



Office of Inspector General Report to the Congress

*for the 6-month period
October 1, 1987 through
March 31, 1988
Pursuant to Section 5(b)
of Public Law 95-452*

Number 19



PROFILE OF PERFORMANCE

Department of Housing and Urban Development

Office of Inspector General Activities

October 1, 1987
through
March 31, 1988

• Cash Recoveries/Savings	\$17,822,736
• Commitments to Recover Funds	\$22,318,709
• Cost Efficiencies	\$11,163,088
• Total Fines Levied	\$287,386
• Persons/Firms Indicted	156
• Persons/Firms Convicted	113
• HUD Employees Indicted	4
• HUD Employees Convicted	1
• Debarments of Persons/Firms Doing Business with HUD	105
• Suspensions of Persons/Firms Doing Business with HUD	35
• Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	11
• Subpoenas Served	108
• Awareness Publications Issued	3
• Proposed Legislation and Regulations Reviewed	73

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

TABLE OF CONTENTS

Office of Inspector General Report to the Congress

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Chapter 4. Operations Activities and Special Units	46
Chapter 5. Review of Legislation and Regulations	47
Chapter 6. Administrative/Prosecutive Actions Against HUD Employees	49
Chapter 7. Statistical Summary	50
Chapter 8. Audit Resolution and Follow-Up	57
Appendix 1. Audit Reports Issued	63
Appendix 2. Audit Recommendations	70
Appendix 3. List of Fraud Awareness Publications	71

THE INSPECTOR GENERAL'S REPORT TO CONGRESS
TABLE OF CONTENTS

During the 6-month reporting period, audits and investigations resulted in cash recoveries and savings to the Department of \$17.3 million and efficiencies of \$11.2 million. Management also agreed to recover an additional \$22.3 million that we questioned and disallowed. In addition, there were 160 indicia of program fraud and abuse.

	Page
Message From The Inspector General.....	3
Chapter 1. Significant Activities	5
Chapter 2. Significant Audits	17
Chapter 3. Significant Investigations	35
Chapter 4. Prevention Activities and Special Efforts	40
Chapter 5. Review of Legislation and Regulations	47
Chapter 6. Administrative/Prosecutive Actions Against HUD Employees.....	49
Chapter 7. Statistical Summary.....	50
Chapter 8. Audit Resolution and Follow-Up	57
Appendix 1. Audit Reports Issued	63
Appendix 2. Audit Recommendations	70
Appendix 3. List of Fraud Awareness Publications	71

authorized HUD to require program participants to disclose Social Security Numbers, it did not provide the additional authority needed to enable the Department to have access to State wage files for the purpose of conducting computer matches. These additional authorities are included in S. 1994, as passed by the Senate.

The above problems are neither new nor easily resolved. However, we believe that certain provisions in the Housing and Community Development Act of 1987 will enable the Department to more effectively deal with program fraud and abuse.

I would also urge favorable consideration of S. 1975, the Comprehensive Federal Law Enforcement Improvements Act of 1986. This bill would provide the Inspectors General with many authorities needed for the proper and efficient execution of their assigned duties.


Paul A. Adams
Inspector General

THE INSPECTOR GENERAL'S MESSAGE TO CONGRESS

During the 6-month reporting period, audits and investigations resulted in cash recoveries and savings to the Department of \$17.8 million and cost efficiencies of \$11.2 million. Management also agreed to recover an additional \$22.3 million that we questioned and disallowed. In addition, there were 160 indictments and 114 convictions of persons or firms doing business with the Department.

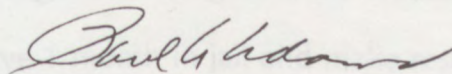
Fraud and abuse in the Single Family Mortgage Insurance Program continues to be a significant problem for the Department. Although management has taken a number of effective measures to curb these abuses, more needs to be done. In this reporting period, 43 individuals/firms were indicted and 35 convicted for frauds in single family related programs. Moreover, based on our recommendations, the Department is considering debarment of approximately 180 individuals/firms for violating HUD regulations. Lastly, the Mortgagee Review Board took action against 11 lenders. One action alone will result in a \$2 million repayment to the government.

Over the past 3-1/2 years, our office conducted over 80 audits of entities owning and/or managing HUD-insured multifamily projects. A recent comprehensive report showed that over \$19.1 million were diverted by owners and agents. In 77 percent of the cases, the primary cause appeared to be their willful disregard of HUD regulations. Diversions of income and assets seriously jeopardize a project's financial condition and contribute to mortgage default and possible foreclosure.

Rental assistance fraud, its impact on program integrity, and the need for legislation to enable the Department to employ more systematic and efficient methods to verify tenant income and eligibility are also matters of continuing concern. Although the Housing and Community Development Act of 1987 authorized HUD to require program participants to disclose Social Security Numbers, it did not provide the additional authority needed to enable the Department to have access to State wage files for the purpose of conducting computer matches. These additional authorities are included in S. 1994, as passed by the Senate.

The above problems are neither new nor easily resolved. However, we believe that certain provisions in the Housing and Community Development Act of 1987 will enable the Department to more effectively deal with program fraud and abuse.

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Paul A. Adams
Inspector General

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, Multifamily Mortgage Insurance, and Housing Assistance Programs. It also highlights certain legislative remedies provided for in the Housing and Community Development Act of 1987.

Single Family Mortgage Insurance

Over the past 2 years, a considerable part of our audit and investigation resources were devoted to problems with Single Family Mortgage Insurance Programs. Our focus was on locations experiencing high default and foreclosure rates. Since beginning this effort, we have completed audits of 50 mortgagees and numerous investigations. We concentrated our audit resources in Denver, Chicago, Los Angeles, Seattle, St. Louis, Oklahoma City, and Columbia, South Carolina, and our investigation work has been nationwide.

These efforts identified serious irregularities in the origination of HUD-insured owner/occupant and investor loans. In most schemes to defraud HUD, weak mortgage underwriting practices allowed mortgagors to overstate assets or understate liabilities to qualify for loans. In more complicated schemes, parties to the mortgage transactions "bailed out" builders or developers by misusing millions of dollars in FHA-insured loans.

During the reporting period, 43 individuals/firms were charged and 35 were convicted for fraudulent activities in connection with Single Family Mortgage Insurance Programs. As a result, fines totaling \$37,500 were levied and an additional \$2.7 million were recovered.

Some of our more significant investigative cases follow:

- The ongoing joint HUD-OIG, Veterans Administration (VA) OIG, and Federal Bureau of Investigation (FBI) task force investigation in the Washington, D.C. area resulted in 16 convictions. Thus far, 14 individuals received sentences totaling over 46 years of incarceration and 28 years of probation. In addition, they were fined \$194,000 and ordered to make restitution of \$714,399 and forfeitures of \$323,902 under the Racketeer Influenced and Corrupt Organizations statute. During this reporting period, four individuals pled guilty to charges stemming from the investigation.

A mortgagor was ordered to serve 1 month in jail and make restitution of \$54,412. The mortgagor solicited family members and friends to act as strawbuyers for nine HUD-insured properties, all of which went into

foreclosure and resulted in a net loss to HUD of \$379,649. (United States vs. Regina Pinkney, District of Columbia.)

An attorney for the Small Business Administration (SBA) agreed to act as a strawbuyer and made false statements to secure a HUD-insured mortgage. Following this, he induced three others to participate in the straw-buyer scheme, for which he received \$2,000 in referral fees. The attorney received a 2-year suspended sentence and was ordered to make restitution of \$7,000. He subsequently resigned. (United States vs. Charles N. Kalcounos, District of Columbia.)

An investigation by the task force also resulted in two other individuals pleading guilty in connection with multifamily project fund diversions. See Chapter 3 under Multifamily.

- A Seattle, Washington Federal Grand Jury indicted eight individuals on 47 counts of fraud in two separate cases. The two indictments resulted from a task force of agents from HUD-OIG, the VA-OIG, the Postal Inspection Service, the FBI, and the IRS.

The Grand Jury, in a 22-count indictment, charged a real estate investor and his wife with conspiracy, mail fraud, income tax violations, and equity skimming. The couple acquired 97 properties in the Seattle area and failed to make mortgage payments while collecting over \$200,000 in rental income. All 97 loans were foreclosed. HUD sustained losses of \$425,000 on 22 properties and the VA lost \$288,000 on 17 properties. The investor is presently serving a 7-year prison sentence in Missouri for his involvement in beauty pageant fraud. (United States vs. John Bagley, Western District of Washington.)

The Grand Jury also charged a real estate investor, his wife, three adult children, and a business associate in a 25-count indictment for conspiracy to commit mail fraud and equity skimming in the acquisition of 55 properties. Some of the properties were insured by HUD and the VA, and some were conventionally financed. HUD's losses, after foreclosure, are expected to be \$210,000 on 10 properties, and VA's losses are estimated at \$200,000 on 12 properties. (United States vs. John Tinsely, Western District of Washington.)

- A real estate investor was sentenced in U.S. District Court, Fresno, California, for submitting false statements to HUD to qualify for four single family HUD-insured loans and six HUD purchase money mortgages. The investor also engaged in equity skimming activities with respect to the 10 properties. The investor was sentenced to 2 years in Federal prison, 300 hours of community service, and 5 years probation. In addition, the judge ordered the investor to reimburse HUD \$100,000. The investigation was conducted jointly by the OIG and the FBI. (United States vs. Dr. Curtis G. Graham, Eastern District of California.)

- A Federal Jury and a Federal judge, in separate trials, returned guilty verdicts against former mortgage company loan officers on conspiracy and false statement charges. The loan officers willfully caused misrepresentations about earnest money deposits, buyers' income, and the owner/occupancy intentions of borrowers on loan documents. The individuals were suspended from participation in HUD programs. This investigation was conducted by the OIG with FBI assistance. (United States vs. David Grady and Lee Ford, Eastern District of Wisconsin.)
- An investor was convicted in U.S. District Court, Tacoma, Washington, of 19 counts of submitting false statements to HUD and one count of conspiracy. The investigation disclosed that the defendant paid strawbuyers to act as purchasers, and caused the submission of false financial information regarding bank account balances, earnest money deposits, and down payments. The conviction pertains to 17 HUD-insured mortgages made from 1979 through 1986, with losses to HUD expected to exceed \$380,000. (United States vs. Dirk Martin Mayberry, Western District of Washington.)
- The President and the Broker-in-Charge of a Greenville, South Carolina development company were sentenced to 3 years imprisonment (suspended) and 5 years probation. They were also ordered to make restitution of \$317,436 to HUD. The defendants obtained FHA-insured owner/occupant loans for 10 properties. The loans were subsequently assumed by individuals who could not otherwise qualify for an FHA loan by assumption. Most of the new mortgagors failed to make mortgage payments, resulting in losses to HUD of \$317,436. (United States vs. Fred Hathaway and Irene Herran, District of South Carolina.)
- Seven individuals, including a closing attorney, a mortgage loan officer, a real estate agent, and four builders, pled guilty to one count of making a false statement to HUD in Atlanta, Georgia. The seven schemed in 1984 and 1985 to submit mortgage applications to HUD, indicating that borrowers made a 15 percent down payment on each transaction. Instead, the borrowers were paid \$2,500 per transaction to apply for the mortgages. After the closings, many of the properties were immediately resold through loan assumptions to secondary purchasers with little or no down payments, and 78 foreclosures resulted. This investigation was jointly conducted by the FBI and the OIG. (United States vs. James O. Wilson, Jr., Geraldine Simon, Lynn P. Wannamaker, Tony D. Shumate, James Crawford, Chesley Doak, and Jack Fortenberry, Northern District of Georgia.)
- A builder in Denver, Colorado, agreed to indemnify HUD for 14 loans at a total cost savings of \$974,296. The agreement came after an OIG investigation proved the builder paid partial or full down payments for mortgagors who would otherwise not have qualified for the loans due to the mortgagors' limited assets. Criminal prosecution was declined by an Assistant United States Attorney in favor of administrative action by HUD.

- A mortgage solicitor in Allentown, Pennsylvania, was convicted of conspiracy by a jury. An investigation by the FBI and the OIG found that the mortgage solicitor used false information to make buyers appear qualified for FHA-insured mortgages. The mortgage solicitor was assisted by a real estate broker who was previously convicted of causing false statements to be made to HUD, and a settlement agent who was previously convicted of conspiracy. Both the mortgage solicitor and the real estate broker were suspended from participation in HUD programs. (United States vs. Guy Williams Bryan, Eastern District of Pennsylvania.)
- A mortgagee entered into a Settlement Agreement with the Department of Justice Civil Division agreeing to reimburse HUD \$1.3 million and the VA \$625,000 for numerous fraudulent HUD-insured and VA-guaranteed mortgages processed over the last several years. Full payment of the total amount was made on the same day. The civil action was initiated after investigation by the joint HUD/FBI/VA Task Force in Camden, New Jersey, resulted in criminal prosecution of a mortgagee official. Additional inquiries were later made for the civil case. (United States vs. Margaretten and Company, Inc., District of New Jersey.)
- A real estate investor pled guilty in Los Angeles, California, to one count of equity skimming on 16 single family dwellings in the California Counties of Riverside and San Bernardino. The investor agreed to make payments of \$45,069 to the government. This represents the total amount of rent collected from the HUD-insured and VA loan-guaranteed properties. The investigation was conducted jointly by the OIG and the Barstow, California Police Department. The FBI joined the case to execute search warrants sought by the OIG case agent. (United States vs. Barry Gordon Stoute, Central District of California.)
- A landlord was sentenced in U.S. District Court, San Antonio, Texas, to 11 years in prison. The sentence follows his conviction on one count of equity skimming and one count of mail fraud. The landlord was also ordered to make restitution to HUD of over \$32,000. The severity of the sentence can be attributed to the fact that the landlord was sentenced in June 1987 to serve 13 years in prison following his conviction in State court for a similar homebuying scheme. The investigation was conducted by the FBI with assistance from OIG. (United States vs. Sterling Leroy Haines, Western District of Texas.)

**Mortgagee
Review Board
Activities**

HUD's Mortgagee Review Board (MRB) is empowered to take sanctions ranging from reprimand to withdrawal of approval against mortgagees that violate HUD regulations or requirements. During this period, we issued 12 audit reports to the MRB. These reports disclosed serious deficiencies by mortgagees in underwriting loans and in maintaining quality control systems. The following are some of the more significant audits issued to the Mortgagee Review Board during the period.

- Our audit of Talman Home Mortgage Corporation found that a real estate investment partnership used strawbuyers to obtain 78 assumable investor loans amounting to \$3.3 million as a way to refinance or sell properties

to unqualified buyers. The mortgagors made no cash investments and most of them were paid for obtaining the loans. The partnership needed to refinance or sell the properties because short term bank notes were coming due. The partnership could not obtain FHA-insured financing because of HUD's property limitation rule and other factors. A second investor group obtained 28 loans amounting to \$1.2 million in order to sell or refinance properties. The mortgagors did not make down payments and amounts due from the mortgagors were netted against the sellers' proceeds at loan closing. Most of the properties were sold after settlement by simple loan assumption. (Audit Report No. 88-TS-221-1010.)

- Our audit of Aspen Leaf Mortgage Corporation found that the mortgagee did not comply with HUD requirements in the origination of FHA-insured mortgages. The mortgagee caused HUD to insure loans totaling over \$5 million made to unqualified buyers. The mortgagee did not conduct face-to-face interviews, allowed loan documents to be signed in blank and to be mishandled. Additionally, strawbuyers were used to purchase the properties and purchasers did not make minimum required investments in the properties. (Audit Report No. 88-TS-221-1003.)

Through March 31, 1988, the MRB sanctioned 11 mortgagees based on audit reports issued in this or prior periods.

Company	Action Taken
American Savings Mortgage Corporation* Pittsburgh, PA (Title I)	Settlement Agreement/ Indemnification
Anchor Mortgage Corporation of Florida, Inc. St. Petersburg, FL	Withdrawal
Briercroft Service Corporation Lubbock, TX (Title I)	Settlement Agreement/ Indemnification
Centurion Mortgage Company, Inc. Ft. Worth, TX	Probation/Indemnification
Chaffee Investment Corporation* Buena Vista, CO	Suspension
First State Mortgage Company Cerritos, CA	Settlement Agreement/ Indemnification
Foster Mortgage Corporation Colorado Springs, CO	Settlement Agreement/ Indemnification
Norwest Mortgage, Inc. Waltham, MA	Settlement Agreement/ Indemnification
Norwest Mortgage, Inc. Oklahoma City, OK	Settlement Agreement/ Indemnification
Praire State Mortgage Company, Inc. Westchester, IL	Withdrawal
Tower Federal Savings Bank* South Bend, IN (Title I)	Settlement Agreement/ Indemnification

*Issued in this period.

These actions resulted in repayments to HUD for insurance claims paid of over \$3.3 million and indemnification from future potential losses of over \$2.6 million (based on average past losses per loan). Moreover, assurances were provided that the lenders' quality control programs will be improved to prevent future recurrences of the problems.

Examples of significant MRB actions taken this period follow:

- The MRB withdrew the approval of Prairie State Mortgage Company which violated HUD requirements in originating mortgages valued at \$630,750. The president of the company was formerly a vice-president of a mortgage company which was sanctioned by the MRB in January 1987 for failing to follow HUD loan origination requirements.

In addition to withdrawing the mortgagee's approval, the MRB: (1) referred the improperly originated loans to the Department of Justice for recovery of losses under the False Claims Act; and (2) recommended the suspension and proposed debarment of Prairie State's principals. (Audit Report No. 87-TS-221-1030.)

- One of the mortgagees sanctioned by the MRB, Foster Mortgage Corporation, agreed to repay \$2 million which represents potential claim losses in connection with irregularities in the origination of FHA-insured mortgages. The mortgagee also agreed to refrain from submitting claims to HUD for 48 other loans. Our audit was initiated after the mortgagee detected problems and reported them to HUD. Our audit disclosed that a branch manager and other mortgagee employees participated in schemes with numerous investors and strawbuyers to obtain the loans. As a result of the audit and subsequent investigation, the branch manager pled guilty to two counts of defrauding HUD. He received a 3-year jail sentence, of which 2 years were suspended, and was placed on probation for 5 years. Several investors involved in the scheme were debarred and suspended from participating in HUD programs. (Audit Report No. 87-TS-221-1028; United States vs. Gerald L. Tighe, District of Colorado.)

* * * * *

The enactment of certain provisions in the Housing and Community Development Act of 1987 will enable the Department to more effectively address fraud and abuse in HUD's Single Family Programs. The Act provides for increased criminal and monetary penalties for individuals who participate in schemes to defraud HUD. A brief description follows.

**Housing
and Community
Development Act
of 1987**

Section 406 – Limitation on Use of Single Family Mortgage Insurance by Investors.

- *This section increases down payment requirements to 25 percent for investor loans of one- to four-unit dwellings.*

Section 407 – Actions to Reduce Losses Under Single Family Mortgage Insurance Programs.

- *This provision requires the Secretary to review the credit standing of persons wanting to assume HUD-insured loans. The provision applies to assumptions that occur during the 12-month period after the mortgage is endorsed by HUD. It also applies for 24 months after endorsement if the mortgage was an investor loan.*
- *The provision also holds the original mortgagor jointly liable with the assumptor for a 5-year period unless the mortgagor obtains a release of liability.*
- *The Secretary is required to identify and notify mortgagees of above normal rates of early serious defaults and claims. Mortgage companies will be required to submit a report containing an explanation for the above normal rate and a plan for corrective action. Failure to submit a report after notification by the Secretary may be cause for suspension of the mortgagee.*

Section 416 – Penalties for Equity Skimming.

- *The fines for equity skimming increased from \$5,000 to \$250,000.*
- *The maximum period of imprisonment for equity skimming increased from 3 years to 5 years.*
- *The provision clarifies that condominiums and cooperatives are covered by the statute.*
- *The provision clarifies that failure to make payments under the mortgage as the payments become due applies regardless of whether the purchaser is obligated on the loan.*
- *The provision also consolidates the existing equity skimming provision in Section 239 of the National Housing Act with a new Section 254, with a number of changes to strengthen it.*

Multifamily Mortgage Insurance

In recent years, OIG audits of multifamily owners and management agents have disclosed numerous violations involving the misuse or diversion of project assets or income. In conjunction with 81 audits performed between Fiscal Year 1984 through the first half of Fiscal Year 1987, we identified about \$19.1 million of misused or diverted assets or income by owners and management agents. These violations primarily involved unallowable distributions, unauthorized loans to owners or related parties, ineligible expenditures, misappropriations of operating receipts and assets, and unsupported costs. We found that in about 77 percent of these cases the misuse or diversion

**Approximately
\$19.1 Million
Misused or
Diverted at
Multifamily
Housing Projects**

of assets/income occurred because of owners' and management agents' apparent willful disregard of the provisions of the Regulatory Agreement. The misuse or diversion of project assets and income contributes to mortgage defaults, the physical deterioration of projects, the need for additional financial assistance from HUD, and potential losses to HUD in the event of the Department's foreclosure and sale of the properties involved.

HUD recognizes that existing deterrents are not effective and has supported the enactment of legislation which would impose stronger penalties for diverting HUD-insured multifamily project assets and income. HUD previously proposed a legislative provision which would empower the Attorney General to recover double the value of the assets and income of the project that the court determines to have been used in violation of the Regulatory Agreement or any applicable regulation, plus all costs relating to the transaction. This provision would assist HUD in recovering audited costs that are questioned by the OIG primarily as a result of inadequate or missing documentation. Only about 14 percent of such costs are currently being recovered by HUD. The double damages provision, along with a new provision revising the current multifamily equity skimming penalty statute, are contained in the Housing and Community Development Act of 1987.

In addition, the Program Fraud Civil Remedies Act of 1986 (PFCRA) could be of some benefit to HUD's deterrent effort since it may be possible to apply the Act to multifamily owners who make false or fictitious statements or claims to HUD involving the misuse or diversion of project assets or income. However, specific applications of the PFCRA in this regard require further research by HUD.

Although some statutory remedies are available and other statutory remedies are needed, such remedies will not be effective unless the Department improves its multifamily housing loan servicing capabilities. The OIG, the General Accounting Office, and HUD internal management reports have disclosed various deficiencies in HUD's loan/mortgage management and servicing. A major report in this area was issued by HUD's Committee on Fraud, Waste, and Mismanagement which contained 38 recommendations covering nearly all major aspects of HUD's multifamily loan/mortgage management and servicing. Our recent survey of the effectiveness of loan/mortgage management operations in the Chicago Region confirmed many of the findings in the Committee's report. Action needs to be taken to adjust imbalances in the loan servicing workload of Field Offices, improve loan servicing management information systems, enhance capabilities of loan servicing personnel, and improve systems for following up on owner/management agent abuses.

We recommended that the Office of the Assistant Secretary for Housing: (1) develop a formal long-range work plan for implementing the recommendations contained in the Committee on Fraud, Waste, and Mismanagement's report on HUD's multifamily loan servicing; (2) develop a process to identify owners who may be vulnerable to the misuse or diversion of project assets/income as a result of declining tax shelter benefits and the potential for mortgage defaults; (3) fully inform multifamily owners and management

agents of the new financial penalties that may be imposed on them in the event the proposed double damages statutory provision is enacted into law; (4) revise the Regulatory Agreement, when legally permissible, to reflect increased punitive measures for diversions of assets or income in the event the proposed double damages statutory provision is not enacted into law; (5) coordinate with HUD's Office of General Counsel in identifying specific applications of the PFCRA and develop a plan or strategy to test these applications; (6) develop instructions on program enforcement; and (7) issue a Notice to Regional Administrators and Field Office officials emphasizing the need for early detection of project asset/income diversions and the submission of timely requests for administrative sanctions. (Audit Report No. 88-TS-112-0003.)

The Housing and Community Development Act of 1987 (HCD) was signed into law during this reporting period. Accordingly, recommendation (4) above is no longer applicable. Moreover, the HCD Act of 1987 will be an effective deterrent to the persistent problem of fund diversions as described above as well as in Chapter 2 under Multifamily Project Management Agents. Appropriate legislative provisions of Section 421 of the HCD Act follow:

- *Double Damages Remedy for Unauthorized Use of Multifamily Housing Project Assets and Income. This provision:*
 - *permits the Secretary to seek legal action through the Attorney General to recover any assets or income used by any person in violation of:*
 - *a Regulatory Agreement that applies to a multifamily project whose mortgage is insured or held by HUD; or*
 - *any applicable regulation.*
 - *provides that judgements may be sought for double the value of the assets or income that the courts determine were misused, plus all costs related to the action including attorney and auditing fees.*
- *Equity Skimming Penalties Increased. This provision, detailed earlier in this Chapter, also applies to Multifamily Housing Programs.*

Housing and Community Development Act of 1987

Housing Assistance Programs

Over the past 6 years, we have reported the problem of fraud in HUD's Housing Assistance Programs. While we are working with the Department within the constraints placed on us, the problem still persists.

Each year HUD provides over \$9 billion of rental assistance to about 4 million households. Tenant eligibility in Housing 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. To remedy this situation, income computer matching authority is needed. The following are examples of types of fraud that could be more readily detected if such techniques were used.

Investigations Our office conducted investigations of individuals who defrauded the various Housing Assistance Programs. The most prevalent type of violation involved falsification of documents relating to tenants' eligibility so that they received assistance to which they would not otherwise be entitled. Investigations involving landlords and other individuals are discussed under Multifamily and Public Housing in Chapter 3. The following actions were recorded.

• Individuals Indicted:	32
• Individuals Convicted:	23
• Restitution/Repayments:	\$166,526
• Total Fines:	\$2,854

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

- A criminal complaint was filed in New York, New York, charging a husband and wife each with four counts of making false statements. Investigation developed evidence that the husband failed to report employment income of as much as \$41,000 per year. These falsifications occurred between 1981 and 1987 and resulted in the family's receiving \$46,000 in rental assistance to which they were not entitled. (United States vs. Raul and Gloria Bocachica, Southern District of New York.)
- Two Section 8 tenants pled guilty in San Francisco, California, to one count of submitting false statements to HUD. The husband and wife did not disclose their total family income between 1983 and 1987. They received \$44,183 in overpaid assistance during the 4-year period. (United States vs. Werner D. and Patricia A. Gudiel, Northern District of California.)
- A low-income housing tenant was sentenced in San Francisco, California, to 6 months in a halfway house, 5 years probation, and ordered to make restitution of \$35,327, representing underpayment of rent to a local housing authority. The tenant failed to disclose her actual income between 1980 and 1986. (United States vs. Patricia I. Steuben, Northern District of California.)
- A Section 8 tenant was indicted in New York, New York, and charged with four counts of making false statements and 18 counts of mail fraud. The tenant allegedly misrepresented family composition and concealed ownership of real property, including several apartment buildings. Over \$38,000 in ineligible rental assistance was paid on the tenant's behalf. (United States vs. Mario Nania, Southern District of New York.)

- A Section 8 tenant was indicted in Jersey City, New Jersey, and charged with two counts of theft by deception. Between 1982 and 1986, the recipient allegedly failed to report employment income, thereby receiving the benefit of \$19,419 in rental assistance to which she was not entitled. (State of New Jersey vs. Kathleen Blount.)
- A Section 8 tenant executed a settlement to pay \$10,957 to HUD over a 3-year period. The agreement was executed in response to a demand letter proposing action by the Department of Justice under the False Claims Act. This action follows a criminal prosecution in which the tenant pled guilty to false statement charges for having understated household income. The original criminal charges resulted in restitution to HUD in the amount of \$9,471. These separate actions, criminal and civil, enabled HUD to recover \$20,428 which the former tenant received in ineligible housing assistance payments. (United States vs. Wilfredo Torres, District of Massachusetts.)
- A Federal jury in Jackson, Mississippi, returned a guilty verdict against a personnel director of a nonprofit, early childhood development center on three counts of conspiracy and 19 counts of making false statements. The personnel director had been charged along with four tenants in connection with understating the tenants' income on verification forms while the tenants executed recertifications reporting the understated income. This resulted in \$26,543 in overpaid rental assistance for the tenants between 1984 and 1987. (United States vs. George W. Jamison, Ola Hudson, Beatrice Eurby, Bobbie C. Gibson, and Patricia A. Smith, Southern District of Mississippi.)
- A former Section 8 tenant in Appleton, Wisconsin, pled guilty to one count of felonious theft for misreporting her family income to obtain excess rental assistance. The tenant knowingly omitted the income of a household member on benefit recertification forms from 1984 to 1987. She disclosed the earnings of a boyfriend to the Welfare Department but did not report the same information to HUD project managers. The tenant received ineligible rental assistance totaling approximately \$22,000. (State of Wisconsin vs. Barbara Jean Welhouse.)
- A Section 8 tenant in Chicago, Illinois, was placed on 4 years probation, ordered to make restitution to HUD in the amount of \$8,500, and ordered to perform 400 hours of community service. The tenant misrepresented her family earnings and received in excess of \$17,000 in overpaid Section 8 assistance. (United States vs. Evelyn Harris, Northern District of Illinois.)
- A tenant pled guilty in U.S. District Court, Albany, New York, to one count of making false statements to HUD. She falsified recertification forms in regard to her income. As part of the plea agreement, the tenant is to make restitution of over \$9,000 in overpaid subsidy. (United States vs. Marilyn Springer, Northern District of New York.)

**Income
Verification
Legislation**

In addition to cases such as those cited above, there are numerous others throughout the country that have been prosecuted at the State and local levels without OIG involvement. More importantly, many PHAs have implemented proactive programs to deal with this growing problem and have taken administrative action to: (1) adjust family assistance to proper levels; (2) recoup overpaid assistance; and (3) remove ineligible families where circumstances warrant. In order to assist PHAs in their efforts to administer HUD programs more efficiently, the Department is still in need of legislative authorities in addition to Section 165 of the recently enacted HCD Act of 1987, which enabled HUD to require the disclosure of Social Security Numbers as a condition of occupancy.

A provision to allow HUD to access wage data maintained by State employment security agencies is pending. This provision was passed by the Senate as S. 1994 and referred jointly to the House Committees on Banking, Finance and Urban Affairs, and Ways and Means. This bill also includes a requirement for applicants and tenants to sign consent forms to permit verification of income. These provisions are also contained in H.R. 1028, "HUD Income Verification Act of 1987," introduced on February 5, 1987, by Congressman Thomas Carper for himself and Congressman David Dreier. The Secretary has written the Ways and Means Committee requesting the bill be reported out as soon as possible.

The passage of these proposals is still needed to permit income computer matches in every State. We are currently limited to conducting these matches to a few States that voluntarily permit access to their wage files. We are presently conducting matches at housing authorities for St. Louis County, Missouri; Ft. Worth, Texas; Dallas, Texas; Denver, Colorado; and selected authorities in Florida.

Chapter 2

SIGNIFICANT AUDITS

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

Multifamily Insured Programs

Our audits focused on problems in the following areas: the Section 223(f) Coinsurance Program; multifamily project management agents; tax-exempt financing; repairs and rent increases; and the processing of rent increases.

Past and ongoing audit work in the Section 223(f) Coinsurance Program and a program monitoring review disclosed that DRG Funding Corporation (DRG), a HUD-approved coinsurance lender, is not complying with HUD requirements. DRG approved unsound loans, failed to detect indications of troubled loans, and was not aggressive or timely in minimizing defaults and coinsurance losses. As a result, DRG jeopardized its sound capital resources and failed to reduce coinsurance losses.

As of September 30, 1987, 34, or nearly 12 percent, of DRG's Section 223(f) coinsured loans were in default. This default rate is very high in comparison to the 0.7 percent default rate of other lenders participating in the program. The outstanding principal balance and accrued interest on DRG's defaulted loans exceeded \$253 million. As of April 1, 1988, these numbers had grown to 59, or 20 percent, of DRG's Section 223(f) coinsured loans in default, with a value exceeding \$364 million. We believe that this high default rate is a direct consequence of DRG's consistent failure to comply with the intent of HUD loan underwriting and servicing requirements. We previously disclosed deficiencies in DRG's performance in our November 1985 audit report on the Section 223(f) Coinsurance Program. In addition, HUD's Office of Housing issued a monitoring report on DRG in 1987 and reported similar deficiencies in DRG's performance. These reports show that DRG continues to employ high-risk loan processing and management practices in the following areas:

- Valuation Rental and Occupancy Analyses. DRG has not complied with HUD mandates requiring the use of market rents and occupancy ratios when estimating net income. DRG's use of higher-than-market rents and occupancy ratios resulted in overestimated net income which, in turn, justified higher maximum insurable mortgage amounts. Consequently, DRG has increased the probability of defaults and the risk of coinsurance losses.

DRG Funding Corporation Coinsurance Activities

- **Completion of Repairs.** Repairs and improvements were not properly inspected before loan closing to assure that the work was actually completed as required. Uncompleted repairs and improvements may preclude the owner from achieving the needed rents or realizing the income necessary to meet expenses and loan payments, thus increasing the risk of default. Also, upon foreclosure, uncompleted improvements may lower the disposition value of a project and increase the coinsurance loss.
- **Management Analyses.** DRG did not perform underwriting management analyses in accordance with program requirements. As a result, DRG did not identify and correct existing management or operating deficiencies before loan endorsement. The unidentified deficiencies resulted in unsound underwriting and early loan defaults.
- **Sound Capital Resources.** DRG has not consistently maintained the additional coinsurance net worth requirements pertaining to liquid funds. DRG's cash balance for January, February, and May 1987 was under \$500,000 and its receivables consisted primarily of funds due from co-insured projects already in default. In addition, the amounts due from related companies are questionable since HUD is not aware of the financial status of these companies and the potential realization of these receivables.
- **Acquisition and Disposition.** DRG improperly discontinued foreclosure proceedings on a defaulted loan without curing the default. Rather than accepting a deed-in-lieu of foreclosure and filing a claim for insurance benefits, it allowed title to be transferred twice. By prolonging the default period, DRG will substantially increase HUD's payment for accrued interest and project operating and maintenance expenses for any potential claim it files.

Because DRG has consistently failed to comply with or meet the intent of HUD loan underwriting and has not minimized defaults or insurance loss amounts, we recommended that the Office of Housing take appropriate administrative action to prevent DRG from issuing any further loan commitments until such time as it corrects its underwriting practices and implements effective loan management procedures.

On April 14, 1988, HUD imposed restrictions on DRG's processing and underwriting pending resolution of questions concerning DRG's ability to meet FHA and Government National Mortgage Association capital requirements for continued approval. The restrictions imposed consist primarily of processing and underwriting reviews by HUD of DRG's processing/underwriting of proposed loans, and reviews of proposed issuances of Mortgage-Backed Securities backed by coinsured loans.

**Multifamily Project
Management
Agents**

Two multifamily project management agents used over \$2.8 million in project funds in violation of HUD requirements or in a questionable manner. In return for HUD's project mortgage insurance, owners execute Regulatory

Agreements with the Department that govern project operations. These Agreements stipulate that project expenditures must be reasonable and necessary. Owners may enter into agreements with management agents to operate the projects on their behalf.

- First Columbia Management, Inc. We reviewed the Chicago, Dallas, and Seattle Regional Offices of First Columbia Management, Inc. (FCMI), a national property management company. We identified about \$1.8 million of questionable costs or costs that were charged to HUD-insured housing projects in violation of HUD requirements. We also identified \$640,507 of HUD-insured project income that was not credited by FCMI to the projects, but instead was used for FCMI's apparent financial benefit.

About \$1.02 million of the \$1.8 million in questionable costs pertained to personnel-related and overhead costs applicable to FCMI's management agent responsibilities. The costs should be borne by FCMI since such costs were payable from FCMI's project management fee.

FCMI-managed HUD projects also used the services of identity-of-interest companies. These arrangements were not always disclosed to HUD. During our audit period, HUD-insured projects incurred \$624,427 of costs for services provided by FCMI identity-of-interest companies. FCMI did not substantiate the reasonableness of these costs or assure that the use of identity-of-interest firms was proper and in the best interests of the projects.

We are consolidating the results of the reviews to make recommendations to the Assistant Secretary for Housing-Federal Housing Commissioner to recover all ineligible costs charged to HUD-insured projects under FCMI's management. (Audit Report Nos. 88-CH-214-1010; 88-FW-214-1001; and 88-SE-214-1004.)

- Altman Realty Company, Inc., Glenside, Pennsylvania, management agent for 11 HUD-insured projects, charged \$278,727 for project expenses that should have been paid from the management fee. These expenses included: property manager salaries, travel, entertainment, telephone, automobile, and apartment rents. The expenses unnecessarily increased project costs and adversely affected the projects' financial condition. The management agent also: (1) provided unauthorized rent-free units to project employees; (2) inappropriately charged interest on funds advanced to projects; (3) did not return tax rebates to a project; (4) charged unnecessary and unsupported administrative costs to projects; and (5) collected excessive management fees from a project. We disallowed another \$118,547 based on these actions.

We recommended that the agent reimburse the projects \$397,274 and prepare written procedures for use by staff responsible for managing HUD projects. (Audit Report No. 88-PH-214-1001.)

**Tax-Exempt
Financing of
Multifamily
Projects**

Section 11(b) of the Housing and Community Development Act of 1974 authorized public housing agencies (PHAs) to issue tax-exempt notes and bonds for financing low- and moderate-income housing projects. Section 103(b) of the Internal Revenue Code provided that interest on obligations issued to finance a multifamily rental project would be tax-exempt if at least 20 percent of project units were maintained for an extended time period for low- or moderate-income tenants.

We reviewed the processing in the St. Louis Office (SLO) of HUD-insured and/or -subsidized multifamily projects using tax-exempt obligations under Section 103(b) of the Internal Revenue Code. We found that HUD regulations were not specific on computing Section 8 rents when tax-exempt 103(b) obligations were used. A previous OIG external audit showed that interest on debt service reserve funds was included in project costs even though debt service reserve funds were self-supporting. Although the SLO had required rent adjustments on Section 11(b) projects, they did not require such adjustments on these 103(b) bond-financed projects. If allowed to stand, this decision will cost HUD \$488,000 in excess Section 8 rents over the duration of the Housing Assistance Payments contracts for the six projects included in this one audit report.

We also found that developers profited from income generated when tax-exempt obligations were issued to finance construction. This caused four of six project mortgages reviewed to be inflated by over \$1 million, which in turn caused actual and future Section 8 overpayments to exceed \$2 million.

In our draft report, we recommended that regulations be clarified or amended to prevent excess Section 8 rents, that Section 8 contract rents be recalculated on 103(b)-financed moderate rehabilitation projects, and that steps be taken to collect overpayments to date and prevent future overpayments.

**Repairs and
Rent Increases
on Multifamily
Projects in
HUD's Possession**

We performed an audit to determine if HUD Field Offices were making required repairs to mortgagee-in-possession and HUD-owned multifamily housing projects and were processing rent increases for such projects pursuant to the Department's requirements. Our audit was performed at the Boston, New York, and Chicago Offices. We found that Boston and Chicago were not repairing conditions affecting the health and safety of tenants or were not correcting conditions necessary to preserve the projects. In addition, we found that none of the Field Offices were analyzing rental charges for HUD-owned and/or mortgagee-in-possession projects on an annual basis. Consequently, these Field Offices were not processing rent increases for such projects when warranted. For eight projects in the New York and Chicago Office jurisdictions, we estimated that HUD is not realizing about \$1.2 million annually in rental income as a result of not increasing rents to the extent permissible.

We recommended that: (1) HUD's repair policy be clarified to ensure that required repairs are made in an expeditious manner; (2) Headquarters ensure that Field Offices comply with the Department's repair policy; (3) instructions be issued to Field Offices for processing rent increases; and (4) the

regulations be revised to require tenants residing in HUD-owned projects to pay 30 percent of their adjusted income for rent. (Audit Report No. 88-TS-113-0005.)

Unnecessary, excessive, and unsupported rent increases were approved by HUD and HUD may ultimately have to pay \$563,313 in unnecessary Section 8 subsidies. Non-subsidized tenants may also be required to pay \$143,726 in excessive rents. We reviewed the processing of rent increases for multifamily projects by the Loan Management Branches at the San Francisco, Los Angeles, Phoenix and Sacramento Field Offices. The processing was ineffective in that the Branches: accepted rent increase requests without verifiable supporting documentation; did not adequately perform or document analyses and supervisory reviews; and accepted unallowable and unsupported increases in operating expenses. Consequently, the Branches approved excessive or unsupported rent increases. Of the 26 approved rent increases that we reviewed totaling nearly \$1.4 million, 14 were excessive by \$707,039 because the approved amounts were based on unallowable or unsupported costs. These problems were attributable to either a lack of staff training, detailed analyses, or supervisory review procedures.

We recommended that the Assistant Secretary for Housing-Federal Housing Commissioner: issue a directive to Field Offices emphasizing the need for improved analysis and review of rent increase requests; develop procedures for Field Offices to ensure that future rent increase analyses are fully documented and justified in writing; develop a standardized format for submitting rent increase requests to include a summary of each cost increase item; develop a standardized review summary to be prepared by loan management officers for supervisory review purposes; develop a quality control procedure; and provide appropriate training for Field Office personnel.

Assisted Housing Programs

Our audits of Assisted Housing Programs uncovered problems in the following areas: procurement activities; misuse of assets at Public Housing Agencies; excess rents and utility allowances at State Housing Finance and Development Agencies; Section 8 Housing Quality Standards; and Assisted Housing Management Branch activities.

We reviewed the Philadelphia and Baltimore City Housing Authorities (PHAs) to determine if they procured goods, services, and equipment in compliance with HUD requirements. We found that the Philadelphia Housing Authority lost significant amounts of housing funds from uneconomical purchases and questionable procurement practices. The PHA continues to lack adequate management oversight. Fragmented procurement responsibilities, inadequate financial and quality controls, and the absence of fundamental accountability resulted in: (1) ineligible and unsupported elevator repairs totaling \$508,983; (2) inadequate needs assessments, duplication of effort and inefficient purchases of \$3.1 million for goods and services; and (3) noncompliance with Federal, State, and local procurement requirements.

Processing Rent Increases for Multifamily Projects

Excess Rents and Utility Allowances Set by State Housing Finance and Development Agencies

Poor Procurement Practices at Philadelphia and Baltimore City Housing Authorities

These procurement problems at the Philadelphia Housing Authority have persisted for over 20 years, as indicated in the last eight OIG and independent auditor reports. Despite assurances over the past several years by various PHA management teams that corrective measures were initiated or implemented, basic fundamental control elements are still lacking. For example: (1) the PHA purchased 3,000 furnaces for \$1.8 million, but did not adequately control their receipt and inventory; (2) for a 2-year period, the PHA paid over \$274,000 for postage without adequate controls to prevent abuse and provide accountability; (3) after six vans were delivered as part of a 20-van \$321,200 contract, the Authority revised the specifications to a smaller van and accepted delivery of the balance of smaller vans with no contract price adjustment; and (4) although three different operating units track some portion of contracts, no one source at the Authority provides sufficient information on obligated and disbursed amounts and outstanding balances for goods and services to be provided.

We recommended, among other things, that the PHA: (1) develop a system to consolidate procurement activities in one department; (2) establish formal negotiated contracts for all blanket purchase agreements; and (3) require elevator contractors to refund overpayments and furnish support for any questioned costs. (Audit Report No. 88-PH-201-1006.)

At the Housing Authority of Baltimore City, contract specifications were inaccurate, incomplete, ambiguous, or were not strictly enforced. As a result, costs totaling \$104,765 were not adequately supported, and up to \$115,000 more may have been wasted. The Authority paid more than necessary for goods and services because it did not consistently comply with HUD requirements and its own procurement procedures for soliciting bids and quotations. The Authority also failed to take sufficient action to recover overcharges by a manufacturer of trash compactors and disbursed funds for unnecessary expenses.

We recommended that the Authority: (1) repay from non-Federal funds all ineligible costs and provide adequate documentation for unsupported costs; (2) prepare technical specifications which are accurate and complete, enforce contract specifications, and strictly adhere to HUD requirements and its procurement procedures when soliciting bids and quotations; and (3) aggressively pursue a refund for the trash compactor overcharges. (Audit Report No. 88-PH-209-1007.)

Misappropriation and Misuse of Cash and Other Assets

We performed a nationwide review to evaluate known cases involving the misappropriation or misuse of cash and other assets at public housing agencies and Indian housing authorities (PHAs). We also assessed the adequacy of HUD/PHA controls for detecting and preventing such abuses.

We reviewed 141 occurrences involving about \$6 million of misappropriated and misused assets at 122 PHAs over the period October 1984 through March 1987. The abuses included embezzlement, check forgery, payments to fictitious vendors, unexplained cash shortages, excessive payments to contractors, false travel claims, kickbacks, and unauthorized/fictitious payments. The violations occurred primarily because the PHAs did not establish adequate internal controls or comply with existing controls. In addition, fee

accountants employed by the PHAs generally did not detect and report such abuses to HUD or the PHAs' governing bodies. Current fee accountant contracts do not specifically provide for such reporting of PHA misappropriations or misuses of assets. Of the employees responsible for misappropriating or misusing PHA assets, about 65 percent were in management positions; the most prevalent management position was that of Executive Director.

On the basis of issued PHA audit reports, we estimate that about 42 percent of all PHAs administering conventional low-income housing programs are likely to have internal control problems relating to monetary assets. HUD Field Offices have not effectively assisted PHAs in establishing adequate control systems or in correcting weaknesses in existing systems.

We recommended, among other things, that applicable HUD handbooks be revised to clearly state PHAs' responsibilities for establishing and maintaining adequate internal control systems; the maintenance of an adequate internal control system be included as a PHA performance standard/indicator; Field Offices assume an increased role in assisting PHAs to develop and maintain sound internal control systems; and PHA fee accountant contracts require fee accountants to report to HUD and PHAs' governing bodies any known or suspected misappropriations or misuses of PHA assets and significant internal control weaknesses. (Audit Report No. 88-TS-101-0006.)

We completed a nationwide review of the Section 8 New Construction and Substantial Rehabilitation Program and other related activities of State Housing Finance and Development Agencies (SHAs), and found that SHAs are setting excessive rents and utility allowances. For the five SHAs we reviewed, we estimate that Section 8 subsidies are excessive by about \$2.1 million annually for the 154 projects tested. Over the 30-year life of the assistance contracts, the excess rents would amount to about \$63 million. Factors contributing to the problem of excessive rents/subsidies include noncompliance by SHAs with program requirements; inadequate HUD instructions for establishing annual rent adjustments and utility allowances; and inadequate HUD monitoring of SHAs' administration of the Section 8 Programs.

We recommended that action be initiated to ensure more timely and effective implementation of rent adjustment instructions; rent adjustment instructions be revised; instructions be issued for establishing utility allowances; and the SHA monitoring process be revised to ensure more effective HUD oversight of SHA activities. (Audit Report No. 88-TS-103-0007.)

A review of operations at the South Carolina State Housing Authority (SCSHA), Columbia, South Carolina, showed that of 26 units inspected in the Section 8 Existing Housing Program, 21 did not meet Housing Quality Standards (HQS). The 21 units contained 196 HQS violations and should not be allowed in the program. The SCSHA improperly approved the units because its inspection procedures were ineffective in identifying and obtaining corrective action for HQS violations. As a result, a large portion of the \$4 million spent annually for housing assistance payments (HAPs) by the SCSHA may be for properties which do not meet the standards for decent, safe and sanitary housing.

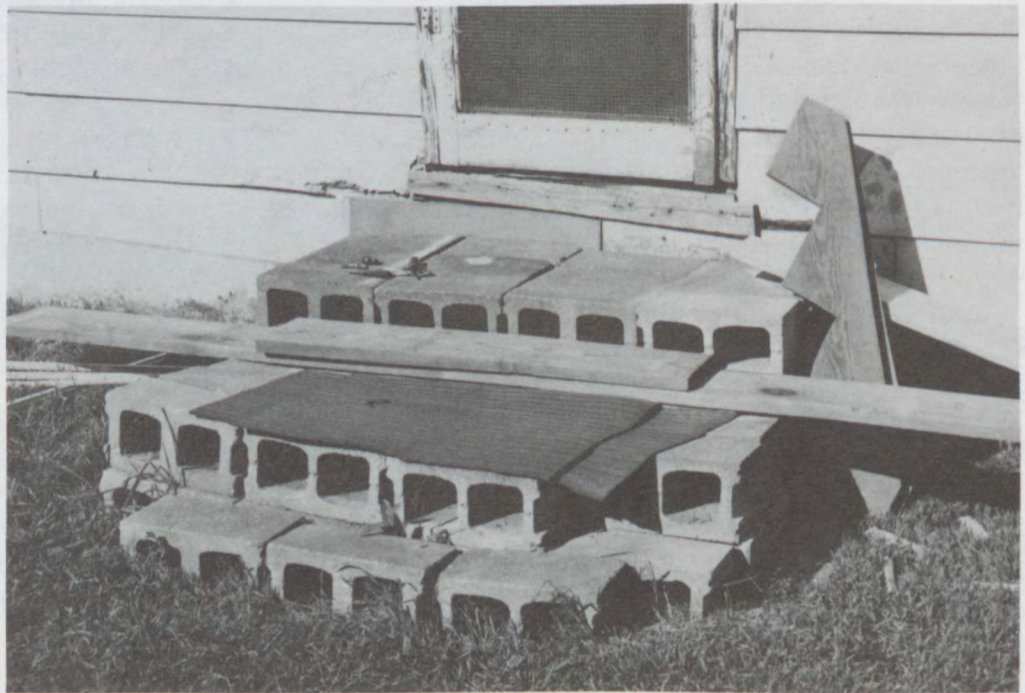
Field Offices
 Audited Housing
 Management
 Branch Activities

**Excess Rents and
 Utility Allowances
 Set By State
 Housing Finance
 and Development
 Agencies**

**Section 8 Housing
 Quality Standards
 Not Met**



Peeling exterior paint and hazardous electrical wiring at SCSHA project.



Hazardous steps to front door and rotted siding and door sill at SCSHA project.

The SCSHA paid HAPs that included utility allowances for 10 of 26 sampled tenants who did not qualify for such allowances. The payments were ineligible because the tenants did not incur the utility costs for which they received an allowance. In addition, the SCSHA did not adequately document its determination that monthly rents paid to landlords were reasonable, and failed to review utility allowances annually as required.

We recommended that the Columbia Office Manager require the SCSHA to: (1) implement effective inspection procedures to ensure that only units which meet the HQS are allowed in the program; (2) reinspect the 21 units failed in our inspections and either ensure that the HQS violations are corrected or the units are removed from the program; (3) terminate all utility payments in cases where the tenants do not incur such costs; (4) complete rent reasonableness certifications for both initial rents and annual rent increases; and (5) review utility allowances and make any required adjustments. (Audit Report No. 88-AT-203-1006.)

We previously audited several large financially or operationally troubled public housing agencies (PHAs) and found certain financial and operational problems that should have been addressed by HUD Field Offices. We subsequently began reviews of Field Office Assisted Housing Management Branches (AHMBs) to determine why these problems were not being addressed through AHMB monitoring reviews. During the reporting period, we reviewed AHMB operations at the Indianapolis and Charleston (West Virginia) Offices.

**Field Office
Assisted Housing
Management
Branch Activities**

- We found that the Indianapolis AHMB was neither organized properly nor managed effectively. The Branch's organizational structure did not provide for adequate guidance and supervision of staff members. In addition, the Branch was not using its resources efficiently and effectively to improve the overall management of the PHAs under its purview. Moreover, a recent HUD management review of the AHMB indicated that the Branch lacked leadership, guidance, and direction. In addition to being managed improperly, our review disclosed that the AHMB was incapable of providing needed technical assistance to PHAs because it lacked financial analysts or other staff sufficiently knowledgeable in PHA financial matters. Consequently, despite the recurring financial problems of PHAs, the AHMB was not adequately monitoring PHAs to ensure improvements in their financial management and was not taking appropriate administrative sanctions against PHAs who violated HUD requirements, contrary to HUD procedures.

We recommended that the Regional Administrator-Regional Housing Commissioner: (1) instruct Regional Office staff to work closely with the Field Office to determine a suitable organizational structure; (2) ensure that the Field Office formalizes procedures for conducting reviews; and (3) require the Field Office to adopt procedures to use sanctions as a means of obtaining compliance when violations are not corrected timely at a PHA, and provide staff training in the proper use of sanctions. (Audit Report No. 88-CH-101-0003.)

- The Charleston Office AHMB did not follow mandatory selection criteria in funding the Housing Voucher Program. As a result, PHA applicants were incorrectly selected and qualified PHA applicants were excluded from participating in the program. Also, the AHMB did not adequately plan or staff PHA monitoring reviews or ensure that annual independent public accountant (IPA) audits of PHAs were conducted and reports received in a timely manner. As a result, HUD has no assurance that PHAs are managing funds in compliance with applicable laws and regulations. Because program violations identified during AHMB reviews were reported as errors or recommendations rather than findings, PHAs were not obligated to take the corrective actions required for findings.

We recommended that the Charleston Office Manager: (1) recapture unused vouchers from the Charleston Housing Authority and redistribute allocations; (2) establish and apply a formalized ranking system for all future Section 8 voucher allocations; (3) prepare a PHA monitoring review plan; and (4) assign responsibility for monitoring PHAs' scheduling and receipt of IPA reports in accordance with HUD regulations. (Audit Report No. 88-PH-101-0001.)

Community Planning and Development

Our audits disclosed problems in the Community Development Block Grant (CDBG) Rental Rehabilitation Programs and other Community Planning and Development (CPD) areas.

Rental Rehabilitation Programs

We conducted reviews of 26 grantees that administered Rental Rehabilitation Programs during Fiscal Years 1987 and 1988. The purpose of our reviews was to determine if the grantees carried out their programs in accordance with applicable laws, regulations, and HUD policies and directives in an economical and effective manner.

In a summary audit report to the General Deputy Assistant Secretary for Community Planning and Development, we concluded that the grantees have succeeded in providing affordable, decent housing for low-income families and increased the availability of housing units for Section 8 certificate and voucher holders. However, grantees need to increase management emphasis and strengthen procedures over the administration and control of the programs to assure compliance with HUD rules and regulations in the following areas:

- Project selection
- Reporting to HUD
- Accounting records and controls
- Program income controls
- Project inspections
- Davis-Bacon requirements
- Determination of cost reasonableness
- Utilization of Section 8 certificates and vouchers
- Displacement of families

The weaknesses exist due to inadequate policies and procedures to address specific program requirements and inadequate communication between the agencies administering the programs.

To improve program operations, we recommended that CPD: (1) issue a Rental Rehabilitation Program Handbook encompassing all program rules and requirements; (2) emphasize Field Office monitoring of the programs' administrative compliance requirements; and (3) aid in redesigning the Memorandum of Understanding between the administering agencies. The Office of Community Planning and Development generally agreed with the findings and stated that they would take corrective actions.

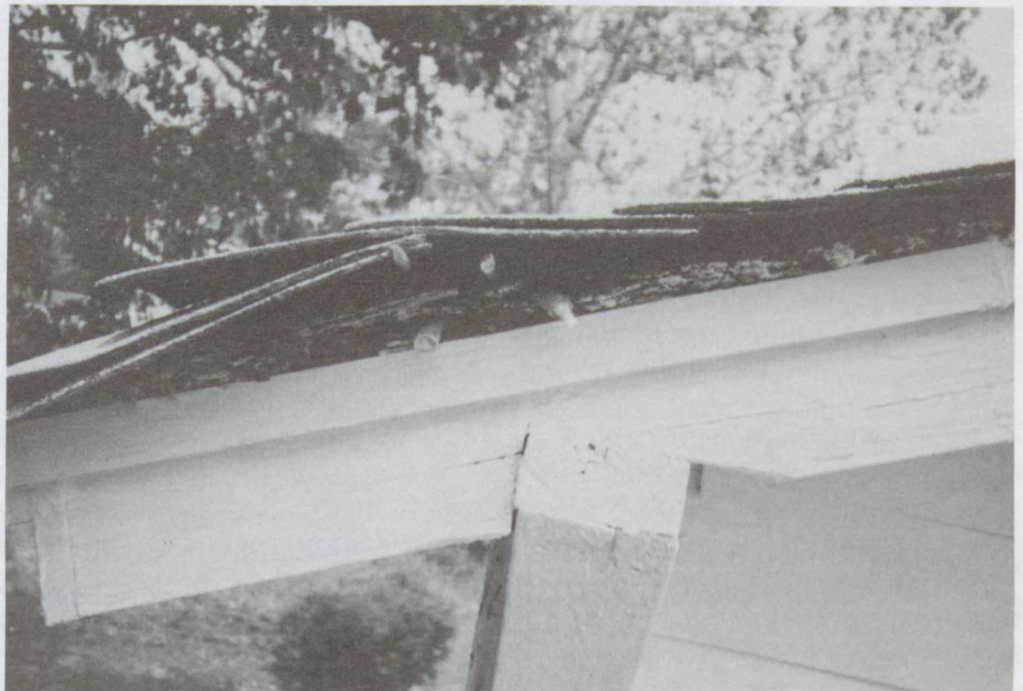
The following were significant audits in other CPD areas:

Other CPD Areas

- North Little Rock, Arkansas. We reviewed both the Rental Rehabilitation Program and the CDBG Interim Assistance Grant Program administered by the Community Development Agency (CDA) of the City of North Little Rock, Arkansas. The Rental Rehabilitation Program incurred ineligible expenditures of \$130,281 for unreasonable and undocumented project costs. The grantee also expended \$143,844 on 18 projects where two individuals held "Purchase Agreements," and may not have held valid legal title, as required.

The CDA's Interim Assistance Program incurred unallowable costs of \$83,924 as the result of fraudulent grants or grants used to pay for uncompleted, overpriced and shoddy work. Improper administration and the CDA's lack of internal controls allowed manipulation of the program and diversion of CDBG funds through collusion with contractors. An investigation of the CDA is pending.

We recommended that the HUD Little Rock Field Office: (1) require the City to reimburse the programs \$214,205; (2) require the City to implement a system of internal administrative controls to assure proper and efficient administration of the programs; and (3) request a determination of eligibility from Headquarters for the 18 projects with unsupported ownership. (Audit Report Nos. 88-FW-249-1003 and 88-FW-249-1004.)



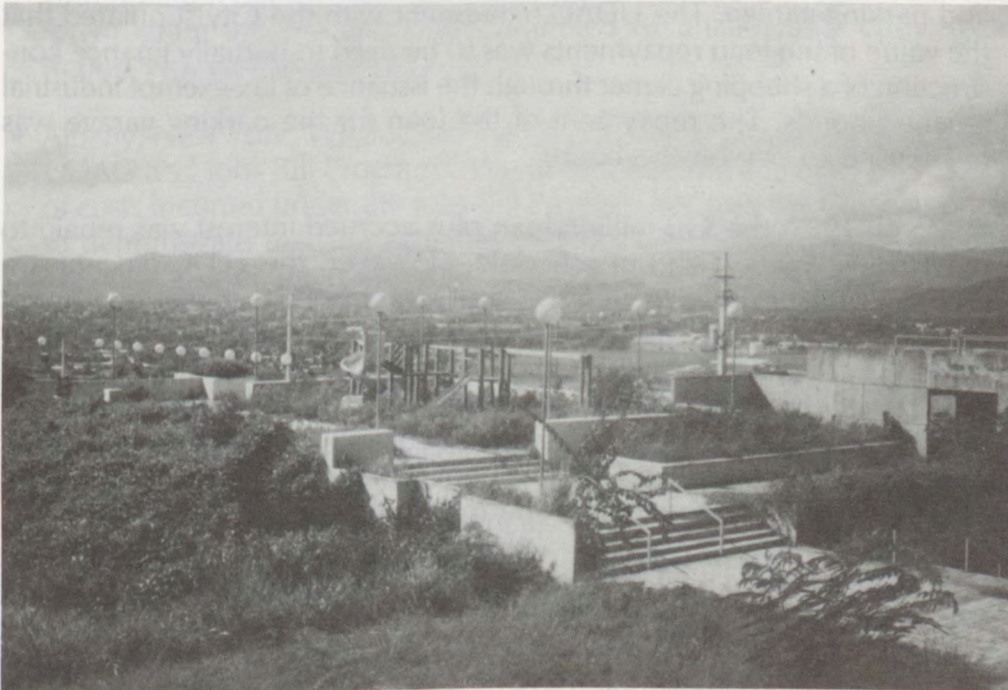
Roofing was installed over four other roofs in violation of codes in North Little Rock.



Newly constructed unit after original unit burned in North Little Rock. Owner collected \$34,000 in insurance proceeds, exceeding the \$29,560 documented owner costs for the project.

- Caguas, Puerto Rico. We examined the operations of the Municipality of Caguas, Puerto Rico, and found that costs of \$1,192,969 were charged to the CDBG Program for the acquisition of a structure used for local government activities, contrary to CDBG regulations. In addition, the Municipality: charged the program unreasonable and excessive costs of \$473,772; did not properly record and use program income; and did not follow proper procedures when contracting for professional services.

We recommended that \$1,192,969 be disallowed, Caguas be directed to reimburse this amount to the CDBG Program from non-Federal funds and the HUD Caribbean Office determine the eligibility of the \$473,772 of questioned costs. We also recommended that the grantee be required to take corrective actions to assure compliance with HUD requirements as they pertain to the financial management system, procurement procedures, program income and the effective administration of program activities. Additionally, we estimate that cost savings of \$175,626 will occur through implementation of corrective actions. (Audit Report No. 88-NY-241-1009.)



An abandoned park in Caguas, Puerto Rico, paid for with CDBG funds.

- Nassau County, New York. We audited the County of Nassau, New York, and found that the County needs to establish and implement a monitoring system to ensure that subgrantees comply with the national objectives of the CDBG Program, incur only eligible program costs and follow requirements regarding procurement and program income. Our review disclosed significant subgrantee noncompliance in the above areas resulting in ineligible costs totalling \$649,643 and unsupported or otherwise questionable costs of \$1,048,806. Additionally, we estimated that cost savings of \$321,550 could be effected through implementation of corrective actions.

We recommended that all ineligible costs be disallowed and repaid to the CDBG Program from non-Federal funds and that the HUD New York Regional Office determine the eligibility of all questioned costs. (Audit Report No. 88-NY-241-1006.)

- Toledo, Ohio. We conducted a special review of the City of Toledo's Urban Development Action Grant (UDAG) Program. In 1982, the City received a \$10 million grant which was loaned, through the Toledo Economic Development Corporation (TEDC), to develop an office building and parking garage. The UDAG agreement with the City stipulated that the value of the loan repayments was to be used to partially finance construction of a shopping center through the issuance of tax-exempt industrial revenue bonds. The repayment of the loan for the parking garage was to be used to pay off the bonds.

In March 1987, the \$10 million loan plus accrued interest was repaid to the TEDC 2 years ahead of schedule. However, the TEDC did not use the loan repayment to pay off the tax-exempt bonds, as required under the UDAG agreement. Instead, the TEDC used \$5.2 million to pay off other debts. The HUD Columbus Office subsequently determined that the TEDC's actions were a technical violation and no corrective action was needed. However, we disagreed with the Columbus Office's determination as we concluded that the TEDC will not have sufficient funds to pay off the bonds when they become due in March 1990.

We recommended that the Regional Administrator-Regional Housing Commissioner reverse the position taken by the Columbus Office and require the City of Toledo to ensure that the misused loan repayment funds be made whole by restoring the \$5.2 million to the bond reserve fund. (Audit Report No. 88-CH-242-1011.)

- Detroit, Michigan. We reviewed the City of Detroit's Community Development Block Grant (CDBG) Program relative to its real estate property acquisition and disposition activities to determine whether the City disposed of CDBG-acquired property inventory in an effective and efficient manner. We also evaluated the City's Department of Public Works, which maintained the properties. We reviewed Public Works' internal controls for maintenance services.

In 1985, CDBG Program Staff questioned the City's use of CDBG funds to acquire and maintain 24,000 tax-reverted properties which were not necessary for specific development projects. The City agreed to cease using CDBG funds for this activity. The City has since acquired additional properties and is presently holding an inventory of 28,000 real estate properties with an estimated resale value of \$46 million. Holding costs of the inventory have drained CDBG and City resources of \$17.4 million since the inception of this activity.

In addition, the City did not effectively manage its properties and properly report sales and expenses. As a result, the City: (1) received \$321,000 from property sales which were not credited to the CDBG Program account; (2) spent \$117,000 on maintenance activities unrelated to the CDBG Program; (3) did not have adequate support for \$27,000 in disposition costs or \$179,000 of acquisition costs; and (4) did not fully comply with Federal cost principles for allocating indirect costs to the CDBG Program.

We recommended that the HUD Detroit Office instruct the City to: develop a strategic plan to dispose of the 28,000 CDBG-acquired properties; establish or improve administrative controls to assure compliance with program requirements; and reimburse the CDBG Program \$644,000 for program income and undocumented or unallowable costs. (Audit Report No. 88-CH-249-1012.)

- Albany, New York. We audited the City of Albany pertaining to its CDBG, UDAG and Jobs Bill Programs. We questioned the eligibility of \$882,000 of costs incurred under the Jobs Bill Program because the City was unable to demonstrate that the activities met the national program objectives. The City also charged ineligible and questioned costs. These costs pertained to: (1) economic development loans; (2) CDBG float loans; (3) City employee salaries; (4) engineering contracts; (5) CDBG rehabilitation activities; and (6) activities administered by a subgrantee.

Furthermore, we noted weaknesses in the City's administrative controls over expenditures of UDAG funds and the Minority Business Loan Program. We attributed the deficiencies and weaknesses disclosed during the audit to the grantee's failure to establish a sound organizational structure to administer HUD programs.

We recommended that ineligible costs of \$213,376 be disallowed and the City be directed to reimburse the amount from non-Federal funds; the HUD Buffalo Office determine the eligibility of questioned costs totaling \$1,013,946; and the City establish an organizational structure which meets the requirements of the program regulations. (Audit Report No. 88-NY-241-1011.)

Single Family Insured Programs

In addition to the Single Family loan origination activities discussed in Chapter 1, we also conducted reviews of Section 235 Mortgage Servicing, and the Losses on Sales of Single Family Properties.

**Review of
Section 235
Mortgage Servicing**

A nationwide statistical sample of all Section 235 servicers (exclusive of the largest 20 servicers) showed that mortgagees did not always comply with HUD servicing requirements. Our sample was taken from approximately 900 mortgagees that accounted for \$126 million of the total \$212 million of Section 235 subsidies paid by HUD in Fiscal Year 1986. Some of the more significant problems we noted were:

- Errors in mortgagees' monthly subsidy calculations projected to be \$5.3 million in overpayments and \$.9 million in underpayments.
- Incomplete and untimely recertifications.
- No independent verification of mortgagors' income.
- Failure by mortgagees to recover prior years' subsidy overpayments when current year recertifications disclosed misreported income.

We recommended that the Assistant Secretary for Housing-Federal Housing Commissioner: alert mortgagees and appropriate HUD staffs to common deficiencies in servicing the Section 235 Program, placing special emphasis on the need to fully comply with HUD handbook requirements; and notify mortgagees of the need to recompute prior years' subsidy payments and recover any overpayments identified from the current recertification process. (Audit Report No. 88-TS-121-0004.)

**Losses on the
Sales of Single
Family Properties**

We completed reviews of the San Antonio and Tulsa Property Disposition (PD) Branches. Both offices experienced dramatic growth in property inventories during the 2 years ending September 30, 1987 (San Antonio from 56 to 1,281 properties and Tulsa from 193 to 1,493). This growth, combined with staffing shortages, made it difficult for the PD staffs to fulfill their responsibilities. Both PD Branches need to improve their procedures and controls in the following areas:

- Approaches to selling single family properties did not provide sufficient opportunities to obtain the greatest returns on sales of the properties. Properties were sold at prices averaging 21 percent below market value.
- Area Management Brokers (AMBs) were not qualified or capable of performing under their contracts.
- PD controls did not reasonably ensure that properties were initially listed for sale at market values.
- PD officials misinterpreted Headquarters instructions on the best offer procedures (BOPs) pertaining to minimum price acceptance thresholds. Consequently, properties were sold for an estimated \$2 million below HUD's minimum acceptance price thresholds during the 1-year audit period.

- Neither the San Antonio nor the Tulsa Valuation Branches implemented controls to ensure that disposition values were reasonable. Our appraisals on 16 properties sold by the PD Branches that were subsequently reinsured indicated that the insured values of seven of these properties were overstated from 10 to 36 percent.

We recommended that both offices implement procedures to ensure that property values are properly established prior to sales listings. The San Antonio Office should also: (1) establish a more comprehensive marketing plan that includes the use of all HUD-approved sales approaches coupled with the use of appropriate sales incentives; (2) intensify their efforts to obtain greater market exposure; and (3) establish specific standards to evaluate the AMBs' ability to perform under contract. We also recommended that the Regional staff follow up to ensure that the Tulsa Office has correctly implemented HUD's BOPs. (Audit Report No. 88-FW-123-0002.)

General Administration

This section summarizes our major activities in the area of administration.

HUD has not established an adequate internal control system for its Distributive Shares/One Time Mortgage Insurance Premium (DS/MIP) Refund Payment Process. The refunds handled under the DS/MIP system represent excess FHA insurance premiums paid by mortgagors. Because of the heavy volume of refunds due and increased publicity over mortgagors' entitlement to distributive shares, HUD managers concentrated on reducing the DS/MIP workload. The managers devoted insufficient attention to establishing safeguards against improper payments and assets' misuse.

HUD's Distributive Shares/One-Time Mortgage Insurance Premium Refund Payment Process

In the past 4 years, HUD made over 500,000 payments totaling over \$600 million. We identified eight material internal control weaknesses in the payment process that exposed the Department to erroneous and fraudulent payments. They included: (1) ineffective use of the control to limit access and update authority to the automated system; (2) failure to establish an "audit trail" or retention periods for automated files to review disbursements and detect improper or fraudulent transactions; (3) no clear separation of the payment authorization and payment disbursement functions; (4) no reconciliation of transactions to verify amounts posted to the general ledger; (5) insufficient documentation to support transactions; (6) inadequate supervision of the payment process; (7) no contingency plans for ensuring the system's continued operation during unexpected disruptions of data processing operations; and (8) lack of management support for establishing and maintaining adequate internal controls.

We made 23 specific recommendations for correcting the internal control weaknesses our audit identified. The Assistant Secretary for Administration initiated steps to improve the process in accordance with our recommendations. (Audit Report No. 88-AO-161-0002.)

**Implementation of
OMB Circular
A-123 Revised
and the Federal
Managers'
Financial Integrity
Act of 1982**

We audited HUD's compliance with Office of Management and Budget Circular No. A-123 Revised (A-123) and the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Our audit covered HUD's internal control evaluation activities since the issuance of our last A-123/FMFIA audit report on December 12, 1986, and the cumulative results of HUD's process for evaluating internal control systems from its inception in Fiscal Year 1983.

The Office of Administration anticipated that completing internal control evaluations of 62 highly vulnerable assessable units would provide sufficient evaluation to reach conclusions on the adequacy of HUD's overall internal control system. Although evaluations of 34 remaining highly vulnerable assessable units were scheduled for Fiscal Year 1987, 10 evaluations were not completed as of November 18, 1987. Furthermore, our review of 14 internal control reviews found that most were limited in scope and did not represent a review of the total system within an assessable unit, or were otherwise incomplete.

Although management commitment to the process increased in Fiscal Year 1987, the limited progress of the past 5 years warranted HUD's making the revised evaluation process a major Departmental initiative for Fiscal Years 1988 and 1989. To accomplish this, the Department agreed to: (1) include internal controls in Departmental goals; and (2) include monitoring of the evaluation process in the Departmental 5-year Management Control Plan. (Audit Report No. 88-AO-161-0001.)

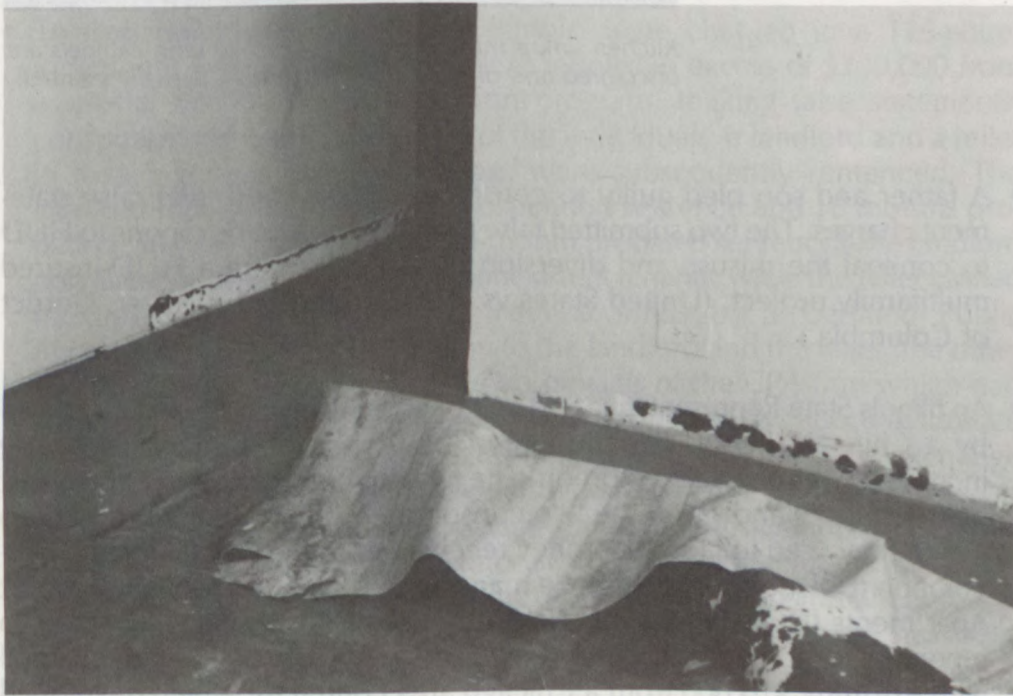
Chapter 3

SIGNIFICANT INVESTIGATIONS

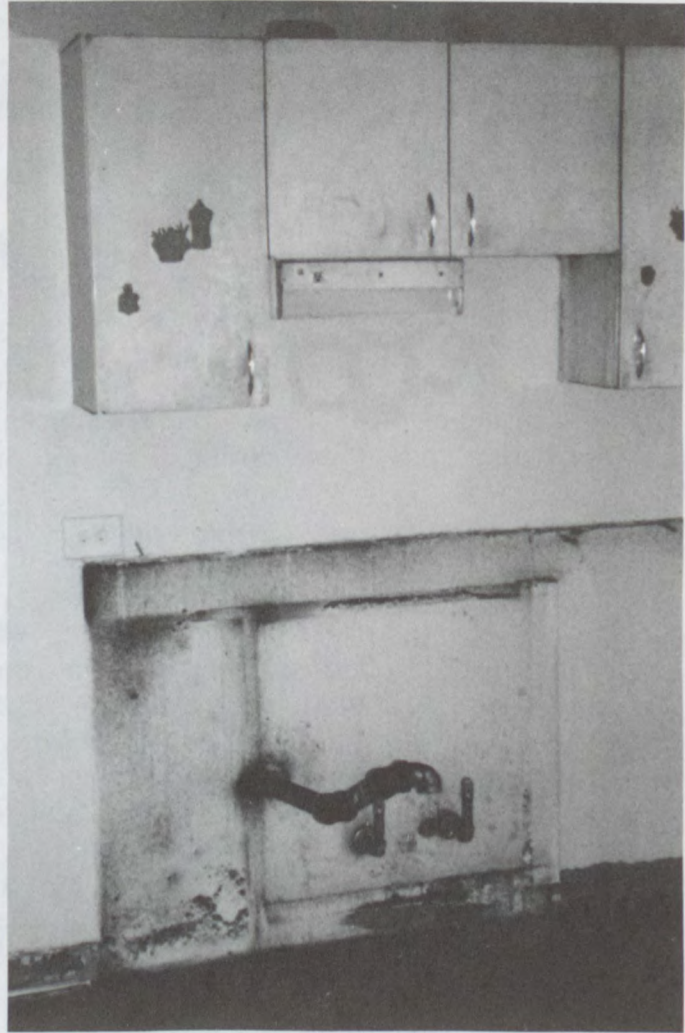
This Chapter describes some of the more significant prosecutive actions which occurred during the reporting period. The Chapter is divided into Multifamily; Public Housing; Community Development Block Grants; and Title I Property Improvement Loans. Chapter 1 of this report summarizes our efforts and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

Multifamily

- A management agent for a Chicago, Illinois Section 8 Set-Aside rehabilitation project and his associate were charged with conspiracy and bribery of a HUD official to obtain approval for approximately 30 units for Section 8 payments. A joint investigation by the OIG and the FBI determined that the agent and his associate paid a HUD Inspector so that the housing assistance payments for these units, which were not yet rehabilitated, would begin the next month. The HUD employee reported the bribe and cooperated during the investigation. The management agent and his associate have been removed from managing the project. (United States vs. Richard H. Pace and Thomas Hull, Northern District of Illinois.)



Unrehabilitated unit where flooring is loose and has been pulled up at a Chicago project.



Kitchen sink is missing from this Chicago unit, cabinets are discolored and dirty, and walls are only partially painted.

- A father and son pled guilty to conspiracy, bank fraud, and false statement charges. The two submitted false monthly accounting reports to HUD to conceal the misuse and diversion of \$135,000 from a HUD-insured multifamily project. (United States vs. Al Silver and Stuart Silver, District of Columbia.)
- An Illinois State Representative and one of his legislative aides were charged by a Chicago, Illinois Federal Grand Jury with conspiracy, filing false income tax returns, and extortion. The five-count indictment charged that between 1979 and 1984, the two conspired to set up sham corporations which they used to launder money received from the East Garfield II Corporation (EGII), a sponsor and the management agent of the Damen Court Apartments (DCA), as well as from other firms. They allegedly failed to report these monies for tax purposes. The State legislator was also charged with extorting \$10,000 from a Chicago area contractor which developed the Madison Terrace Apartments and DCA. The legislative aide was a former employee of EGII at DCA. The indictment stemmed from OIG's

investigation at DCA where 22 others have already been indicted, with 21 convictions to date. The investigation of the State legislator and his aide was performed by the OIG and the Internal Revenue Service's Criminal Investigations Division. (United States vs. Douglas Huff, Jr., and Valencia A. Brown, Northern District of Illinois.)

- The Executive Director of the organization which sponsored the Damen Court Apartments (DCA) project in Chicago, Illinois, was sentenced to 1 year and a day in jail, 5 years probation, and ordered to pay back taxes totaling approximately \$29,000 plus penalties and complete 500 hours of community service. A jury found him guilty of filing five false income tax returns by failing to report income which he received from his connections to DCA. He had sponsored and/or managed four HUD-insured and -subsidized projects in the Chicago area. (United States vs. Edward Allen, Jr., Northern District of Illinois.)

Public Housing

- A building contractor was sentenced to 3 years in jail with all but 90 days suspended, and fined \$15,000 for his part in a bid-rigging scheme involving a \$2.1 million HUD-funded project for the Annapolis Housing Authority, Annapolis, Maryland. The contractor submitted a sham bid allowing a second contractor to submit an inflated contract for \$2.1 million as the low bidder. The two contractors were indicted in Baltimore for their alleged conspiracy to fix the contract and for making false statements to HUD. The second contractor, who spent \$1.3 million on the contract and made a gross profit of \$755,214, has pled guilty to one count of conspiracy and will be sentenced at a later date. (United States vs. Robert Kniffin and James Cox, District of Maryland.)
- Twelve individuals in Chicago, Illinois, were charged in a 116-count indictment with theft of government monies in excess of \$230,000 from a special Section 8 demonstration program, making false statements, conspiracy and bank fraud. Two of the individuals, a landlord and a teller in a savings and loan association, were subsequently sentenced. The landlord received an 18-month suspended sentence and 18 months probation, and the teller received a 6-month probated sentence. The landlord negotiated assistance checks for nonexistent tenants, while the teller cashed fraudulent checks issued with Federal funds by a Certified Public Accounting (CPA) firm. In addition to the landlord and the teller, the other 10 individuals charged included two officials of the CPA firm which had a contract with HUD to administer a court-ordered Section 8 assistance program for Chicago public housing families, a currency exchange employee, and eight other individuals who falsely represented themselves as either tenants or landlords. A joint OIG-FBI investigation determined that these individuals entered into a conspiracy to steal and cash rent subsidy checks by false production of the checks and the alteration of CPA firm records. The CPA contract with the Department has been terminated. (United States vs. Ora Pearson, et al., Northern District of Illinois.)

- The Executive Director of the Clintonville, Wisconsin Housing Authority was sentenced to 5 years probation, and ordered to make restitution of \$10,787 and complete 300 hours of community service. The Director converted rental receipts to his own use and improperly used equipment belonging to the Housing Authority. (United States vs. Michael Elmergreen, Eastern District of Wisconsin.)

Community Development Block Grants

- A Moline, Illinois attorney was charged by the State prosecutor with theft by swindle. A two-count complaint charged that the attorney received funds from individuals for services which were never provided. The complaint was the result of a joint OIG/Moline Police Department investigation of the activities of the attorney. The probe found that the attorney allegedly received monies totaling more than \$200,000 from individuals who were assured that the attorney had obtained HUD financing for the rehabilitation of a Moline hotel. No funding was obtained or applied for by the attorney. (State of Illinois vs. Joseph Trujillo.)
- The City of Long Beach, New York, paid HUD \$60,464 representing repayment of sales proceeds from four HUD-owned homes that had been provided to the City free-of-charge under the County Urban Homesteading Program (UHP), and then demolished contrary to UHP regulations. Under the UHP, the City was required to transfer the homes to deserving individuals and then provide HUD rehabilitation grants and loans to those owners. The City demolished all four homes and then sold the vacant lots at an auction.
- The Director of a nonprofit agency established with Community Development Block Grant (CDBG) monies to fund minority businesses was sentenced in Miami, Florida, to 3 years imprisonment, suspended except for 4 months, and ordered to make restitution of \$10,000. A co-conspirator, who was also indicted with the Director, is a fugitive. The pair was charged with diverting Federal funds in order to make an unauthorized loan to a corporation owned by one of them. The investigation was conducted by the FBI, with assistance from the OIG. (United States vs. Alga Hope, Jr., and Hilario James, Southern District of Florida.)
- The Director of Community Development, Bergen County, New Jersey, and a consultant were indicted by a State Grand Jury. The Director was charged with official misconduct and theft by deception and the consultant with theft by deception. An investigation by the OIG and the Bergen County Prosecutor's Office disclosed that the Director allegedly approved a \$10,000 check payable to the consultant. The money was drawn from HUD CDBG funds and was for work which had not been performed. (State of New Jersey vs. Mary Ann Maioranna and Charles Oglesby.)

Title I Property Improvement and Manufactured Home Loans

- Three real estate speculators in Spokane, Washington, obtained \$320,000 in HUD Title I home improvement loans, most of which was not utilized for property repairs. They were charged with five counts of mail fraud and one count of wire fraud. The speculators purchased 70 homes following zero-down or low-down "creative financing" tactics. A joint investigation by the OIG and the Postal Inspection Service disclosed that the speculators obtained over \$1 million from investors for the purpose of purchasing these properties and did not apply all the funds toward the purchase. The speculators have declared bankruptcy and the homes and Title I loans have been foreclosed. Rents of over \$75,000 were collected on the properties. (United States vs. Laura Harbert, Michael Harbert, and Marlyce Erhart, Eastern District of Washington.)
- The principal corporation officer and a corporate mobile home dealership in East Palatka, Florida, were sentenced for submitting false documents to HUD to obtain insured mobile home loans. The defendants collectively were ordered to pay \$178,257 in restitution. The principal corporation officer was fined \$5,000, received 1 year imprisonment, suspended, and was placed on probation for 3 years. He was also ordered to perform 300 hours of community service. The corporation was fined \$5,000. This FBI investigation found that between 1980 and 1986, the defendants forged numerous county zoning and sanitation certificates for mobile homes which were placed on unapproved and unsuitable sites. These actions resulted in later foreclosures on the loans when buyers did not make their loan payments. (United States vs. Francis Earl Everett and A & W Mobile Homes, Inc., Middle District of Florida.)
- Eight borrowers were sentenced in U.S. District Court, Philadelphia, Pennsylvania, in connection with various criminal charges involving false statements they made to obtain Title I Property Improvement loans. The borrowers used aliases and prepared false loan documents to obtain 19 property improvement loans. Court-ordered restitution totaled over \$154,000, with additional restitution amounts to be determined by the U.S. Probation Office. The eight defendants received a total of 36 years probation and 400 hours of community service, and one defendant was sentenced to 1 year in jail and 400 hours of community service. (United States vs. Alonzo Pride, et al., Eastern District of Pennsylvania.)
- A Title I borrower in Omaha, Nebraska, was sentenced to 30 days confinement, placed on 2 years probation, ordered to perform 100 hours community service and to make restitution to HUD in the amount of \$26,432. The borrower made false statements to HUD to obtain a Title I Home Improvement loan which was not used for the intended purpose. (United States vs. John Barber, District of Nebraska.)

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; the President's Council on Integrity and Efficiency; the Committee on Fraud, Waste, and Mismanagement; the HUD Hotline; and Monitoring Audit Quality.

Fraud Awareness

Awareness Publications Awareness publications are intended to increase program participants' awareness of fraud and to enhance their ability to detect and prevent it. During the past 6 months, we issued a Program Integrity Bulletin (PIB) entitled "Locking Out Tenant Fraud and Abuse." This booklet emphasizes the important role of public housing agencies (PHAs) in maintaining integrity in the programs that provide assistance to low-income families. The PIB describes some of the successful procedures and techniques used by PHAs to address the problem of tenant fraud at the local level. A similar publication is being prepared for multifamily owners and management agents.

In addition, a PIB entitled "Things You Should Know" will be issued shortly. This Bulletin outlines in both English and Spanish the responsibilities of the applicant or tenant to provide truthful, complete, and accurate information as well as the consequences of knowingly omitting or giving false information.

A list of all issued awareness publications is included as Appendix 3.

Training Workshops OIG Headquarters and Field staffs made presentations at conferences and workshops sponsored by various organizations. The presentations included preventing and detecting fraud in Assisted Housing Programs and Community Development Block Grant Small Cities Programs, and fraudulent activities in the Single Family Insurance Programs.

These organizations included: the New York State Association of Rehabilitation and Housing Officers; the Northern and Central California and Nevada Chapters of the National Association of Housing and Redevelopment Officials; the Midwest Association of HUD Management Agents; the Association of Professional Mortgage Women; the Massachusetts Public Housing Authority Directors; the Council of State Community Affairs Agencies; and the Indiana State Board of Accountants.

President's Council on Integrity and Efficiency

The HUD Inspector General is a member of the Standards Subcommittee of the President's Council on Integrity and Efficiency (PCIE) Audits Committee. In this capacity, our office headed up a review of the disciplinary processes of all State Boards of Accountancy. The primary objectives were 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 conducted this review in coordination with the National Association of State Boards of Accountancy. The report was issued in February 1988.

The report focused on five areas that were deemed critical to the disciplinary process and included suggestions for improvement in these areas. The five areas are: (1) general overall authority; (2) investigative process; (3) hearing process; (4) positive enforcement; and (5) exchange of information. This report should go a long way in helping to improve the quality of audits. More importantly, the project has opened the doors of cooperation and communication between the Federal Inspectors General and the various State Boards of Accountancy.

In addition to the Standards Subcommittee work just described, our office continued to participate in a number of multi-agency projects or surveys, including reviews of:

- Federal year-end spending practices.
- Guaranteed loan programs.
- User fees/collections.
- Computer systems integrity.
- Implementation of the Prompt Payment Act by Federal agencies.
- Entry-level hiring of auditors.

Our office chaired the Special Pay Rate Subcommittee under the entry-level hiring project, and issued a report showing that, despite use of the Office of Personnel Management's recommended recruitment and retention alternatives, a pay gap was causing difficulty in hiring at 12 locations nationwide.

The Office of Inspector General will continue taking the lead in sponsoring a series of regional workshops, which our office initiated under the auspices of the Training Committee. Successful workshops were held during 1987 in: Boston, New York City, Philadelphia, Atlanta, Chicago, Ft. Worth, Kansas City, Denver, and Seattle.

We also continued our role as a member of the Communications and Awareness Subcommittee (formerly the Prevention Committee) and the Integrity and Law Enforcement Committee (formerly the Investigations Committee), assisting in various efforts undertaken by these groups. For example, our Philadelphia Regional Office staff facilitated arranging for the satellite delivery of a live PCIE video conference there.

Committee on Fraud, Waste, and Mismanagement

The Committee on Fraud, Waste, and Mismanagement (CFWM) recently completed two major projects: a review of HUD's Evaluation and Resolution Systems and a review of HUD's Issuances and Regulations Systems. The reports on these studies were approved by the full Committee and comments received from top management within the Department.

Review of HUD's Evaluation and Resolution Systems

The Committee reviewed the five major HUD evaluation systems. These include: Field Performance Evaluations; Internal Control Reviews; Internal Audits; CFWM Studies/Departmentwide Task Force Studies; and Productivity Improvement Program Studies. The project recommends six ways the Department can enhance the effectiveness of all five systems. First, there is a need for strengthened planning and coordination among the systems. This would include: preparing a consolidated report on evaluation results and analyses of trends by program area; preparing an annual evaluation plan to establish Assistant Secretary priorities; and establishing a central clearinghouse for evaluations. The other five recommendations call for:

- Tracking and comprehensive reporting to senior managers of significant findings reflecting serious adverse program impact.
- Establishing a quality control process to assure that corrective actions are taken and that the original problems are solved.
- Performing an independent management review of each system on a recurring basis.
- Revising performance evaluations to one element for all evaluation systems.
- Considering the creation or designation of a central organizational focal point to provide ongoing direction and management oversight for evaluation systems.

The CFWM report was forwarded to the HUD Secretary for his consideration.

Evaluation of HUD's Issuances and Regulations Systems

The Committee evaluated the Department's Issuances and Regulations Systems to determine how effectively policies and procedures are being developed and disseminated for use by Headquarters officials, Field managers and staff, and clients of the Department. The study identified widespread dissatisfaction with these systems at all organizational levels and a frequent use of informal mechanisms for developing and disseminating policy and processing instructions in order to avoid the delays and ineffective procedures of the existing system.

The Committee, in its final report, recommends establishing the position of Departmental Directives Officer to enhance top management oversight and to ensure that the necessary system improvements are implemented in a timely manner. The report also recommends developing a program to assure that all Departmental handbooks and directives are brought up-to-date within

an agreed upon schedule. Increased automation is recommended to improve and expedite development, clearance, printing, distribution and revision of regulations and issuances.

The report was sent to the Secretary for his consideration.

HUD Hotline

The HUD Hotline opened 97 complaints, bringing to 3,262 the total opened since the Hotline began in 1979. Each complaint is independently reviewed by either HUD's Office of Inspector General or the appropriate HUD program official.

During the past 6 months, 82 of the complaints were initiated through HUD's Hotline and the remainder were referred from the General Accounting Office (GAO). In the future, fewer GAO referrals are expected due to their revised method of operation. GAO will instruct complainants to contact HUD's Hotline directly instead of referring the allegations to our office.

Eighty-nine complaints were closed during the reporting period with 22 percent generating corrective actions. Actions taken included \$6,971 identified for claims collection, eviction of ineligible tenants or reduced or terminated subsidy, staff reprimanded or procedural weaknesses corrected. Examples of Hotline results are as follows:

- Two Section 8 tenants were required to repay \$5,371 in overpaid assistance. The action was taken when it was discovered one spouse did not report employment for a 2-year period. With the additional income, the tenants were ineligible for assistance.
- A Section 235 borrower entered into an agreement to repay \$857 in overpaid mortgage assistance. The action was taken when it was disclosed that assistance computations in 1986 and 1987 did not properly include the total family income. The mortgagee failed to include the income in the subsidy calculation although it was correctly reported by the mortgagor.
- A contractor was issued a conditional denial of participation until defective work was corrected in connection with an FHA-insured Title I loan. The contractor failed to perform all work items specified in the contract and did not respond to the homeowner's complaint in a timely manner.
- A supervisor received an official reprimand for allowing employees to violate personnel policies by permitting them to work overtime by taking work home. The employees were instructed via a staff memorandum on the use of correct overtime procedures.
- An FHA-approved lender stopped foreclosure action on a mortgagor and reinstated the mortgage without charging a foreclosure fee. An evaluation of alleged servicing deficiencies found that premature foreclosure was initiated due to non-processing of the mortgagor's payment.

- Two tenants were evicted and required to repay \$480 of overpaid assistance and a resident manager was removed from his position. The tenants falsified income and family composition and the resident manager allowed the abuses to continue. The new management will be monitored.
- The Executive Director of a housing authority resigned after a review substantiated allegations that he operated a private business on housing authority time and used the authority's automobile to conduct his business. He elected to resign rather than take responsibility for his actions or answer to the authority's board of commissioners.

Monitoring Audit Quality

This section summarizes activities we undertook 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 35,000 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 3,900 reports are reviewed by the HUD-OIG. The majority of non-Federal audit reports are submitted directly to HUD program managers. HUD offices 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 requested that the AICPA or State Board review the case and take appropriate sanctions. HUD may also take sanctions, including debarment, suspension, and limited 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)			(HUD Program Audits)			
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	
Total Reports Issued ¹	2,185	130	2,315	91	2	93	2,408 ²
Total Reports on Which Quality Control Reviews (QCRs) Were Performed	63	9	72	58	0	58	130 ³
Number of Reports Issued Without Modifications	1,948	120	2,068	72	2	74	2,142
Number of Reports Issued that Required Auditor Modifications:							
a. Based on Desk Reviews	203	4	207	17	0	17	224
b. Based on QCRs	34	6	40	2	0	2	42
c. Totals	237	10	247	19	0	19	266
Number of Reports Determined Not to Satisfy Federal Audit Requirements	2	0	2	1	0	1	3
Number of Non-Federal Auditors Referred to State Boards/AICPA for Substandard Work	2	0	2	1	0	1	3
Number of Non-Federal Auditors Against Which Other Sanctions Were Taken	0	0	0	4	0	4	4

¹All reports are subject to desk reviews.

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

³This includes QCRs done on reports not included in line 1.

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

- Independent Auditors' (IAs') working papers failed to document audit tests on whether the auditee complied with laws and regulations that may have a material effect upon the financial statements.
- IAs failed to obtain written representations from management as part of an examination made in accordance with generally accepted auditing standards.

Frequently Identified Audit Deficiencies

- Auditors did not adequately document the study and evaluation of the auditee's existing internal controls in order to determine the extent of audit testing required.
- Working papers did not contain a written audit plan identifying the audit procedures to accomplish the objectives of the review.

**Examples of
Extremely
Deficient Audits**

- An IA failed to disclose a \$2 million understatement of cash in the financial statements even though the error was identified during the audit and documented in the working papers. OIG's rejection of the IA report resulted in the reissuance of a second report with a qualified opinion.
- An IA's working papers identified a misappropriation of rental payments and discrepancies affecting tenant security deposits at a HUD-insured multifamily housing project. However, there was no evidence that the audit was extended to verify the total amount misappropriated or determine whether other project funds were involved. The IA failed to properly reconcile the bank security account confirmation with the project's books and records and was unaware that certain other security deposits were misappropriated or deposited in unauthorized bank accounts. Furthermore, the audit report failed to address the misappropriation as an audit finding or an internal control weakness.

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

- During the reporting period, three IAs were referred to State Boards and/or the AICPA. As of March 31, 1988, 15 referrals were still under review. Sanctions were administered against two IAs by State Boards. The sanctions included: suspension of certificate and license for 2 months; a fine of \$500; and completion of continuing education credits of 80 hours over and above the normal State-required 40 hours. Also, HUD issued temporary denials of participation against two IAs and two IAs were debarred.

Chapter 5

REVIEW OF LEGISLATION AND REGULATIONS

We reviewed legislative proposals and regulations relating to economy and efficiency of programs and operations and the prevention and detection of fraud and abuse. Some of the more significant legislative proposals and regulations on which we commented are described as follows:

S. 496, Computer Matching and Privacy Protection Act of 1987, and House Draft Bill - Alternative to S. 496

We reviewed a draft amendment to S. 496, the "Computer Matching and Privacy Protection Act of 1987." We previously reviewed S. 496 and its predecessor, S. 2756, and raised serious concerns regarding individual notice provisions contained therein. Here we reiterated our prior comments that individual notice requirements should not be so restrictive as to preclude or significantly delay the use of computer matching as a cost-effective tool to detect fraud and abuse in Federal programs. We suggested deletion of the 30-day requirement before a computer matching agreement becomes effective, because the proposed Data Integrity Boards and the safeguards inherent in the matching notices already present formidable delays to the initiation of computer matching. We also suggested using the original language from S. 496, and eliminating a specific 60-day notice requirement to individuals who are subjects of computer matching findings. It is our belief that due process rights should be the same for all individuals, whether or not computer matching is used.

We also reviewed the House draft bill, Alternative to S. 496, and questioned the need for Data Integrity Boards because we believed Privacy Act officials within Federal agencies could carry out many of the responsibilities of the proposed Data Integrity Boards more efficiently and effectively. We also stated our belief that the Data Integrity Boards' role in approving computer matching might impair the independence of the Inspectors General.

H.R. 1950, to amend Title 18 of the United States Code

We reviewed H.R. 1950—"To amend Title 18 of the United States Code to require that telephone monitoring by employers be accompanied by a regular audible warning tone," and while we agreed with the intent of the report, we found the reasoning used to reach its position to be faulty. We interpreted the Bill to say that an agent of the employer cannot monitor a telephone conversation without the consent of both parties. This would have a dramatic impact on the work of the OIG, as it would restrict the lawful use of consensual monitoring as an investigative tool. We believe the OIG should not be included as "an agent of the employer."

Proposed Rule, Computer Automation

We reviewed a proposed rule, Computer Automation of Required Data for Certification & Recertification & Subsidy Billing Procedures for certain Multifamily Subsidized Projects (Part 208), and suggested HUD recommend actions to reduce overall costs of tenant data automation. HUD should encourage multifamily project owners who already have automated systems to acquire only the software needed to perform any additional functions described in the rule. Exceptions to the prohibition should be allowed only when owners can demonstrate that specialized software is less costly than available "off-the-shelf" software. Reducing the cost of software is vital because software is an eligible operating expense. As such, software costs may ultimately be reflected in rent increases, and be borne almost entirely by HUD. We also questioned the statement that the rule would not have an annual effect on the economy of \$100 million or more. Initial costs alone could exceed this amount. The owners' increased costs should be more than offset by long-range benefits to HUD and to owners.

S. 1975, Comprehensive Federal Law Enforcement Improvements Act of 1987

We reviewed Senate draft bill S. 1975, the "Comprehensive Federal Law Enforcement Improvements Act of 1987." This bill would provide additional law enforcement authorities to the Inspectors General needed for the execution of their assigned duties. The provisions of the bill would also assist Federal law enforcement agencies in attracting and retaining the most qualified personnel. We commented to the Legislative Committee of the President's Council on Integrity and Efficiency that we supported the bill and that Inspector General investigative personnel need and are qualified to exercise law enforcement authority.

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 supervisory equal opportunity specialist was convicted by a Federal trial jury on eight counts of conspiracy to defraud the United States and criminal conflict of interest. The employee concealed his involvement as a secret partner in a company doing business with HUD in order to use his official position to obtain HUD's endorsement of a video tape about the Office of Fair Housing and Equal Opportunity. The employee also misrepresented to State and local governments that HUD required seminars every 2 years on Fair Housing and then used his position to recommend a private consultant. The employee received thousands of dollars from the consultant in connection with their agreement. The consultant was also indicted and convicted. The employee was suspended after the indictment and is awaiting sentencing. A notice of proposed removal has been issued to the HUD employee.
- A construction analyst received an official reprimand after using his position to influence a builder, who does business with HUD, to make corrections on the employee's personal residence under threat of HUD administrative action against the builder. The employee initiated a Temporary Denial of Participation against the builder because of the builder's refusal to make a change to the employee's residence.
- A construction analyst submitted his resignation after investigation substantiated allegations that the employee was engaged in private construction and inspection services that were incompatible with his official duties. The employee was temporarily denied participation in HUD programs for 6 months following his resignation.
- A loan specialist was suspended without pay for 20 days. The employee violated the Standards of Conduct by contacting the mortgagee in the foreclosure and assignment processing of his sister-in-law's defaulted mortgage. The employee's duties did not include the assignment program at the time.

Chapter 7

STATISTICAL SUMMARY

Department of Housing and Urban Development Office of Inspector General

October 1, 1987,
through
March 31, 1988

Audit Activities

• Cash Recoveries/Savings	\$13,426,177
• Commitments to Recover Funds	\$22,092,237
• Cost Efficiencies	\$4,655,155
• Suspensions of Persons/Firms Doing Business with HUD	12
• Debarments of Persons/Firms Doing Business with HUD	51
• Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	11
• Subpoenas Served	80
• Reports Issued	
Internal Audit Reports:	19
External Audit Reports:	99
Audit-Related Memoranda Issued:	31
Non-Federal and Other Agency Reports Accepted:	2,571

Investigation Activities

• Cash Recoveries/Savings	\$4,396,559
• Commitments to Recover Funds	\$226,472
• Cost Efficiencies	\$6,507,933
• Total Fines Levied	\$287,386
• Indictments	160
• Convictions	114
• Total Years of Prison Sentences	182
• Suspensions of Persons/Firms Doing Business with HUD	23
• Debarments of Persons/Firms Doing Business with HUD	54
• Personnel Actions Initiated Against HUD Employees	15
• Subpoenas Served	28

Fraud Control Activities

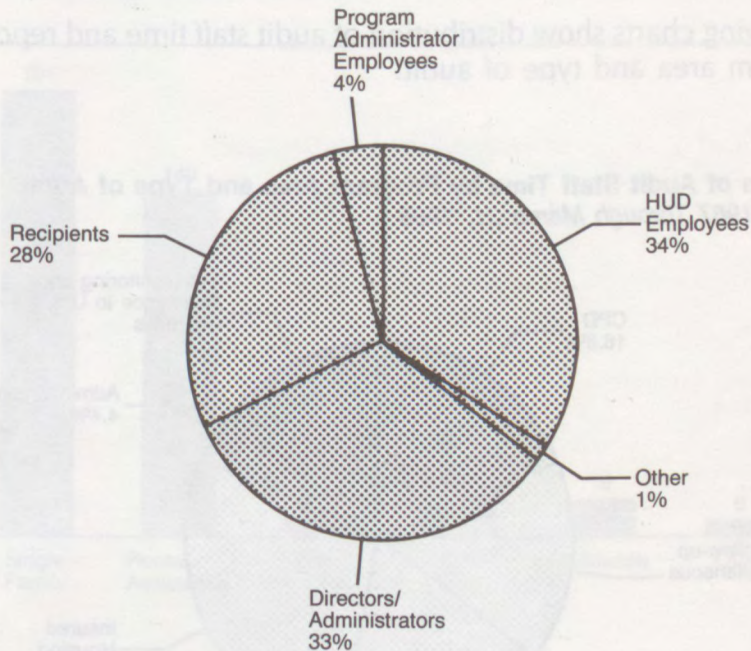
• Fraud Awareness Publications Issued	3
• Hotline Complaints Opened	97
• Proposed Legislation and Regulations Reviewed	73

The following chart depicts the category of subjects for the 97 hotline complaints received during the past 6 months.

Hotline Activities

Distribution of Hotline Complaints by Subject

October 1, 1987 Through March 31, 1988



The following is a summary of significant results for the 89 complaints closed during the reporting period:

- Cash Recoveries or Claim Collections = \$6,971
- Reprimands or Terminations = 8 cases
- Procedural Improvements = 6 cases
- Rules Enforced to Benefit of Participants = 4 instances

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

- Audit findings unresolved at 10/1/87 = 1,487
 - Audit recommendations added due to conversion to track recommendations = 216
 - Audit recommendations issued during the period = 4,089
 - Audit recommendations determined during the period = 3,272
 - Audit recommendations undetermined at 3/31/88 = 2,520
 - Audit recommendations undetermined over 6 months old = 253
- (\$16,502,303)

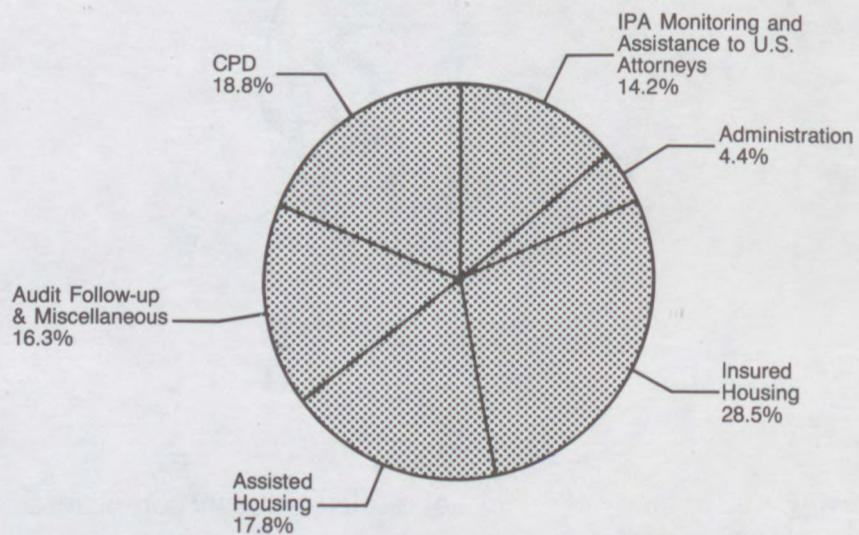
Audit Recommendations

During the reporting period, we made enhancements to our Automated Audits Management System (AAMS) which permit closer monitoring of audit recommendations through the resolution process. Appendix 2 illustrates the specific data on the status of audit recommendations now available in our AAMS.

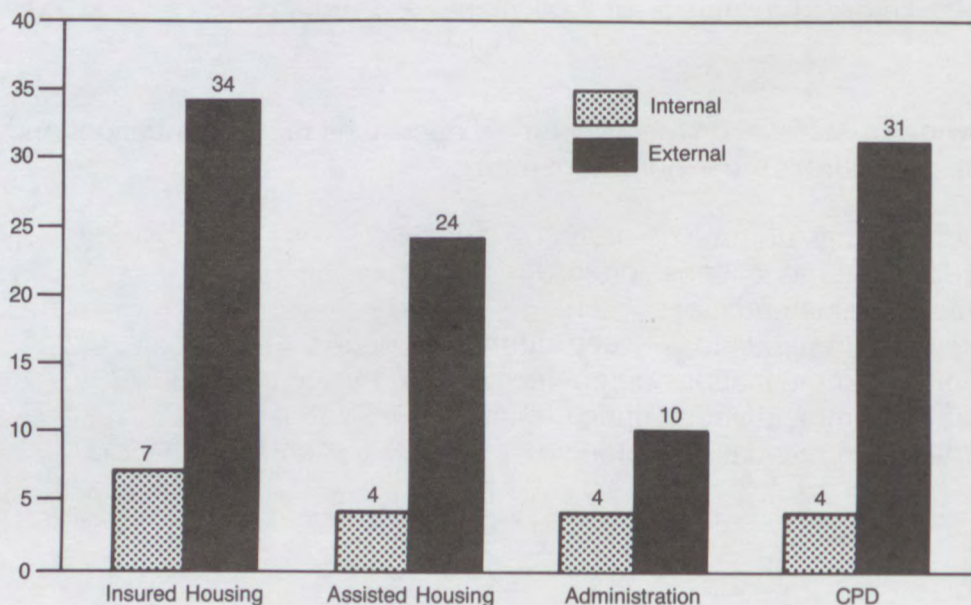
Audit Resources and Results

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, 1987 Through March 31, 1988



Distribution of Audit Reports Issued by Program Area and Type of Audit
October 1, 1987 Through March 31, 1988

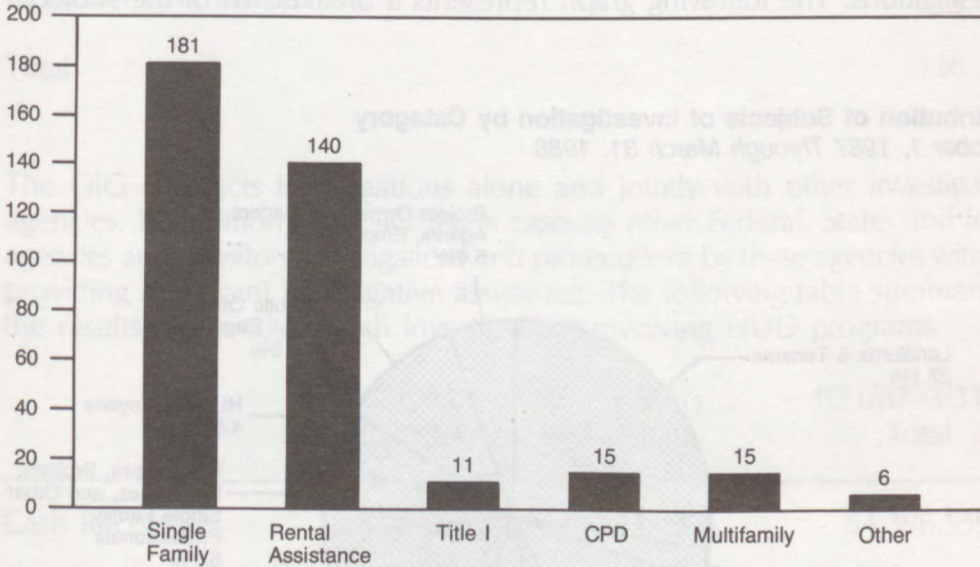


The following tables breaks down the 522 investigation cases opened during the last 6 months. Of these cases, 368 involved false statement violations as shown below.

Investigation Cases Opened

False Statement Investigation Cases Opened

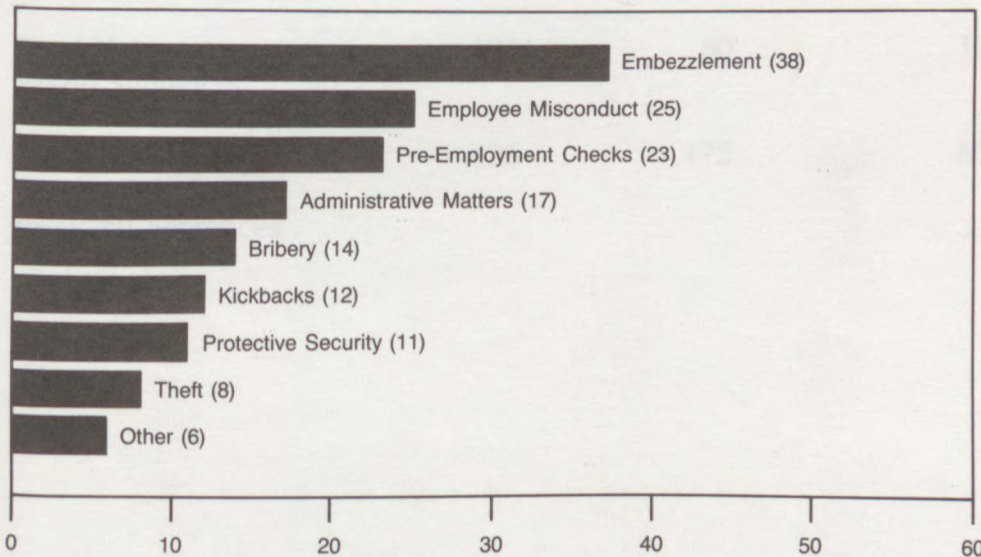
October 1, 1987 Through March 31, 1988



The following table depicts the types of alleged violations involved in the remaining 154 cases that were opened.

Other Categories of Investigation

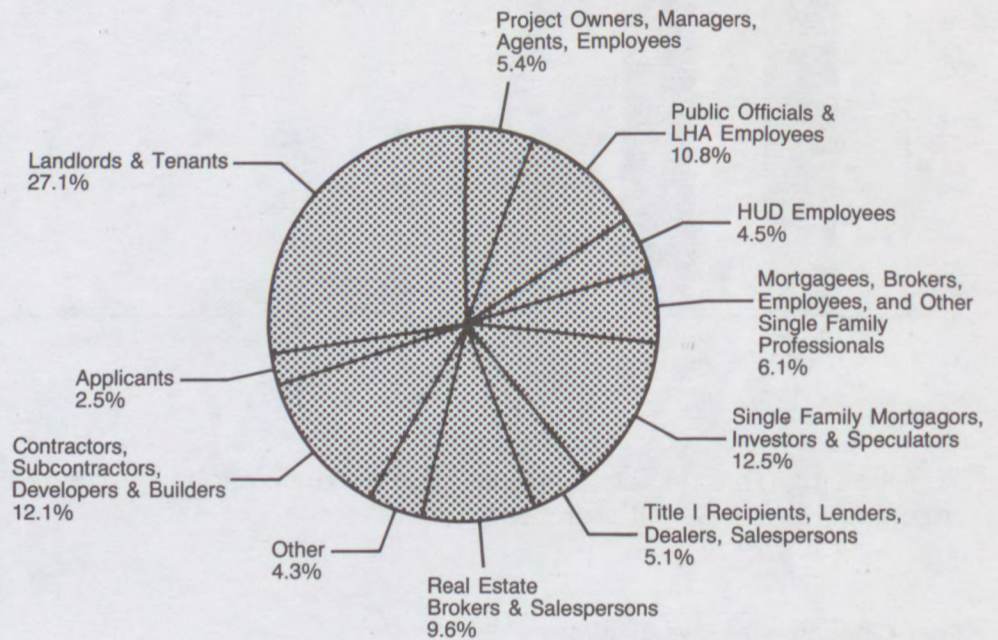
October 1, 1987 Through March 31, 1988



Pending Cases As of March 31, 1988, we had 1,580 investigation cases either in process or awaiting investigation. Of these, 689 were FBI/other cases, 652 were cases of the OIG, and 239 were completed cases pending with the U.S. Attorney.

Closed Cases The OIG closed 457 investigation cases during the reporting period. The 457 cases closed involved 554 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, 1987 Through March 31, 1988



The OIG referred 136 investigation cases for prosecutive consideration as follows:

Referred by OIG to:	No. of Cases
FBI (Prima Facie-OIG Investigation)	15
FBI (No OIG Investigation)	43
Department of Justice	<u>78</u>
Total	136

Investigation Cases Referred for Prosecution

The OIG conducts investigations alone and jointly with other investigative agencies. In addition, the OIG refers cases to other Federal, State, and local agencies and monitors investigations and prosecutions by these agencies without providing significant investigative assistance. The following table summarizes the results achieved through investigations involving HUD programs.

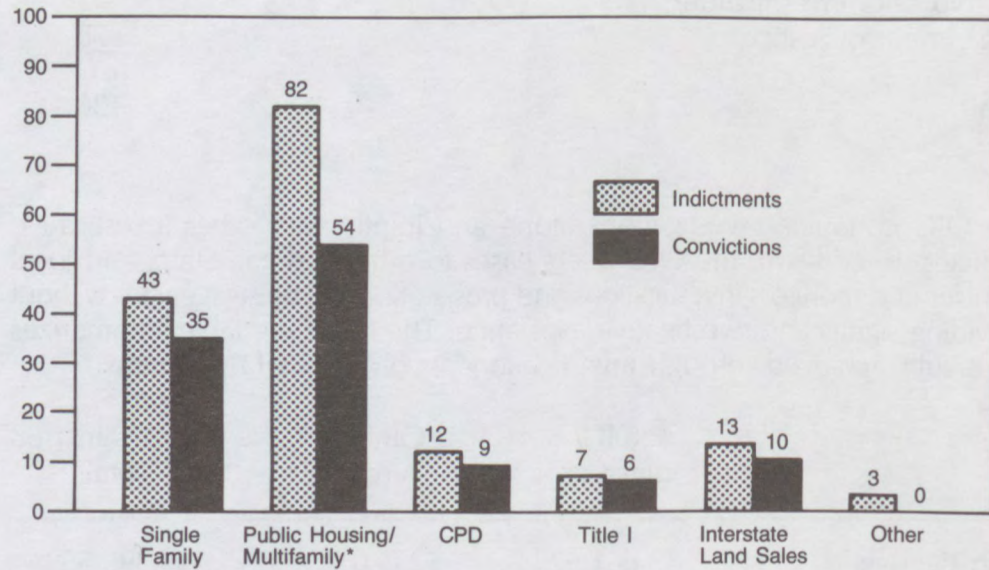
	OIG/ Joint Cases	Others Alone	10/1/87-3/31/88 Total
Cash Recoveries	\$3,661,523	\$735,036	\$4,396,559
Total Fines	\$232,145	\$55,241	\$287,386
Persons/Firms Indicted	94	66	160
Persons/Firms Convicted (Including pre-trial diversions)	67	47	114
Total Years Prison Sentences	102	80	182
Total Years Suspended/ Probated Sentences	428	175	603

Prosecutions and Recoveries

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

Prosecutions

October 1, 1987 Through March 31, 1988



*The cases prosecuted in the multifamily area include cases of individual tenants in HUD's Rental Assistance Programs.

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.

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 were established even though all monies were not completely recovered. Three reports are highlighted below, followed by the list.

Previously Reported Items— Corrective Action Not Completed

- Title I Property Improvement Loan Insurance Program (Dealer Loans). In previous Semiannual Reports, we highlighted serious problems in HUD's Title I Property Improvement Loan Insurance Program. We estimated that over 5,900 loans valued at \$3.5 million were poorly underwritten and 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. The program office furnished alternative solutions in mid-August 1987, but did not adequately address our concerns over the lack of checks and balances needed when a home improvement contractor/product dealer is allowed to originate the related loan. HUD's Office of Housing proposed a study to evaluate the weaknesses in the dealer loan portion of the program; however, the study has not been completed. (Audit Report No. 86-TS-122-0010.)
- Cook Inlet Housing Authority. In our last Semiannual Report, we reported that our audit of the Cook Inlet Housing Authority's Low-Rent Housing and Mutual Help Homeownership Programs in Anchorage, Alaska, disclosed several major deficiencies. The most significant deficiency involved the construction and proposed operation of the \$13 million Mary Conrad Center as primarily a nursing home/intermediate care facility. The Authority originally proposed this project to HUD in 1984 as a congregate housing facility. HUD agreed to provide \$4.1 million to help finance the building of 45 units of congregate housing. Other sources were to provide additional

construction funds. In addition, the project could be eligible for operating subsidies over a 35-year period. We also stated that while Section 7 of the United States Housing Act of 1937, as amended, authorizes development of congregate housing, it does not provide for development of medical-related facilities like the Mary Conrad Center.

On March 15, 1988, HUD's Office of General Counsel (OGC) issued a legal opinion concerning the eligibility of the facility. The opinion states that while the housing component of the Mary Conrad Center is eligible for assistance under the United States Housing Act of 1937, certain features as presently constructed are inconsistent with the residential character of the project and must be removed. These features include nursing stations, television monitors, medical personnel onsite in residential areas, and various medical equipment and treatment areas. The opinion concludes that "...the Mary Conrad Center would be statutorily eligible for assistance if the Department is properly assured that during any period of HUD assistance the... residential wings of the... Center will retain their original, primarily residential character." It also states that commitments should be obtained from the State of Alaska and the Cook Inlet Housing Authority that these restrictions will be followed. (Audit Report No. 87-SE-209-1007.)

- Detroit Housing Department (DHD). Detroit's major problems as disclosed in our 1983 and 1987 audit reports concerned the deteriorating condition of its housing stock and the number of vacant units. Headquarters executed a Memorandum of Understanding with the DHD in May 1987 to address: maintenance activities; inventory control; demolition and disposition strategies; a comprehensive occupancy plan to reduce vacancies; and a comprehensive modernization plan. Further, the Memorandum of Understanding stated that "failure on the part of the Detroit Housing Department to take all possible actions within their control to implement this Understanding will constitute sufficient basis for a finding of lack of administrative capability." The comprehensive occupancy plan to reduce vacancies had not been completed at March 31, 1988. HUD Headquarters has since granted DHD an extension until June 30, 1991, to complete the required comprehensive occupancy plan. Meanwhile, DHD's vacancies continue to increase—from 25 percent at the close of Fiscal Year 1982 to 43 percent at March 31, 1988. The comprehensive modernization plan which DHD had not completed as of September 30, 1987, has now been submitted to HUD; however, it has not yet been approved by the HUD Field Office. (Audit Report No. 87-CH-201-1007.)

Report Number	Title	Report Issue Date	Target Date
82-PH-202-2270	The Philadelphia Housing Authority Philadelphia, Pennsylvania	05/28/82	<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-BO-201-1004	Public Housing Agency - Section 8 Moderate Rehabilitation Program, Boston, Massachusetts	02/15/85	<u>2</u> /
85-DE-202-1003	Low-Income Housing Program, Crow Creek Housing Authority	04/26/85	<u>8</u> /
86-SF-203-1002	Rehabilitation Program, Oakland, California	11/15/85	05/06/88
86-SF-212-1003	Pittsburg Plaza Project, Pittsburg, California	11/29/85	05/02/88
86-AT-203-1006	Section 8 Moderate Rehabilitation Program Chattanooga, Tennessee	12/18/85	<u>2</u> /
86-CH-202-1003	Public Housing Agency, Pontiac, Michigan	01/10/86	06/30/88
86-NY-242-1019	UDAG and Low-Income Housing, City of Salem, New Jersey	01/21/86	12/31/88
86-KC-211-1005	Hidden Valley Estates, Wentzville, Missouri	02/19/86	<u>7</u> /
86-SE-201-1003	Low-Income and Section 8 Moderate Rehabilitation Programs, Seattle, Washington	02/21/86	<u>4</u> /
86-PH-249-1003	Urban Redevelopment Authority Pittsburgh, Pennsylvania	02/26/86	<u>3</u> /
86-TS-122-0010	Title I Property Improvement Loan Insurance Program (Dealer Loans)	02/28/86	<u>5</u> /
86-CH-201-1005	Cuyahoga Metro Housing Authority, Cleveland, Ohio	03/14/86	<u>2</u> /
86-SF-203-1014	Section 8 Existing Housing Program, Berkeley, California	03/27/86	06/30/91
86-TS-101-0011	Development Project, Chicago Housing Authority	03/27/86	<u>6</u> /
86-TS-112-0012	Title X Mortgage Insurance for Land Development Program	03/31/86	<u>2</u> /

Report Number	Title	Report Issue Date	Target Date
86-TS-101-0013	National Report on Computation of Target Investment Income and Allowable Utility Expenses Under Performance Funding System	03/31/86	04/30/88
86-KC-241-1008	CDBG Activities, Jobs Bill, St. Louis, Missouri	04/24/86	<u>1</u> /
86-NY-219-1029	Property Disposition, San Juan, Puerto Rico	05/06/86	<u>1</u> /
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>2</u> /
86-AT-214-1013	Tenant Income Comparisons, National Coalition for Housing Partnerships	07/02/86	<u>7</u> /
86-SF-201-1019	Section 8 Existing Housing Program, Los Angeles, California	07/11/86	<u>1</u> /
86-AT-214-1014	Tenant Income Comparisons, Metric Property Services, Inc., Atlanta, Georgia	07/17/86	<u>7</u> /
86-PH-241-1008	Effectiveness of the City of Philadelphia's Monitoring of Its CDBG Program, Philadelphia, Pennsylvania	07/24/86	<u>4</u> /
86-AO-145-0006	Review of CPD Technical Assistance Program	08/15/86	<u>4</u> /
86-CH-201-1802	Housing Authority, Indianapolis, Indiana	09/24/86	07/01/88
86-AO-279-1014	Review of Combined Services Agreement with FNMA, Washington, D.C.	09/26/86	<u>1</u> /
87-NY-211-1014	Dayton Operating Company, Dayton Seaside Associates #2 and Dayton Seaside Associates #3, Queens, NY	11/20/86	<u>1</u> /
87-SF-212-1002	Concord Senior Housing Foundation, Pasadena, California	11/21/86	<u>7</u> /
87-SF-212-1003	Sunnyhills Apartments, Milpitas, California	12/01/86	<u>1</u> /
87-AT-214-1003	Tenant Income Comparisons, Paradise Management, Inc., Atlanta, Georgia	12/03/86	<u>7</u> /
87-FW-212-1002	Calvary Arms Apartments, Dallas, Texas	12/12/86	10/01/88

Report Number	Title	Report Issue Date	Target Date
87-PH-203-1002	Section 8 New Construction & Substantial Rehabilitation Program, Maryland Community Development Administration	12/22/86	<u>7</u> /
87-CH-212-1003	Country Way Apartments, Saginaw, Michigan	12/24/86	11/11/88
87-NY-241-1019	CDBG Activities, Bayamon, Puerto Rico	02/13/87	<u>3</u> /
87-CH-241-2293	CDBG Activities, Chicago, Illinois	02/25/87	12/31/88
87-SF-103-0001	Special Claims Under the Section 8 Housing Assistance Payments Program	03/13/87	04/15/88
87-CH-201-1007	Low-Income Housing Program, Detroit, Michigan	03/24/87	<u>5</u> /
87-BO-203-1011	Section 8 New Construction and Substantial Rehabilitation Program, Massachusetts Housing Finance Agency	03/30/87	<u>1</u> /
87-BO-212-1012	Franklin Park I, Inc., and Franklin Park II, Inc., Boston, Massachusetts	03/31/87	<u>1</u> /
87-CH-103-0002	Special Claims Under the Section 8 Housing Assistance Payments Program	03/31/87	12/31/88
87-FW-259-1003	Rental Rehabilitation Program, New Orleans, Louisiana	04/23/87	04/15/88
87-SF-214-1009	G and K Management Co., Inc.	06/25/87	07/11/88
87-SF-214-1011	Young Kim Management Company	07/15/87	<u>1</u> /
87-CH-259-1010	Rental Rehabilitation Program, Chicago, Illinois	07/22/87	06/30/88
87-SF-212-1012	Cedarwood Apartments	07/28/87	<u>7</u> /
87-BO-241-1015	Community Development Block Grant Program, New Haven, Connecticut	09/14/87	<u>1</u> /
87-FW-212-1004	Willow Tree Apartments	09/18/87	<u>1</u> /
87-SE-209-1007	Cook Inlet Housing Authority	09/29/87	<u>5</u> /
87-SF-259-1014	Rental Rehabilitation Program, San Diego, California	09/30/87	06/30/88

Footnotes:

1 / No repayment plan established for sustained monetary amounts.

2 / Promised implementation dates not met.

3 / Auditee attempting to document costs to avoid repaying sustained monetary amounts.

4 / Under review by Headquarters officials as prescribed by HUD Audits Management System.

5 / Status described in narrative at beginning of this chapter.

6 / Recommendations not determined as of 03/31/88.

7 / In litigation.

8 / Recommendations being implemented; deficiency noted in previous audit report.

Appendix 1

AUDIT REPORTS ISSUED

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

Internal Audit Reports

Report Number	Report Title	Issue Date
<i>Housing</i>		
88-BO-169-0001	Field Office Control of IPA Audits of Public Housing Authorities	02/26/88
88-PH-101-0001	Assisted Housing Management Branch - Charleston Office	02/12/88
88-CH-101-0003	Assisted Housing Management Branch - Indianapolis Office	03/23/88
88-FW-121-0001	Single Family Loan Processing - Region VI, Oklahoma City Office	03/01/88
88-FW-121-0002	Losses on the Sale of Single Family Properties	03/01/88
88-SF-111-0001	Review and Approval of Rent Increases for Multifamily Projects, Region IX	03/17/88
88-TS-112-0002	FY 1986 Fund Reservation Application Processing for the Section 202 Housing for the Elderly or Handicapped Program	11/27/87
88-TS-112-0003	Misuse and Diversion of Assets and Income at HUD-Insured Multifamily Housing Projects	02/04/88
88-TS-121-0004	Nationwide Review of Section 235 Mortgage Servicing	02/29/88
88-TS-113-0005	Repairs and Rent Increases on Multifamily Projects in HUD's Possession	03/15/88
88-TS-101-0006	Nationwide Review of PHAs' and IHAs' Misappropriation and Misuse of Cash and Other Assets	03/24/88
88-TS-103-0007	Section 8 New Construction and Substantial Rehabilitation Program - State Housing Finance Agencies	03/29/88
<i>Community Planning and Development</i>		
88-CH-141-0001	Substitution of Costs Incurred with Local Funds for Ineligible Costs Charged to CDBG Program	02/03/88
88-CH-145-0002	Resolution of Monitoring Findings and Use of Sanctions and Remedies	03/04/88

Internal Audit Reports

Report Number	Report Title	Issue Date
88-SE-144-0001	Rental Rehabilitation Program – Region X	12/30/87
88-TS-141-0001	Job Creation and Retention in the CDBG Entitlement Cities Economic Development Projects	10/15/87
<i>Administration</i>		
88-AO-161-0001	HUD's Implementation of OMB Circular A-123 Revised and the Federal Managers' Financial Integrity Act of 1982	12/22/87
88-AO-161-0002	HUD's Distributive Shares/One-Time Mortgage Insurance Premium Refund Payment Process	03/03/88
88-AO-161-0003	Implementation of the Prompt Payment Act	03/31/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
<i>Housing</i>			
88-AT-202-1002	Housing Authority – Safeguarding Cash and Other Monetary Assets	Etowah TN	10/02/87
88-AT-202-1003	Housing Authority – Conventional and Section 8 Low-Income Housing	Hamilton AL	10/13/87
88-AT-202-1004	Housing Authority – Conventional Low-Income Housing	Haleyville AL	10/27/87
88-AT-202-1005	Housing Authority – Low-Income Housing	Rome GA	11/09/87
88-AT-203-1006	South Carolina State Housing Authority – Section 8 Housing Program	Columbia SC	12/09/87
88-AT-202-1007	Housing Authority – Low-Income Housing	Lexington NC	12/11/87
88-AT-202-1009	Housing Authority	Sevierville TN	12/21/87
88-AT-202-1010	Housing Authority – Section 8 Program	Auburn AL	01/21/88
88-AT-202-1011	Housing Authority – Low-Income Housing	Albemarle NC	01/26/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-AT-229-1012	David L. Martin, PC, Single Family Housing - Closing Agent	Atlanta GA	02/26/88
88-AT-212-1013	Highland Village Apartments, Inc.	Montgomery AL	03/16/88
88-AT-202-1014	Housing Authority	Newport KY	03/25/88
88-AT-202-1015	Housing Authority	Cleveland TN	03/25/88
88-BO-212-1002	Providence Building Sanitary & Educational Association - Multifamily Mortgage Insurance Program, Section 221(d)(3) (BMIR)	Providence RI	12/04/87
88-BO-209-1003	Maine State Housing Authority Section 8 New Construction & Substantial Rehabilitation Program, Rental Rehabilitation Program & Section 8 Existing Program	Augusta ME	01/08/88
88-BO-209-1004	Housing Authority - Section 8 Moderate Rehabilitation Program	Providence RI	01/11/88
88-BO-203-1005	Housing Authority - Section 8 Existing Program	New Bedford MA	01/21/88
88-BO-214-1006	Norris Graves Agency, Inc. - Management Agent	Hartford CT	01/27/88
88-BO-211-1008	Robert L. Fortes House	Boston MA	03/02/88
88-BO-209-1009	Housing Authority - Comprehensive Improvement Assistance Program	East Hartford CT	03/02/88
88-BO-202-1010	Housing Authority	Maynard MA	03/29/88
88-BO-202-1011	Housing Authority	Gloucester MA	03/29/88
88-BO-202-1012	Housing Authority	Wayland MA	03/31/88
88-CH-212-1001	Victoria Terrace Apartments Multifamily Mortgage Insurance Program	Beaver Dam WI	10/16/87
88-CH-202-1003	Chippewa Indians Housing Authority	Sault Ste Marie MI	11/19/87
88-CH-203-1006	Detroit Housing Department	Detroit MI	12/31/87

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-CH-214-1010	First Columbia Management, Inc., Multifamily Management Agent	Northbrook IL	02/19/88
88-FW-214-1001	First Columbia Management, Inc., Multifamily Management Agent	Dallas TX	10/09/87
88-FW-212-1005	Laguna Apartments – Phase II	Corpus Christi TX	03/30/88
88-KC-214-1001	Benchmark Properties, Ltd., Multifamily Management Agent	Kansas City MO	10/08/87
88-KC-203-1003	St. Clair Public Housing Authority	Appleton City MO	01/14/88
88-NY-212-1007	1212 Grand Concourse – Existing Multifamily Rental Housing Program	New York NY	01/08/88
88-PH-214-1001	Altman Realty Company Inc., Management Agent Activities	Glenside PA	11/24/87
88-PH-202-1003	Randolph County Housing Authority – Section 8 Housing Program	Elkins WV	12/15/87
88-PH-214-1004	Allied Services for the Handicapped, Inc.	Scranton PA	12/16/87
88-PH-201-1006	Housing Authority – Procurement Activities	Philadelphia PA	03/25/88
88-PH-209-1007	Housing Authority – Procurement Activities	Baltimore MD	03/31/88
88-SE-214-1004	First Columbia Management, Inc., Multifamily Management Agent	Seattle WA	03/30/88
88-SF-212-1002	Martin Luther King – Marcus Garvey Square Apartments – Multifamily Mortgagor	San Francisco CA	11/06/87
88-SF-222-1004	Watson Realty – Area Management Broker	Las Vegas NV	01/07/88
88-SF-219-1006	Western Mutual Escrow Services	Newport Beach CA	03/04/88
88-SF-214-1007	Focus Property Management Company	Mill Valley CA	03/31/88
88-TS-229-1001	American Savings Mortgage – Title I Property Improvement Loans	Pittsburgh PA	11/04/87

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-TS-229-1002	Tower Federal South Bank – Title I Mobile Home Loans	South Bend IN	11/16/87
88-TS-221-1003	Aspen Leaf Mortgage Corporation	Colorado Springs CO	11/16/87
88-TS-229-1004	First Financial Savings Association – Title I Mobile Home Loans	Stevens Point WI	11/30/87
88-TS-221-1005	Kissell Co., South Carolina Activities	Springfield OH	12/01/87
88-TS-229-1006	Custer Federal Savings, Loans & Trust – Title I Property Improvement Loans	Broken Bow NE	12/09/87
88-TS-229-1007	Southtrust Mobile Services Inc., Title I Mobile Home Loans	Birmingham AL	12/15/87
88-TS-229-1008	Vanderbilt Mortgage and Finance, Inc., Title I Mobile Home Loans	Knoxville TN	12/15/87
88-TS-221-1009	Lion Funding Corporation	Denver CO	01/11/88
88-TS-221-1010	Talman Home Mortgage Corporation	Oklahoma City OK	01/26/88
88-TS-221-1011	Chaffee Investment Corporation	Buena Vista CO	02/09/88
88-TS-221-1012	Compass Mortgage Company	Englewood CO	02/10/88
88-TS-221-1013	Cimarron Mortgage & Investment Company	Frisco CO	02/10/88
88-TS-221-1014	Liberty Mortgage Corporation	Southfield MI	02/17/88
88-TS-221-1015	CityFed Mortgage Company	Denver CO	03/10/88
88-TS-221-1016	Green Tree Acceptance, Inc.	St. Paul MN	03/31/88
<i>Community Planning and Development</i>			
88-BO-241-1001	Community Development Block Grant Program	Providence RI	10/10/87
88-BO-243-1013	CDBG – Small Cities Program	Rhode Island	03/21/88
88-CH-259-1002	Rental Rehabilitation Program	Indianapolis IN	11/06/87
88-CH-241-1004	Community Development Block Grant Program	Parma OH	11/23/87

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-CH-241-1005	Community Development Block Grant Program	Gary IN	11/27/87
88-CH-241-1008	Community Development Block Grant Program	Youngstown OH	02/02/88
88-CH-242-1011	Urban Development Action Grant Program	Toledo OH	03/02/88
88-CH-249-1012	Community Development Block Grant Program	Detroit MI	03/18/88
88-CH-243-1013	CDBG - Small Cities Program	Michigan	03/31/88
88-FW-243-1002	Community Development Block Grant Program	La Joya TX	10/30/87
88-FW-249-1003	Interim Assistance Grant Program, Community Development Block Grant Program	North Little Rock AR	01/22/88
88-FW-249-1004	Rental Rehabilitation Program	North Little Rock AR	02/08/88
88-FW-243-1006	CDBG - Small Cities Program	Texas	03/31/88
88-KC-242-1004	Urban Development Action Grants Used for Housing Projects	St. Louis MO	03/08/88
88-NY-259-1001	Rental Rehabilitation Program	Schenectady NY	10/23/87
88-NY-259-1002	Rental Rehabilitation Program	East Orange NJ	11/20/87
88-NY-259-1003	Rental Rehabilitation Program	New York City NY	11/27/87
88-NY-241-1005	Community Development Block Grant Program	Rockland County NY	12/15/87
88-NY-241-1006	County of Nassau Community Development Block Grant Program	Mineola NY	12/18/87
88-NY-248-1008	Lower East Side Catholic Area Conference - Financial Management System Evaluation	New York City NY	01/06/88
88-NY-241-1009	Community Development Block Grant Program	Caguas Municipality PR	02/09/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-NY-243-1010	Small Cities Program	Waterford NY	03/21/88
88-NY-241-1011	Community Development Block Grant Program	Albany NY	03/31/88
88-PH-249-1005	Rental Rehabilitation Program Redevelopment Authority of Allegheny County	Pittsburgh PA	03/25/88
88-SE-259-1001	Rental Rehabilitation Program	Seattle WA	11/19/87
88-SE-243-1002	CDBG - Small Cities Program	Idaho	03/04/88
88-SE-243-1003	CDBG - Small Cities Program	Washington	03/23/88
88-SE-243-1005	CDBG - Small Cities Program	Oregon	03/31/88
88-SF-259-1001	Rental Rehabilitation Program	Phoenix AZ	10/28/87
88-SF-259-1003	Rental Rehabilitation Program	Los Angeles CA	11/17/87
88-SF-259-1005	Rental Rehabilitation Program	Oakland CA	02/25/88
<i>Administration</i>			
88-AO-262-1001	Quadel Consulting Corporation	Washington DC	11/05/87
88-AO-261-1002	Community Information Exchange	Washington DC	11/23/87
88-AO-261-1003	Comprehensive Marketing System	Washington DC	02/03/88
88-AT-262-1001	United Schools of America	Miami FL	10/01/87
88-AT-262-1008	Oasis Institute, Inc.	Fort Lauderdale FL	12/15/87
88-BO-262-1007	Hebrew Rehabilitation Center for the Aged	Roslindale MA	03/01/88
88-CH-261-1007	Wisconsin Partnership for Housing Development	Madison WI	01/20/88
88-CH-261-1009	Leadership Council for Metropolitan Open Communities	Chicago IL	02/04/88
88-NY-262-1004	Midwood Development Corporation	New York NY	12/14/87
88-PH-262-1002	Housing Opportunities, Inc.	McKeesport PA	11/24/87

Appendix 2

AUDIT RECOMMENDATIONS

Schedule of Audit Determination and Resolution Status (as of 3/31/88)	Number of Audit Recommendations	Number of Audit Recommendations for Which Determination Not Made Within 6 Months of Completion	Amount of Ineligible Costs	Amount of Ineligible Costs Disallowed	Amount of Unsupported Costs	Amount of Unsupported Costs Disallowed	Amount of Disallowed Costs Returned to or Offset by the Government
A. Audit report completed before start of reporting period, and for which an audit determination:							
-was not made by the end of the reporting period;	253	253	\$7,171,186	N/A	\$9,331,117	N/A	N/A
-was made during the reporting period, and for which resolution has not occurred;	284	77	\$8,553,376	\$7,665,414	\$3,235,801	\$2,739,565	N/A
-was made during the reporting period, and for which resolution has occurred.	1,166	159	\$1,562,104	\$1,146,445	\$6,893,858	\$1,769,682	\$2,593,975
B. Audit report completed during the reporting period, and for which an audit determination:							
-was not made by the end of the reporting period;	2,267	—	\$11,976,643	N/A	\$10,203,776	N/A	N/A
-was made during the reporting period, and for which resolution has not occurred;	324	—	\$4,401,723	\$4,401,723	\$1,922,776	\$1,578,118	N/A
-was made during the reporting period, and for which resolution has occurred.	1,498	—	\$427,025	\$397,452	\$2,682,598	\$1,126,777	\$1,438,846

Appendix 3

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 Abuse of the Federal Telecommunications System
- 87-1 Microcomputer Security

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-87-1 Section 8 Moderate Rehabilitation Program
- P-87-2 GNMA Mortgage-Backed Securities
- P-87-3 Indian Housing Authority Commissioners and the Low-Income Indian Housing Programs
- P-87-4 Fee Appraisers
- P-87-5 Monitoring Subrecipients in the Community Development Block Grant Program
- P-87-6 Preventing Fraud in HUD's Single Family Insurance Programs
- P-87-7 Fraud in Single Family Loan Originations
- P-88-1 Locking Out Tenant Fraud and Abuse

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

To Report Fraud, Waste, or Mismanagement
in HUD-Funded Activities,
Call the HUD HOTLINE



U.S. Department of Housing and Urban Development
Washington, D.C. 20410-0000

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