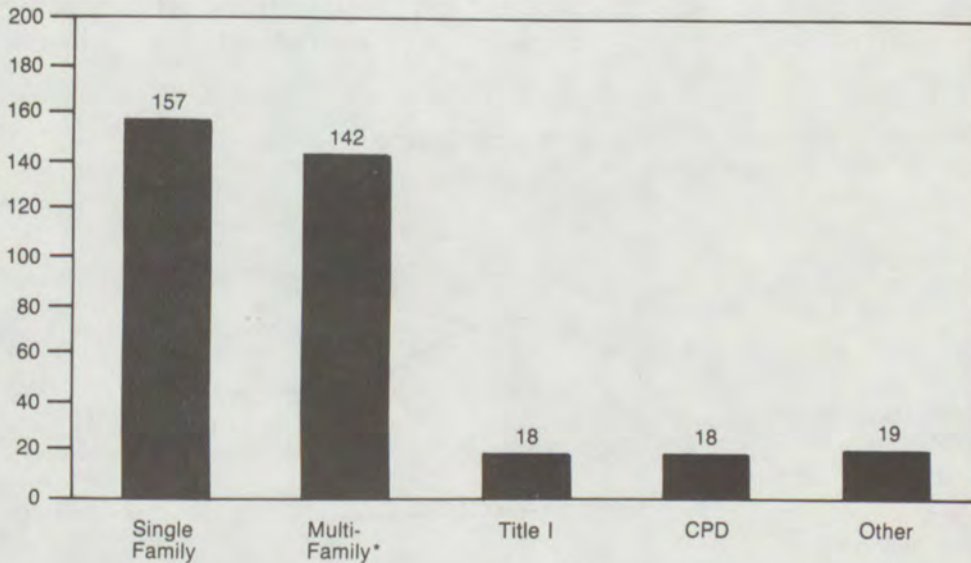
**Distribution of Audit Reports Issued  
by Program Area and Type of Audit**  
*October 1, 1986 Through March 31, 1987*



The following tables show a breakdown of the 597 investigation cases opened during the last 6 months. Of these cases, 354 involved false statement violations as shown below.

**Investigation Cases Opened**

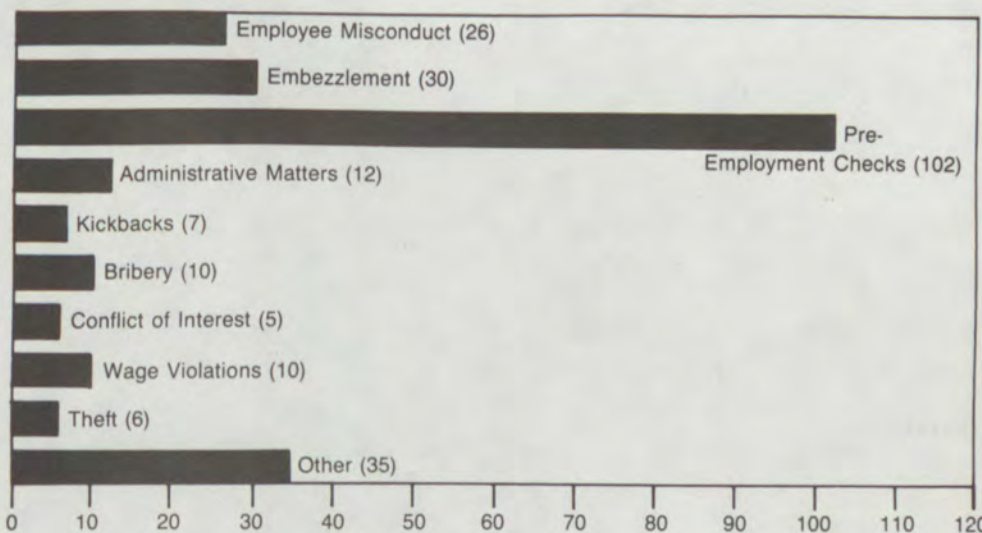
**False Statement Investigation Cases Opened**  
*October 1, 1986 Through March 31, 1987*



\*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 243 cases that were opened.

**Other Categories of Investigation**  
*October 1, 1986 Through March 31, 1987*

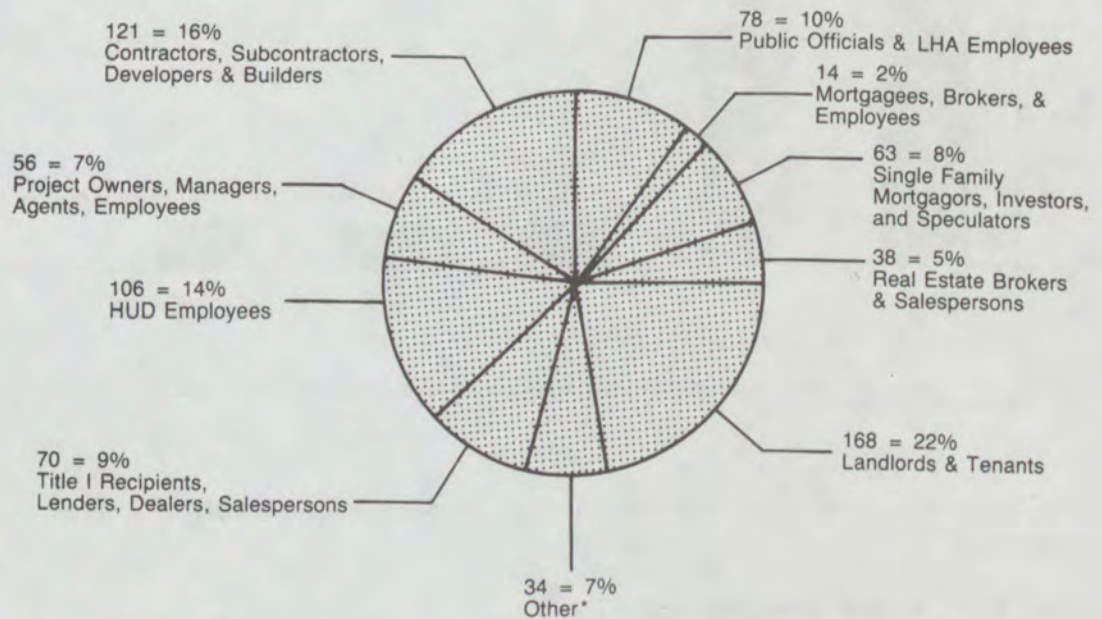




**Pending Cases** At March 31, 1987, we had 1,671 investigation cases either in process or awaiting investigation. Of these cases, 664 were FBI/other cases, 711 were cases of the OIG, and 296 were completed cases pending with the U.S. Attorney.

**Closed Cases** The OIG closed 616 investigation cases during the reporting period. The 616 cases closed involved 748 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**  
October 1, 1986 Through March 31, 1987



\*The "Other" group includes a wide diversity of subjects. Each of these comprises less than 1 percent of the total.

The OIG referred 140 investigation cases for prosecutive consideration as follows:

### Investigation Cases Referred for Prosecution

Referred by OIG to:	No. of Cases
FBI (Prima Facie-OIG Investigation)	3
FBI (No OIG Investigation)	63
Department of Justice	74
Total	140

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.

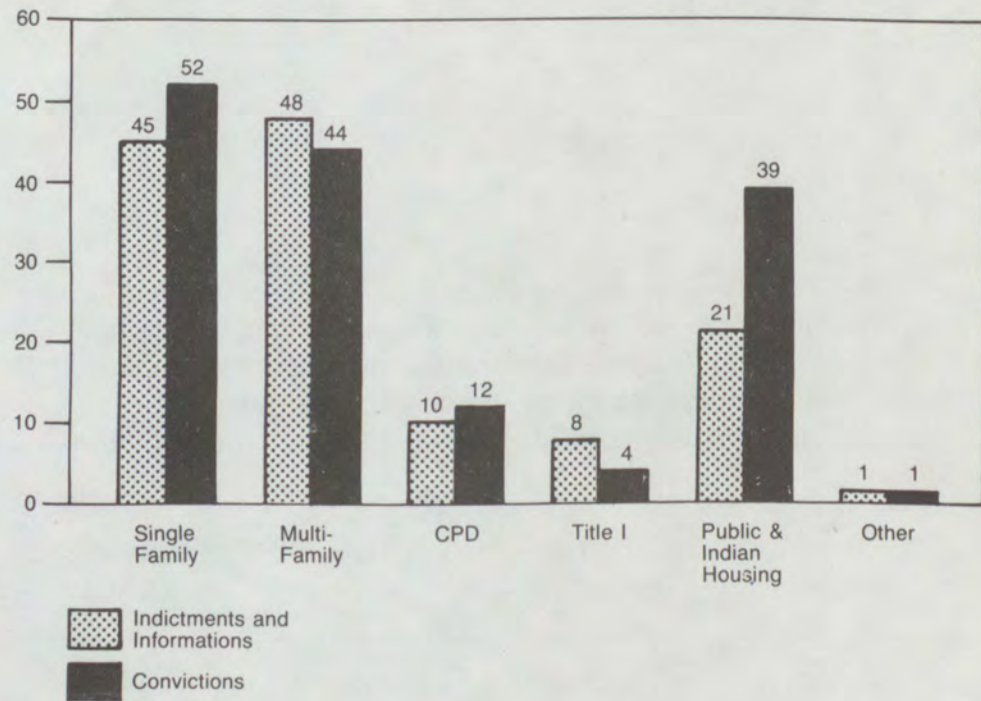
### Prosecutions and Recoveries

	OIG/ Joint Cases	Others Alone	10/1/86-3/31/87 Total
Cash Recoveries	\$1,696,770	\$264,668	\$1,961,438
Total Fines	\$ 49,000	\$197,975	\$ 246,096
Persons/Firms Indicted	90	43	133
Persons/Firms Convicted (Including pretrial diversions)	87	65	152
Total Years Prison Sentences	108	88	196
Total Years Suspended/Probated Sentences	230	189	419

The following table illustrates the program areas in which indictments and convictions (including pretrial diversions) occurred during the past 6 months.

### Prosecutions

October 1, 1986 Through March 31, 1987



## Chapter 8

### AUDIT RESOLUTION AND FOLLOW-UP

Office of Management and Budget Circular A-50 Revised emphasizes that the audit resolution and follow-up process 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.

We continue to focus attention on obstacles to timely and effective audit resolution and follow-up. Our long-range audit plan identifies audit resolution as a significant issue area and includes a number of planned actions to address various aspects of the audit resolution and follow-up process. Currently, we have an audit survey underway to look at how well audit recommendations are implemented.

The following section identifies audit reports which were discussed in previous Semiannual Reports which contain significant recommendations that are not fully implemented. 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. Five reports are highlighted below, followed by the list.

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

- Detroit Housing Department. As part of our follow-up review of financially troubled public housing authorities (see Chapter 2, Significant Audits), we reviewed the Detroit, Michigan Housing Department and found that Detroit was not making progress in addressing its problems. Detroit's major problems are the deteriorating condition of its housing stock and its rising vacancies. We reopened three of our prior audit findings and reported new findings in conjunction with our follow-up review in Detroit. (Audit Report No. 87-CH-201-1007.)
- Title X Land Development. Our March 31, 1986 report concluded that the Title X Land Development Program was not being administered by HUD in full compliance with the intent of statutory provisions and HUD policies. Our report disclosed that HUD's approval of poor mortgage insurance risks caused a high default rate. In addition, some projects were approved even though they were in environmentally unsafe areas.

Citing most of the major findings in our audit, HUD has proposed that its Title X authority be repealed. In the interim, the Department is taking

measures to improve its administration of the Program, particularly in connection with the underwriting and monitoring of projects.

In our report, we disclosed that three Title X projects located on the Chino Basin of California were near the Stringfellow Acid Pit — an EPA-identified hazardous waste site in Riverside, and one of the most toxic waste dumps in the United States. At the time of our audit, HUD had insured 55 single family loans for one of the projects. In order to address the possible implications and legal liabilities for HUD and to comply with our recommendations, a Regional Technical Task Force has been established to monitor the Stringfellow problem. (Audit Report No. 86-TS-112-0012.)

- Title I Property Improvement Loans. Our Semiannual Report for the period October 1, 1985, through March 31, 1986, 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. We recommended that the dealer loan portion of the Title I Program be terminated because of its vulnerability to misuse. HUD's Office of Housing disagreed with our recommendation. Although we met with the program managers several times, we have not yet received the promised alternative solutions to our recommendation nor a target date when they will be provided. The audit report was issued on February 28, 1986. (Audit Report No. 86-TS-122-0010.)
- St. Louis Community Development Block Grant (CDBG) Program. In our last Semiannual Report, we reported that the St. Louis, Missouri Community Development Agency (CDA) used \$1.2 million of CDBG funds for a loan purchase program that did not meet CDBG guidelines. The finding was sustained by the Field Office and is being resolved. The City was notified that it must repay the \$1.2 million within 60 days or its 1987 entitlement grant will be reduced accordingly. In addition, the CDA did not follow required procurement standards for contracting. The City was given 60 days to substantiate the costs or its 1987 entitlement grant will be reduced by the \$216,000. (Audit Report Nos. 86-KC-241-1009 and 86-KC-241-1012.)
- Development Project, Chicago Housing Authority. We discussed this project in our Semiannual Report for the period ending March 31, 1986. At the time of our review, the project was 3 years behind schedule and 30 percent of its units were either incomplete or not yet started. The Chicago Housing Authority requested an increase in development costs from \$26.1 million to \$43.1 million to finish the project. We found this budget to be overstated and recommended a reduction of about \$13.3 million. We also recommended splitting off the elderly phase of the development project, thereby reducing capitalized interest for the project by over \$3.1 million. The Department agreed with our position. A revised development cost budget reducing development costs and splitting off the elderly project was sent to the Authority on August 8, 1986. The Authority has not signed the revised budget despite numerous follow-up attempts by the local HUD office. (Audit Report No. 86-TS-101-0011.)

Report Number	Title	Report Issue Date	Target Date
82-PH-202-2270	The Philadelphia Housing Authority Philadelphia, Pennsylvania	05/28/82	<u>1</u> /
83-CH-201-1051	Low-Income Housing Program Detroit, Michigan	08/26/83	<u>9</u> /
84-AO-108-0003	Review of HUD's Consolidated Supply Program	03/14/84	<u>3</u> /
84-PH-202-1012	Section 8 Moderate Rehabilitation Program Philadelphia, Pennsylvania	06/14/84	03/31/87
84-SF-201-1019	Low-Income Housing, San Francisco, California Public Housing Agency	06/20/84	<u>1</u> /
84-PH-201-2303	Public Housing Agency, Philadelphia, Pennsylvania	08/10/84	<u>1</u> /
85-NY-241-1004	CDBG, San Juan, Puerto Rico	10/26/84	<u>4</u> /
85-PH-241-1004	Community Development Block Grant Charleston, West Virginia	01/25/85	<u>5</u> /
85-BO-201-1004	Public Housing Agency — Section 8 Moderate Rehabilitation Program, Boston, Massachusetts	02/15/85	12/31/87
85-DE-202-1003	Low-Income Housing Program, Crow Creek Housing Authority	04/26/85	<u>6</u> /
85-NY-241-1054	CDBG, Niagara Falls, New York	07/03/85	<u>1</u> /
85-SE-112-0003	Development of Indian Housing, Region X	07/12/85	<u>6</u> /
85-PH-242-1013	Urban Development Action Grant, Baltimore, Maryland	08/09/85	<u>5</u> /
85-AO-161-0203	Audit of Section 312 Rehabilitation Loan Program	09/23/85	04/15/87
86-SF-203-1002	Rehabilitation Program, Oakland, California	11/15/85	<u>1</u> /
86-SF-212-1003	Pittsburg Plaza Project, Pittsburg, California	11/29/85	<u>1</u> /
86-SF-214-1005	The Western Group, Fresno, California	12/17/85	<u>1</u> /

Report Number	Title	Report Issue Date	Target Date
86-CH-202-1003	Public Housing Agency, Pontiac, Michigan	01/10/86	<u>7/</u>
86-NY-242-1019	UDAG and Low-Income Housing, City of Salem, New Jersey	01/21/86	<u>1/</u>
86-KC-211-1005	Hidden Valley Estates, Wentzville, Missouri	02/19/86	<u>5/</u>
86-SE-201-1003	Low-Income and Section 8 Moderate Rehabilitation Programs, Seattle, Washington	02/21/86	<u>5/</u>
86-PH-249-1003	Urban Redevelopment Authority Pittsburgh, Pennsylvania	02/26/86	05/31/87
86-TS-122-0010	Title I Property Improvement Loan Insurance Program (Dealer Loans)	02/28/86	<u>9/</u>
86-CH-201-1005	Cuyahoga Metro Housing Authority, Cleveland, Ohio	03/14/86	09/30/87
86-SF-203-1014	Section 8 Existing Housing Program, Berkeley, California	03/27/86	<u>8/</u>
86-TS-101-0011	Development Project, Chicago Housing Authority	03/27/86	<u>9/</u>
86-TS-112-0012	Title X Mortgage Insurance for Land Development Program	03/31/86	<u>9/</u>
86-TS-101-0013	National Report on Computation of Target Investment Income and Allowable Utility Expenses Under Performance Funding System	03/31/86	<u>6/</u>
86-DE-242-1003	Lincoln Park, UDAG, Denver, Colorado	04/15/86	<u>6/</u>
86-KC-241-1008	CDBG Activities, Jobs Bill, St. Louis, Missouri	04/24/86	<u>5/</u>
86-NY-219-1029	Property Disposition, San Juan, Puerto Rico	05/06/86	<u>4/</u>
86-BO-262-1009	Advisory Report On Final Costs Submitted By: Greater Roxbury Dev. Corp., Roxbury, Massachusetts	05/08/86	<u>6/</u>
86-KC-241-1009	CDBG Activities, St. Louis, Missouri	06/11/86	<u>9/</u>

Report Number	Title	Report Issue Date	Target Date
86-TS-101-0018	The Development and Management of Indian Housing	06/19/86	<u>6/</u>
86-TS-111-0019	Deposit and Use of Reserve for Replacement and Residual Receipts Funds	06/24/86	<u>6/</u>
86-AT-214-1013	Tenant Income Comparisons, National Coalition for Housing Partnerships	07/02/86	07/02/87
86-AO-166-0004	Data Entry Services Contracting	07/10/86	06/30/87
86-SF-201-1019	Section 8 Existing Housing Program, Los Angeles, California	07/11/86	<u>5/</u>
86-AT-214-1014	Tenant Income Comparisons, Metric Property Services, Inc., Atlanta, Georgia	07/17/86	07/02/87
86-PH-241-1008	Effectiveness of the City of Philadelphia's Monitoring Its CDBG Program, Philadelphia, Pennsylvania	07/24/86	<u>5/</u>
86-KC-241-1012	CDBG Activities, St. Louis, Missouri	08/07/86	<u>9/</u>
86-AO-145-0006	Review of CPD Technical Assistance Program	08/15/86	<u>6/</u>
86-AO-279-1014	Review of Combined Services Agreement with FNMA, Washington, D.C.	09/26/86	<u>1/</u>

## Footnotes:

- 1/ No repayment plan established for sustained monetary amounts.
- 2/ Several Findings were repeated in an audit report issued during a subsequent reporting period.
- 3/ Promised implementation dates not met.
- 4/ Auditee attempting to document costs to avoid repaying sustained monetary amounts.
- 5/ Under review by Headquarters officials as prescribed by HUD Audits Management System.
- 6/ Findings not resolved as of 3/31/87.
- 7/ Findings reopened or being reopened.
- 8/ Action on findings not adequate.
- 9/ Status described in narrative at beginning of this chapter.



## 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.

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**Internal Audit Reports**


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Report Number	Report Title	Issue Date
<i>Housing</i>		
87-AT-112-0001	Section 202 Fund Reservation Application Processing, Fiscal Year 1986	01/14/87
87-BO-113-0001	HUD-Held Multifamily Mortgages	03/23/87
87-BO-111-0002	Repairs on Multifamily Projects in HUD's Possession	03/30/87
87-CH-121-0001	Single Family Mortgage Insurance Program	03/23/87
87-CH-103-0002	Special Claims Under the Section 8 Housing Assistance Payments Program	03/31/87
87-NY-103-0001	Special Claims Under the Section 8 Housing Assistance Payments Program	11/05/86
87-PH-112-0001	Section 202 Fund Reservation Application Processing, Fiscal Year 1985	03/11/87
87-SF-103-0001	Special Claims Under the Section 8 Housing Assistance Payments Program	03/13/87
87-TS-112-0001	Housing Development Grant Program	10/03/86
87-TS-101-0002	Review of HUD Efforts to Recover PHA's Residual Receipts	12/10/86
<i>Administration</i>		
87-AA-166-0002	Single Family Insurance Processing - CHUMS and Related Manual Processes	10/29/86
87-AO-161-0001	HUD's Implementation of OMB Cir. A-123, Cir. A-127 & Federal Managers' Financial Integrity Act of 1982	12/12/86
87-AT-169-0002	Control and Use of Independent Public Accountant Audit Reports for Insured Multifamily Projects	02/13/87

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**External Audit and Accounting System Evaluation Reports**


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<b>Report Number</b>	<b>Report Title</b>	<b>Location</b>	<b>Issue Date</b>
<i>Housing</i>			
87-AT-212-1001	The Florida Club, Ltd.	Dade County FL	10/31/86
87-AT-212-1002	Wonderwood Villa	Atlantic Beach FL	11/26/86
87-AT-214-1003	Paradise Management, Inc.	Atlanta GA	12/03/86
87-AT-212-1005	Terraces Apartments, Ltd., Oasis Gardens Apartments, Ltd., and Inter-continental Apartments, Ltd.	Opa-Locka FL	02/20/87
87-BO-201-1001	Section 8 Existing Housing Program, Annual Contributions Contract	Lynn MA	10/03/86
87-BO-203-1003	Section 8 Existing Housing Program, Assistance Payments	Hartford CT	10/24/86
87-BO-212-1005	Robert L. Fortes House, Direct Loans for Housing of Elderly or Handicapped	Boston MA	12/19/86
87-BO-212-1009	Wayne Apartments	Boston MA	01/13/87
87-BO-202-1010	Low-Income Housing Programs	Waterbury CT	01/27/87
87-BO-203-1011	Section 8 New Construction and Substantial Rehabilitation Program Massachusetts Housing Finance Agency	Boston MA	03/30/87
87-BO-212-1012	Franklin Park I, Inc. and Franklin Park II, Inc.	Boston MA	03/31/87
87-CH-202-1001	Housing and Redevelopment Authority	Wells MN	10/29/86
87-CH-212-1003	Country Way Apartments	Saginaw MI	12/24/86

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**External Audit and Accounting System Evaluation Reports**

<b>Report Number</b>	<b>Report Title</b>	<b>Location</b>	<b>Issue Date</b>
87-CH-209-1004	Section 8 Housing Assistance Payments Program	Chicago IL	12/29/86
87-CH-212-1006	Longwood Cooperative, Inc.	Cleveland OH	03/09/87
87-CH-201-1007	Detroit Housing Department	Detroit MI	03/24/87
87-DE-212-1006	Weatherstone Apartments	Aurora CO	12/19/86
87-DE-212-1007	Parkway Center	Denver CO	02/13/87
87-FW-212-1002	Calvary Arms Apartments	Dallas TX	12/12/86
87-KC-212-1001	Royal Towers Apartments	Kansas City MO	11/21/86
87-KC-221-1003	Gershman Investment Corporation	St. Louis MO	03/25/87
87-NY-203-1008	Section 8 Existing Housing Program	New York NY	10/24/86
87-NY-211-1009	Flatbush Patio Numbers 1 and 2	Brooklyn NY	11/06/86
87-NY-209-1012	Low-Income Housing Program	Asbury Park NJ	11/13/86
87-NY-211-1014	Dayton Operating Company, Dayton Seaside Associates #2 and Dayton Seaside Associates #3	Queens NY	11/20/86
87-PH-222-1001	Topley Realty Co., Inc., Area Management Broker	North Versailles Township PA	12/19/86
87-PH-203-1002	Section 8 New Construction & Substantial Rehabilitation Program, Maryland Community Development Administration	Annapolis MD	12/22/86
87-PH-222-1003	Harold Burgmayer Real Estate, Area Management Broker	Bristol PA	12/29/86
87-PH-203-1004	Section 8 Moderate Rehabilitation Program	Parkersburg WV	12/29/86

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**External Audit and Accounting System Evaluation Reports**


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<b>Report Number</b>	<b>Report Title</b>	<b>Location</b>	<b>Issue Date</b>
87-PH-203-1005	Section 8 Existing Housing Program	Suffolk VA	12/31/86
87-PH-222-1010	H.J. Turner Real Estate Co., Area Management Broker	Washington DC	02/13/87
87-SE-212-1002	North Campus Heights, Phase II	Pullman WA	11/21/86
87-SE-212-1005	Lincoln Heights Apartment Syndicate	Spokane WA	03/26/87
87-SF-212-1001	Foxdale Associates, Limited	San Jose CA	10/29/86
87-SF-212-1002	Concord Senior Housing Foundation	Pasadena CA	11/21/86
87-SF-212-1003	Sunnyhills Apartments	Milpitas CA	12/01/86
87-SF-202-1004	Use of Assets and Other Resources by the Housing Authority	Winslow AZ	02/24/87
87-TS-221-1001	Mortgage Trust Company	Nashville- Davidson TN	11/05/86
87-TS-221-1002	Homelenders, Inc.	Lawndale CA	11/28/86
87-TS-221-1003	Fairway Mortgage, Inc.	Seattle WA	11/28/86
87-TS-221-1004	Homestead Savings	Burlingame CA	12/04/86
87-TS-221-1005	Merrill Lynch Mortgage Corporation	Itasca IL	12/19/86
87-TS-221-1006	Combined Mortgage Services, Inc.	Oak Park IL	12/24/86
87-TS-221-1007	First California Funding, Inc.	Los Angeles CA	12/24/86
87-TS-221-1008	Liberty Mortgage Corporation	Oklahoma City OK	12/30/86
87-TS-221-1009	Chase Home Mortgage Corporation	Jacksonville FL	01/16/87
87-TS-221-1010	Metro Mortgage Corporation	Columbia SC	02/10/87

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**External Audit and Accounting System Evaluation Reports**

<b>Report Number</b>	<b>Report Title</b>	<b>Location</b>	<b>Issue Date</b>
87-TS-221-1011	Crown Mortgage Corporation	Longview WA	02/11/87
87-TS-221-1012	Lomas and Nettleton Company	Oak Lawn IL	02/11/87
87-TS-221-1013	Central Mortgage Corporation	Mount Clemens MI	02/11/87
87-TS-221-1014	Georgetown Mortgage Corporation	St. Louis MO	02/13/87
87-TS-229-1015	Action Mortgage Corporation	Johnson City TN	02/18/87
87-TS-221-1016	Mortgage Center Corporation	Carson CA	03/26/87
<i>Community Planning and Development</i>			
87-BO-257-1002	Urban Renewal Projects	Lawrence MA	10/09/86
87-BO-259-1004	Rental Rehabilitation Program, New Hampshire Housing Finance Authority	State of NH	11/25/86
87-BO-259-1007	Rental Rehabilitation Program, State of Vermont, Agency of Development and Community Affairs	Montpelier VT	01/08/87
87-BO-259-1008	Rental Rehabilitation Program, Executive Office of Communities and Development	Boston MA	01/09/87
87-CH-242-1005	Urban Development Action Grant	Fond Du Lac WI	01/12/87
87-FW-252-1001	1985 Consolidated Central Service Cost Allocation Plan	Fort Worth TX	11/17/86
87-KC-241-1002	Community Development Block Grant	Omaha NE	01/26/87
87-NY-248-1001	Financial Management System Evaluation	Stillwater NY	10/20/86
87-NY-248-1002	Financial Management System Evaluation	Westport Town NY	10/20/86

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**External Audit and Accounting System Evaluation Reports**

<b>Report Number</b>	<b>Report Title</b>	<b>Location</b>	<b>Issue Date</b>
87-NY-248-1003	Financial Management System Evaluation	Schaghticoke Town NY	10/21/86
87-NY-248-1004	Financial Management System Evaluation	Marlborough NY	10/21/86
87-NY-248-1005	Financial Management System Evaluation	Kingston Town NY	10/21/86
87-NY-248-1006	Financial Management System Evaluation	Minerva NY	10/21/86
87-NY-248-1007	Financial Management System Evaluation	North Hudson NY	10/21/86
87-NY-248-1015	Financial Management System Evaluation	Thompson NY	11/26/86
87-NY-244-1018	Community Development Block Grant - Charlotte Amalie	Virgin Islands	01/22/87
87-NY-241-1019	Community Development Block Grant	Bayamon PR	02/13/87
87-PH-248-1007	Accounting System Evaluation Worcester County	Snow Hill MD	01/14/87
87-PH-248-1008	Accounting System Evaluation	Leonardtown MD	01/14/87
87-PH-248-1009	Accounting System Evaluation	Brunswick MD	01/14/87
87-PH-242-1012	CDBG, UDAG, and Jobs Bill Grant	Parkersburg WV	03/25/87
87-SF-241-1005	Community Development Block Grant Program	San Mateo County CA	03/09/87
<i>Administration</i>			
87-AO-261-1001	National American Indian Housing Council	Washington DC	10/06/86
87-AO-261-1002	OWD Enterprises, Inc.	Washington DC	11/21/86

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**External Audit and Accounting System Evaluation Reports**

<b>Report Number</b>	<b>Report Title</b>	<b>Location</b>	<b>Issue Date</b>
87-AO-261-1003	National Association of Neighborhoods	Washington DC	01/09/87
87-AO-261-1004	J. R. Enterprises	Washington DC	02/20/87
87-AO-261-1005	McManus Associates	Washington DC	03/06/87
87-AO-261-1006	National Conference of States on Building Codes and Standards	Herndon VA	03/13/87
87-AO-262-1007	J.R. Enterprises, Incurred Cost Audit for Fiscal Years 1985 & 1986	Washington DC	03/20/87
87-AO-262-1008	Council of State Community Affairs Agencies, Incurred Costs for Fiscal Years 1982-1985	Washington DC	03/25/87
87-AT-261-1004	Mississippi Institute for Small Towns	Jackson MS	12/23/86
87-AT-263-1006	Pro-Mark, Inc., Interim Costs and Contracts Modification Proposal	Jackson MS	02/25/87
87-AT-261-1007	Department of Community Services	Cobb County GA	03/05/87
87-BO-262-1006	Halcyon, Ltd., Advisory Report on Final Costs	Hartford CT	12/22/86
87-CH-262-1002	Department of Housing	Chicago IL	11/21/86
87-DE-261-1001	Dakota Realty and Leasing, Inc.	Williston ND	10/02/86
87-DE-261-1002	Area Management Broker Service, Area 1, North Dakota	Mandan, ND	10/02/86
87-DE-261-1003	Dennis E. Johnson and Company	Denver CO	10/20/86
87-DE-261-1004	Bunker Management	Grand Junction CO	10/23/86
87-DE-261-1005	Bray and Company, Realtors	Grand Junction CO	10/23/86

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**External Audit and Accounting System Evaluation Reports**

<b>Report Number</b>	<b>Report Title</b>	<b>Location</b>	<b>Issue Date</b>
87-NY-261-1010	National Development Council	New York NY	11/12/86
87-NY-262-1011	National 510 Demonstration Grant Program, Advisory Report on Final Costs	Buffalo NY	11/12/86
87-NY-261-1013	Interracial Council for Business Opportunity	New York NY	11/17/86
87-NY-261-1016	National Development Council	New York NY	11/26/86
87-NY-261-1017	National Urban League, Inc.	New York NY	12/31/86
87-NY-262-1020	HCR Associates, Inc.	Rochester NY	03/20/87
87-NY-261-1021	National Urban Fellows, Inc.	New York NY	03/25/87
87-PH-262-1006	Virginia State University, Audit of Final Costs	Petersburg VA	01/14/87
87-PH-262-1011	Systems Research Company, Advisory Report on Final Costs	Philadelphia PA	02/27/87
87-SE-261-1004	Sextant Consultants, Inc.	Portland OR	01/29/87



## **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

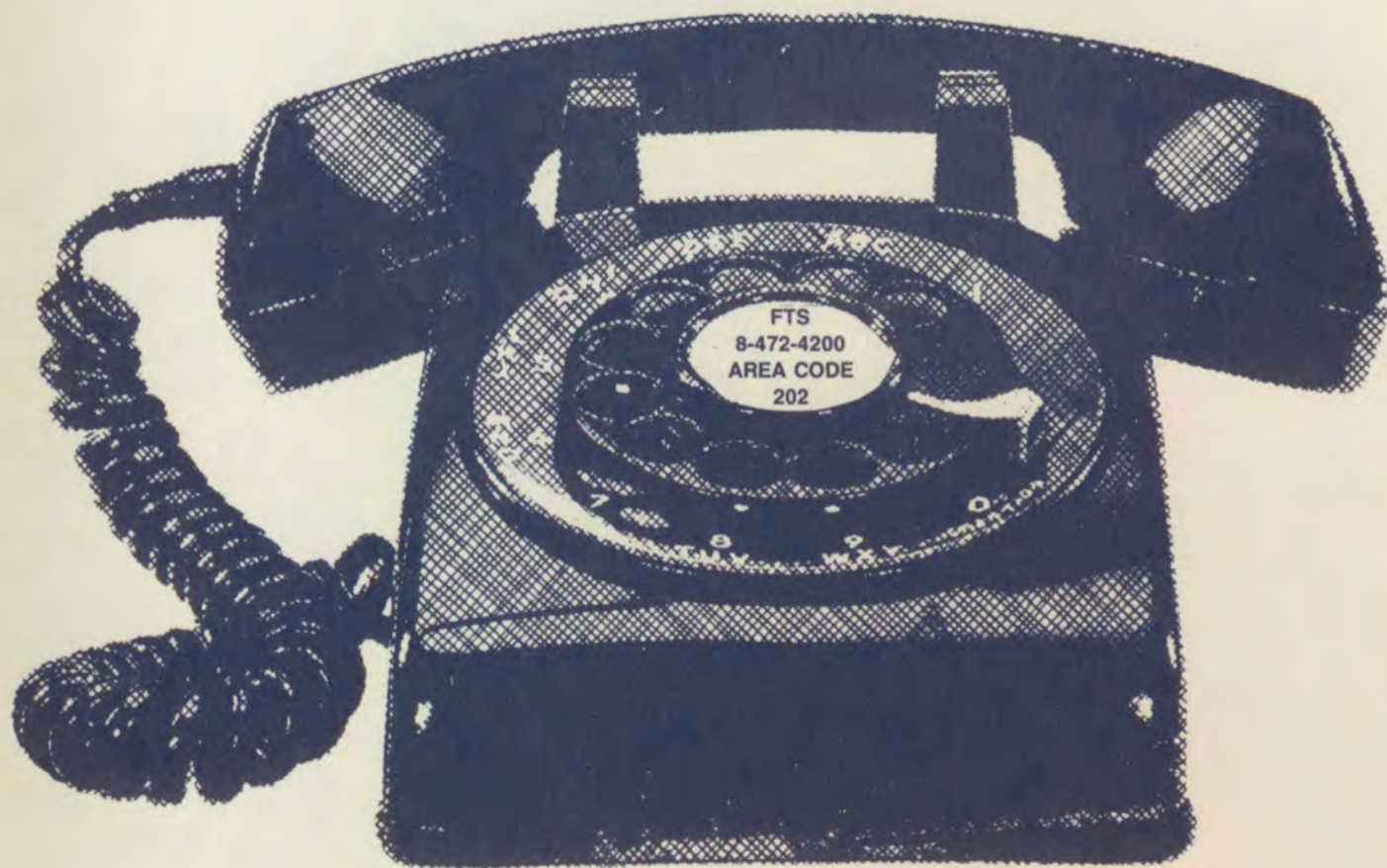
### **Program Integrity Bulletins (PIBs)**

- 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
- P-86-8 GNMA Mortgage-Backed Securities
- P-86-9 Section 8 Moderate Rehabilitation Program

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

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