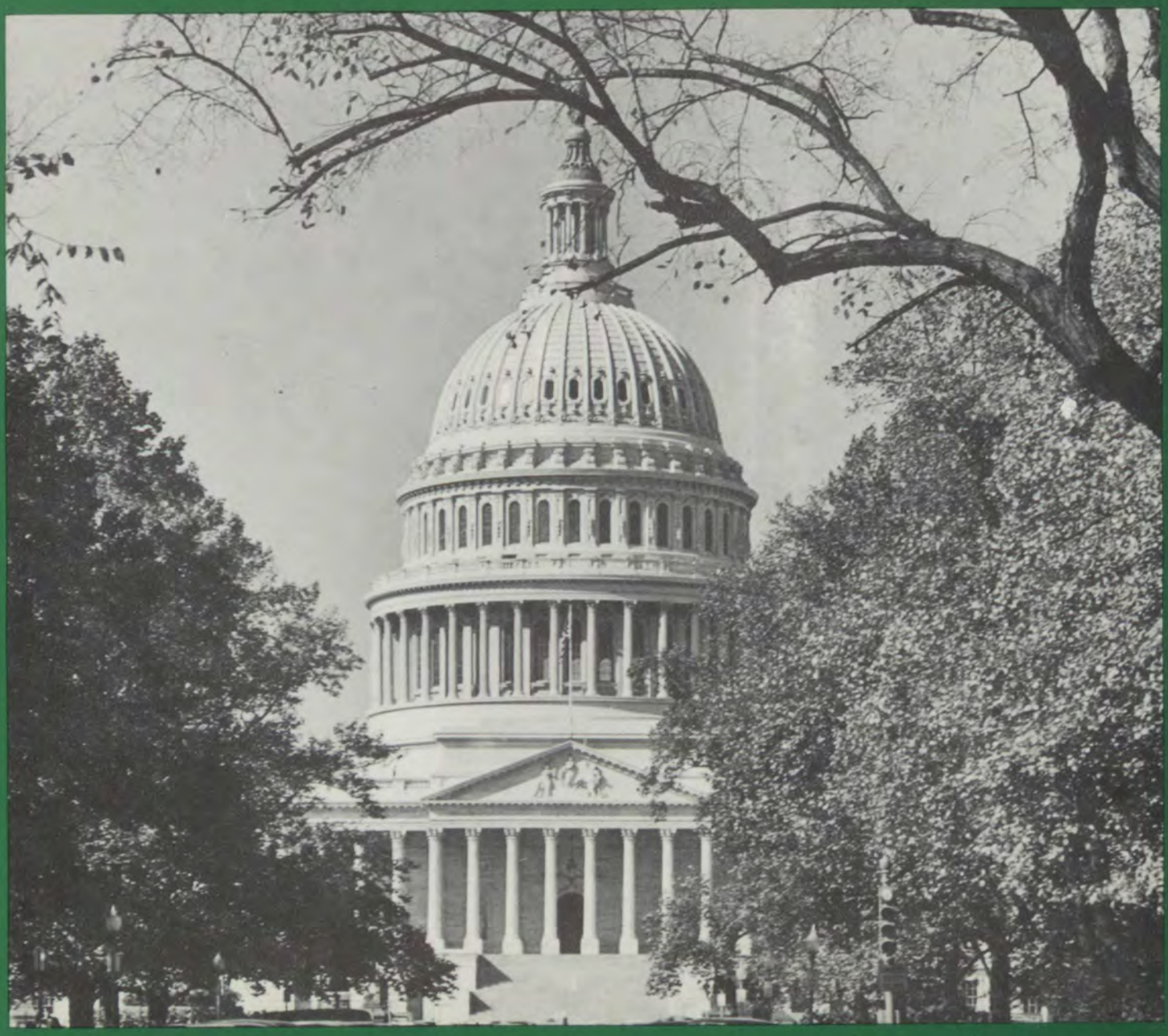
U.S. Department of Housing and Urban Development
Office of Inspector General

Office of Inspector General Report to the Congress

for the 6-month period April 1, 1988 through September 30, 1988 Pursuant to Section 5(b) of Public Law 95-452

Number 20



PROFILE OF PERFORMANCE

Department of Housing and Urban Development

Office of Inspector General Activities

	April 1, 1988 through September 30, 1988	Fiscal Year 1988
• Cash Recoveries/Savings	$18,503,285	$36,326,021
• Commitments to Recover Funds	$26,250,206	$48,568,915
• Cost Efficiencies	$15,797,410	$26,960,498
• Total Fines Levied	$289,378	$576,764
• Persons/Firms Indicted	230	386
• Persons/Firms Convicted	201	314
• HUD Employees Indicted	3	7
• HUD Employees Convicted	2	3
• Debarments of Persons/Firms Doing Business with HUD	160	265
• Suspensions of Persons/Firms Doing Business with HUD	193	228
• Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	9	20
• Subpoenas Served	75	183
• Awareness Publications Issued	8	11
• Proposed Legislation and Regulations Reviewed	107	180

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

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THE INSPECTOR GENERAL'S MESSAGE TO CONGRESS

October 12, 1988, marked the tenth anniversary of the Inspector General Act of 1978. During the 10 years as a statutory IG Office, our accomplishments have included: cash recoveries of over $542 million; cost efficiencies of over $307 million; convictions of 2,840 persons or firms; and the implementation of a fraud awareness program.

During this 6-month reporting period, audits and investigations resulted in cash recoveries and savings to the Department of $18.5 million; cost efficiencies of $15.8 million; 233 indictments; and 203 convictions of persons or firms doing business with the Department. Management also agreed to recover an additional $26.2 million that we questioned and disallowed.

Highlighted in this report are our continuing efforts to curb fraud and abuse in the Single Family Mortgage Insurance Programs. Our audits and investigations resulted in 79 indictments and 66 convictions during the period. As a further deterrent to fraud in these programs, we are collaborating with the Department of Justice, the Federal Bureau of Investigation, and the Office of Inspector General at the Veterans Administration on a national conference to emphasize the prosecution of this type of fraud.

Another area where we focused our resources was HUD's Multifamily Section 223(f) Coinsurance Program. We reported that 106 coinsured mortgages were in default, exposing HUD to potential losses of over $700 million in insurance claims. Some lenders did not comply with HUD's loan underwriting and servicing requirements, nor did HUD effectively oversee coinsuring lenders or enforce program requirements.

Recently enacted legislation will significantly impact our operations. The Inspector General Act Amendments of 1988 emphasize the importance of timely action on audit recommendations and place additional reporting requirements on both the Department and our office. We are appreciative that Congress provided certain authorities in the McKinney Homeless Assistance Amendments of 1988 which we have sought for several years. These authorities will greatly increase our ability to detect and prevent fraud in HUD's Housing Assistance Programs. We are dedicated to using these authorities as well as identifying other innovative means to fulfill our mission.

Paul A. Adams
Inspector General

Chapter 1

SIGNIFICANT ACTIVITIES

This Chapter highlights the issues of most significance to the Department. During this reporting period, these issues were in the areas of the Single Family Mortgage Insurance Programs, the Title I Manufactured Home Loan Program, the Multifamily Mortgage Insurance Program and Housing Assistance Programs.

Single Family Mortgage Insurance

During this period, we continued to direct resources to audits and investigations of HUD's Single Family Mortgage Insurance Programs. Fraud and abuse in these programs has resulted in substantial losses to HUD for many years. We continued to identify serious loan origination irregularities and equity skimming schemes by mortgagors, investors, and other parties. Generally, these irregularities and schemes were furthered by the weak underwriting practices of some mortgagees.

In an effort to more efficiently address this problem, we are working with the Department of Justice, the Federal Bureau of Investigation, and the Office of Inspector General at the Veterans Administration, to arrange a national conference on the prosecution of fraud in the Single Family Programs. The conference will be attended by Federal prosecutors and investigative supervisors from across the country for the purpose of sharing ideas and past experiences concerning the investigations and prosecutions that have occurred. We are also working with the Department of Justice and the Federal Bureau of Investigation to support investigative task force operations by augmenting their resources.

Single Family Investigation Activities

Our investigations continued to result in successful prosecutions of individuals and/or firms charged with fraud in connection with Single Family Programs. During the reporting period, 79 individuals/firms were charged and 66 were convicted for these fraudulent activities. As a result, fines totaling $168,368 were levied and an additional $3.1 million were recovered. The following cases describe some of our more significant investigations in this area:

- An ongoing joint HUD-OIG, Veterans Administration (VA) OIG, and Federal Bureau of Investigation (FBI) task force investigation in the Washington, D.C. area has resulted in 17 convictions. Of the three individuals convicted during this period, two have been sentenced (see Chapter 3 under Multifamily). The third, a real estate speculator, pled guilty in U.S. District Court to two counts of making false statements to HUD. The speculator caused strawbuyers to falsely certify that they had made the necessary cash down payments from their own funds. (United States vs. Vincent Abell, District of Columbia.)

  The 17 convictions thus far have resulted in sentences totalling over 54 years of incarceration and 28 years of probation. The individuals were also fined $194,000, ordered to make restitution of $891,422 and

forfeitures of $323,902 under the Racketeer Influenced and Corrupt Organizations statute.

Marathon Mortgage Corporation, a Southfield, Michigan mortgage company, signed a settlement agreement to reimburse the Department for actual and projected net losses on 50 mortgage loans originated from its Maryland branch offices. The mortgages, all of which have gone into default, were fraudulently originated by a former employee of the company. The settlement agreement could eventually bring the Department $2 million. Under the unique conditions of this agreement, the mortgagee executed a promissory note for $1.2 million which is to be repaid in 14 quarterly installments at six percent interest. At the same time, the mortgagee executed an assignment to the Department whereby portions of all sums it collects from related lawsuits—up to $800,000—will also be paid to HUD.

- A real estate investor, his spouse and his three adult children were sentenced in Tacoma, Washington, following their guilty pleas to two counts of equity skimming, two counts of mail fraud, three counts of conspiracy, and one count of theft in connection with the acquisition of 55 properties. The investor and his spouse were sentenced to a total of 13 years in prison and 5 years of probation. The children were sentenced to a total of 2 years in prison, 9 months work release, 10 years probation and fines of $1,500. The court is considering restitution of approximately $400,000. Some of the properties were insured by HUD or guaranteed by the Veterans Administration, and others were conventionally financed. HUD losses after foreclosure actions on 10 properties are expected to be $210,000. VA's losses are estimated at $200,000 on 12 properties. Substantial losses were also incurred by financial institutions and homeowners. This investigation was part of a Task Force effort comprised of the Postal Inspection Service, the VA-OIG, the FBI and the HUD-OIG. (United States vs. John Tinsley, et al., Western District of Washington.)

- Seven Oklahoma City, Oklahoma real estate investors, a real estate agent and a former real estate company employee pled guilty to various counts of making false statements and conspiracy related to strawbuyer/loan origination schemes. One of the investors was sentenced to 20 months in jail and ordered to pay $100,000 in restitution and $5,050 in fines. A second investor was sentenced to 9 months in jail. Another investor and the employee were sentenced to serve 4 consecutive weekends in jail. The guilty pleas resulted from a joint investigation by the Department of Justice Fraud Section, the FBI and the HUD-OIG. (United States vs. Anthony Jeary, Thomas A. Hand, Kimberly Hawkins, William Connelly, Tommie Hinds, Lloyde Billman, Robert McKittrick, Robert Towell, and Gary Wright, Western District of Oklahoma.)

- A real estate investor and broker pled guilty in Chicago, Illinois, to charges of conspiracy and making false statements in the origination of five HUD-insured mortgages. The two conspired to obtain properties by making false statements to HUD concerning employment, down payments, the

borrowers' identities, and intent to occupy the homes. HUD mortgage insurance losses may exceed $260,000. (United States vs. Edward Tripp and Danny Murphy, Northern District of Illinois.)

- A real estate broker in Philadelphia, Pennsylvania, and his chief sales person were charged in a 60-count indictment with racketeering, interstate transportation of money taken by fraud, money laundering, making false statements to HUD, and filing false income tax returns. The broker was also charged with obstruction of justice. A joint investigation by the HUD-OIG, the Veterans Administration-OIG, the FBI, and the IRS identified a real estate and tax fraud scheme involving the broker's use of his real estate company to make large profits through real estate speculation at the expense of HUD. Between 1980 and 1986, the broker's company was involved in over 100 transactions in which false documents were used to qualify buyers for FHA mortgage insurance totalling about $3 million. (United States vs. John P. Moscony, Eastern District of Pennsylvania.)

- A Federal Grand Jury in Nashville, Tennessee, indicted a Goodlettsville, Tennessee closing attorney on 12 counts of submitting false statements to HUD. Charges arose from our investigation of the use of the refinance program in the Nashville area from 1983 through 1985. The misuse of the refinance program resulted in numerous foreclosures and the loss to the government is estimated to be over $11 million. (United States vs. Douglas Randall Berry, Middle District of Tennessee.)

- A mortgagor pled guilty to one count of causing a false statement to HUD. The charge resulted from our investigation involving 11 properties with FHA-insured mortgages obtained by fraud. HUD paid claims totaling $357,208 on all 11 properties. (United States vs. Robert Fox, District of Maryland.)

- An Allentown, Pennsylvania settlement agent and mortgage solicitor were sentenced following their conviction for conspiracy and making false statements. The two individuals purchased and resold HUD-acquired homes by using strawbuyers. The settlement agent was placed on 5 years probation, fined $10,000, and ordered to make restitution of $61,000. The mortgage solicitor was sentenced to 6 months confinement, placed on 5 years probation and ordered to make restitution of $71,000. (United States vs. Thomas Callahan and Guy Bryan, Eastern District of Pennsylvania.)

- Eight individuals, including the co-owners of a real estate firm, four real estate agents, and two strawbuyers, were charged in five indictments returned by a Federal Grand Jury in Tulsa, Oklahoma. They were charged with conspiracy and submitting false statements in connection with loan applications for FHA-insured mortgages. The property sales were originated by the real estate firm. The indictment was the result of a joint FBI-OIG investigation. (United States vs. Karen K. Lujan, aka Karen Richardson, Juanita Ward, et al., Northern District of Oklahoma.)

- A Barstow, California real estate investor was convicted and sentenced to 3 years in prison (all but 40 days suspended) and placed on 5 years probation. He was also ordered to perform 2,000 hours of community service and make restitution to the government in the amount of $30,000. The investor engaged in equity skimming activities involving 16 HUD-insured and Veterans Administration-guaranteed mortgage loans. The investigation was conducted jointly by our office, the FBI and the Barstow Police Department. (United States vs. Barry Gordon Stoute, Central District of California.)

- A Federal Grand Jury in Dallas, Texas, returned a 12-count indictment against five individuals. The indictment charged the five defendants with conspiracy to violate Federal single family equity skimming and mail fraud laws in connection with the purchase of 47 residential properties in Texas. (United States vs. David C. Story, Susan R. Story, Douglas Byers, Michael Bird, and Anthony Dycus, Northern District of Texas.)

- A Federal Grand Jury in Tyler, Texas, returned a seven-count indictment against two real estate investors who engaged in a strawbuyer scheme in Denton, Texas. The indictment charged that the two compelled strawbuyers to apply for HUD-insured mortgages as owner/occupants in order for the investors to obtain construction profits and permanent, low-interest financing. The investigation involved five strawbuyers and seven properties. (United States vs. William Edward Cantrell and Charles W. Kurth, Eastern District of Texas.)

- A Kalamazoo, Michigan real estate broker was sentenced to two 5-year jail terms to be served consecutively. The broker was also ordered to make $42,300 in restitution to HUD. A joint OIG-FBI investigation determined that the broker and other associates used strawbuyers for the fraudulent origination of 17 HUD-insured loans. The probe found that application documents and owner/occupant affidavits were falsified. Losses to date exceed $300,000. The broker has been suspended from doing business with the Department. (United States vs. Richard D. Schau, Western District of Michigan.)

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 two audit reports to the MRB. Our reports disclosed serious deficiencies by mortgagees in underwriting loans, maintaining quality control systems and remitting mortgage insurance premiums. Through September 30, 1988, the MRB sanctioned nine mortgagees based on our audit reports:

Mortgagee	Action Taken
Aspen Leaf Mortgage Corporation Colorado Springs, CO	Withdrawal
Kissell Company Springfield, OH	Settlement Agreement/Indemnification
Lion Funding Corporation Denver, CO	Settlement Agreement/Indemnification
Talman Home Mortgage Corporation Oklahoma City, OK	Settlement Agreement/Indemnification
Compass Mortgage Company Englewood, CO	Settlement Agreement/Indemnification
Cimarron Mortgage and Investment Company Frisco, CO	Withdrawal
Southtrust Mobile Services, Inc. Birmingham, AL	Settlement Agreement/Indemnification
CityFed Mortgage Company Denver, CO	Settlement Agreement/Indemnification
Green Tree Acceptance, Inc. St. Paul, MN	Settlement Agreement/Indemnification

During this period, mortgagees agreed to indemnify HUD from future potential losses of over $6.7 million (based on average past losses per loan.) Six mortgagees repaid or agreed to repay over $1.8 million to HUD for insurance claims paid. The MRB also concurred in the settlement agreement with Marathon Mortgage Corporation, described under Investigation Activities.

Single Family Audit Activities

Our audits of Single Family Mortgage Insurance activities during the reporting period disclosed significant problems in the areas of Property Disposition, Controls Over Sales of Properties, and Foreclosure Activities for Secretary-Held Properties.

Disposition of Acquired Properties

Our review of seven Field Offices disclosed that HUD did not realize maximum returns to the FHA insurance fund on the sale of acquired single family properties because existing procedures for establishing realistic prices were not enforced. Contrary to Headquarters' established procedures, Field Offices initially listed properties for sale at values substantially different from fair market values. Returns to the insurance fund were diminished because properties listed for sale at values substantially below market did not provide the greatest sales return. Conversely, properties listed for amounts substantially above market prolonged sales efforts and increased holding costs.

We obtained 209 appraisals during the audit. Approximately 65 percent (135) of the properties were valued and initially listed for amounts which differed from market by at least 10 percent — 116 below market and 19 above market. The sales results showed that properties listed at values significantly below

market also sold for amounts significantly below market. There appears to be a direct correlation between the list prices and sales prices.

The Field Offices generally did not have strong controls over the valuation process. The weaknesses in the process were magnified because management emphasized the number of sales and did not give sufficient consideration to value. We recommended that Headquarters stress the need for Field Offices to list properties at market values, and to follow up to ensure that proper valuations are made.

Our review also disclosed that Field Offices did not fully implement controls to ensure the reasonableness of appraised values on prior Property Disposition Branch (PDB) properties submitted for reinsurance. Consequently, unreasonable values on such properties were not identified and corrected during the underwriting process, resulting in increased insurance risk because of inflated values. For example, appraisals obtained on 45 reinsured PDB properties at six of the offices audited showed that the reinsurance values on 17 (38 percent) were overstated by 10 to 40 percent. We attributed the breakdown in controls to the Field staffs' unfamiliarity with the appraisal review requirements. We recommended that Headquarters reissue the instructions for implementing appraisal controls.

The Acting Deputy Under Secretary for Field Coordination indicated that the report focused on issues that need to be addressed by the Assistant Secretary for Housing-Federal Housing Commissioner, and that his office will work closely with Housing in correcting the problems which exist. The Assistant Secretary for Housing expressed some reservations regarding the conclusions reached in our report and stated that adequate procedures were generally in place. We will monitor Housing's implementation of our recommendations. (Audit Report No. 88-TS-123-0011.)

Review of the Controls Over Sales of Acquired Properties

We reviewed HUD's systems and procedures for controlling the sale of single family properties at HUD Headquarters and the Atlanta and Los Angeles Field Offices. The review was undertaken as a result of information furnished by the Offices of Administration and Housing about closing agent activities in Atlanta. We also reviewed the activities of five closing agents who conducted settlements and disbursed sales proceeds.

In Fiscal Year 1987, HUD reported proceeds from the sales of acquired single family properties of $2.2 billion. However, the systems HUD uses to account for and maintain control of the sales of these properties are inadequate. The systems contain unreconciled differences in property sales and sales proceeds totaling over $834 million and involving over 38,000 properties. The unreconciled differences and problems with data quality and transaction control do not allow the systems to furnish reliable information on property disposition activities, i.e., the number of properties in inventory, the number of properties sold, or the revenues generated from property sales.

HUD's lack of internal controls and effective monitoring allowed closing agents to retain sales proceeds for excessively long periods and to misuse

sales proceeds. Our reviews in Atlanta and Los Angeles showed that sales proceeds were remitted in a timely manner in only 436 of 3,390 cases. The delays ranged from 30 to 200 days. We estimated that these delays cost HUD over $16 million in Fiscal Year 1987.

Many factors contributed to the problems with accountability and control over the property disposition process, including inadequate coordination between the Office of Housing and the Office of Administration; the centralized nature of property disposition accounting as compared with the decentralized property disposition activity; and resource allocations.

In our draft report to the Deputy Under Secretary for Field Coordination, the Assistant Secretary for Housing-Federal Housing Commissioner and the Assistant Secretary for Administration, we recommended that the Department reconcile accounting balances; develop a new automated system; simplify the accounting process; and assure that Field Offices are carrying out their property disposition responsibilities. Their responses to our recommendations stated that a number of actions had already been taken to correct the problems. (Audit Report No. 88-TS-123/161-0009.)

Review of Foreclosure Activities for Secretary-Held Properties

The Office of General Counsel (OGC), Home Mortgage Division, did not process foreclosure actions in a timely manner. Additionally, there is a lack of internal control over the assignment of cases to the foreclosure agent. An increased volume of foreclosure activity has impacted OGC's Home Mortgage Division's ability to process cases timely and monitor foreclosure agents. Since our review, some actions have been taken and others are scheduled to improve these timeframes. However, additional improvements are needed to control foreclosure referrals to assure that all actions are expedient and properly monitored.

Significant savings will result from timelier foreclosure actions. A recent General Accounting Office (GAO) report estimated that HUD loses about $400 each month a loan is in the foreclosure process. Using this estimate, we computed that HUD incurred $1.4 million in unnecessary holding costs on the volume of its 1987 foreclosure activity. Even greater savings can accrue by assuring that prompt action is taken by the foreclosure agent. We recommended actions to increase controls over foreclosure activities. The Deputy General Counsel expressed general concurrence with our report findings and recommendations. (Audit Report No. 88-AO-176-0006.)

Title I Manufactured Home Loan Program

Review of the Title I Manufactured Home Loan Program

We reviewed eight Title I Manufactured Home Loan Program lenders for compliance with HUD regulations, policies, and procedures governing: (1) the origination of loans; (2) the supervision and monitoring of dealers; and (3) the submission of claims. We also examined HUD's administrative controls over the program. We found that HUD is presently sustaining signifi-

cant losses in the Manufactured Home Loan Program, even though the coinsurance and insurance reserve aspects of the program were intended to limit HUD's insurance risk.

HUD's limited risk has become a full risk because lenders place most manufactured housing loans in Government National Mortgage Association (GNMA) pools. GNMA guarantees that persons holding securities backed by manufactured housing loan pools will be paid timely. Many of the largest lenders in the Title I Manufactured Home Loan Program have defaulted as GNMA issuers and GNMA has had to assume $1.4 billion in issuer portfolios. GNMA has sustained $100 million in losses on these portfolios to date, and anticipates losses will exceed $500 million.

The high default rates are attributable to weaknesses in program design. In contrast with HUD's Single Family Programs, underwriting requirements are more liberal and much of the origination work is done by a manufactured housing dealer rather than the lender. HUD relies on the lender to provide sufficient oversight of the dealer who has a direct interest in getting the loan approved. We found this oversight was often ineffective in detecting irregularities. In addition to underwriting problems, we found that the insured value of the manufactured home often exceeded the market value, thereby increasing HUD's insurance risk. Of 124 loans reviewed in our audit, 103 had one or more significant deviations from HUD requirements, including: insufficient borrower down payments; non-delivery of furniture and equipment; unqualified borrowers; unapproved site placement; and unaccounted for manufacturer rebates. These deficiencies increased the number of defaults, and in many cases, increased the amount of claims paid by HUD.

Due to the sizeable losses incurred by GNMA, continuing loan origination problems and declining program activity, we recommended that the Assistant Secretary for Housing-Federal Housing Commissioner seek authority to terminate the current Manufactured Home Loan Program. If HUD continues to assist families in purchasing manufactured homes, a new program with stricter underwriting standards should be designed to prevent losses from recurring.

The President of GNMA generally agreed with our report, while the Assistant Secretary for Housing expressed overall disagreement. In summary, his office believes the program is sound as currently designed, and that the heavy losses experienced in the past were principally due to economic conditions in certain segments of the country. (Audit Report No. 88-TS-122-0012.)

Multifamily Mortgage Insurance

This section summarizes one of our major efforts in the Multifamily Mortgage Insurance Program area.

Section 223(f) Coinsurance Program

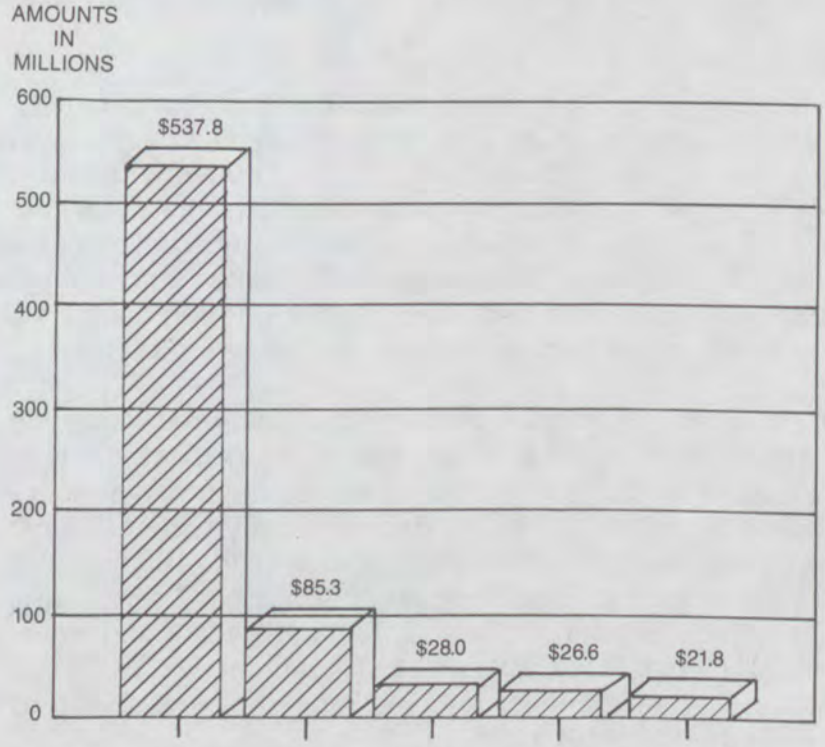
We audited the Section 223(f) Coinsurance Program to determine whether lenders were effectively carrying out their delegated responsibilities, and HUD was effectively monitoring and enforcing lenders' compliance with program requirements. The audit focused on three of the 55 lenders participating in

the program, ABG Financial Services, Inc. (ABG), DRG Funding Corporation (DRG), and York Associates (York). Together, DRG and York processed 543 coinsured loans, or about 66 percent of all Section 223(f) coinsured loans underwritten as of May 31, 1988. As of that date, participating lenders had underwritten 826 Section 223(f) coinsured mortgages originally valued at about $4.8 billion.

The most serious deficiencies detected during our audit involved DRG. We found that DRG was not adequately complying with HUD's coinsured loan underwriting and servicing requirements. DRG was underwriting unsound loans and failing to detect indications of troubled loans in a timely manner. Additionally, DRG was not taking adequate and timely actions to minimize mortgage defaults and coinsurance losses. HUD's enforcement of program requirements has not been adequate and has not ensured the prompt and effective correction of lender deficiencies.

As of May 31, 1988, 106, or 12.8 percent of all coinsured mortgages, had defaulted. This compares with a default rate of 0.5 percent in HUD's Full Insurance Program as of July 31, 1988. However, the program default rate would be about 5 percent if DRG's program activity were excluded. The outstanding principal and accrued interest balance on the 106 defaulted mortgages amounted to nearly $700 million. As of September 7, 1988, insurance claims had been submitted to HUD for 21 defaulted loans and will require an estimated payment by HUD of about $61.4 million. DRG's financial difficulty compared to other lenders participating in the program is illustrated in the chart on the following page.

Section 223(f) Coinsurance Program
Principal and Accrued Interest Outstanding
Loans in Default By Lender
As of May 31, 1988



	DRG	YORK	GMAC	DENTON	SOUTHWEST
PRINCIPAL	$511.8	$80.2	$27.8	$26.2	$21.5
INTEREST	26.0	5.1	.2	.4	.3
TOTAL	$537.8	$85.3	$28.0	$26.6	$21.8

As shown in the chart above, the principal and accrued interest balance outstanding on DRG's defaulted mortgages totaled nearly $538 million, or about 32 percent of the original value of all of its Section 223(f) coinsured mortgages. Many of DRG's shortcomings were previously identified by HUD's Coinsurance Division and our office through earlier reviews. However, we found during the current audit that these shortcomings had not been adequately addressed by the lender.

In addition, HUD is currently attempting to eliminate the overmortgaging of properties by coinsuring lenders. But, while HUD has authority to suspend or terminate a lender for departing from approved procedures, it had not taken such actions at the time of our audit. HUD has also been reluctant to exercise its authority to suspend or terminate lenders for serious infractions due to the potential adverse impacts such sanctions may have upon the lenders' financial positions and the Coinsurance Program. Rather than implement strict program enforcement measures, HUD has relied on its internal monitoring of lenders to detect problem areas and to achieve cooperation from lenders in correcting such problems. However, HUD's monitoring effort cannot be successful without the application of program enforcement measures.

In our draft report, we recommended that HUD revise its regulations and instructions in a number of specific areas to better protect the Department's financial interests and to ensure the fiscal soundness of the Section 223(f) Coinsurance Program. Since the completion of our audit, the Government National Mortgage Association has terminated DRG's participation in the Mortgage-Backed Securities Program which in effect eliminates DRG from the Coinsurance Program. Management from the Office of Housing is currently reviewing our draft audit report and has not yet responded to our proposed recommendations.

Housing Assistance Programs

Income Verification Legislation

The Department continued to support legislation that would help to detect fraud in housing assistance programs. Specifically, three legislative authorities were sought that would require: (1) applicants and tenants to provide Social Security Numbers as a condition of eligibility; (2) State employment security agencies to disclose wage information to HUD; and (3) applicants and tenants to complete, as a condition of occupancy, verification consent forms authorizing HUD or its designees to verify any previously undisclosed income.

The passage of the Housing and Community Development Act of 1987 provided authority for HUD to require tenants to disclose their Social Security Numbers. On October 19 and 20, 1988, the House and Senate passed the McKinney Homeless Assistance Amendments that contained the remaining two provisions. We believe this legislation will have a significant impact on our ability to detect fraud by tenants who are depriving needy families of shelter and assistance.

Computer Matching Results

At the request of the St. Louis Housing Authority (SLHA), the HUD-OIG used computer matching to facilitate the verification of income reported by Low-Income and Section 8 tenants. The SLHA provided housing assistance to 5,142 Low-Income (Conventional) and 3,166 Section 8 units. The computer matching and subsequent confirmation procedures identified 778 tenants (561 Low-Income and 217 Section 8) who failed to report $14.4 million in income when applying for housing assistance ($12.1 million Low-Income and $2.3 million Section 8.) The tenants received an estimated $2.9 million in excess rental assistance ($2.3 million Low-Income and $.6 million Section 8) during the period January 1983 through June 1987.

The computer matching also resulted in 24 indictments returned by a Federal Grand Jury in St. Louis charging 36 public housing and Section 8 tenants in a total of 72 counts for making false statements in reporting their income to the SLHA. The tenants underpaid their rent by a total of $409,784 (an average of $17,074 per household), and those charged included at least 10 public (Federal, State, or local) employees. Income found to be unreported or underreported was independently verified through employers. Thirteen tenants have thus far pled guilty. (United States vs. Various Individuals, Eastern District of Missouri.)

The remaining cases are subject to additional verification. Omitted income and excessive housing assistance received will be further confirmed with the

affected individuals/families before denying, suspending or reducing any housing assistance or taking any other actions against individuals/families.

A prior computer match involving tenants who resided in subsidized multifamily projects managed by three management agents identified 445 tenants who had received $1 million in excessive Section 8 housing assistance. OIG staff referred information on most of these tenants to program administrators for initiation of administrative actions. Twenty-five cases, with a total of $127,665 in overpaid assistance, were investigated and referred to the United States Attorneys in the Northern, Middle, and Southern Districts of Georgia. In the Northern District of Georgia, 11 cases have resulted in guilty pleas from 15 individuals, and these individuals await sentencing. Eight additional cases are pending prosecutive action in the three Districts. Six of the cases investigated were either dismissed, declined for prosecution, or found to have no criminal violation. Nine of the 25 cases were part of a joint effort with the FBI.

The HUD-OIG also identified 24 tenants in the Washington, D.C. metropolitan area who received about $68,000 in excess Section 8 housing assistance. In this instance, Virginia's wage data was matched to tenant-provided information for 2,979 families residing in 10 multifamily projects in the metropolitan area. Only two of these projects are located in Virginia. Prior matching of the tenant data to Office of Personnel Management (OPM) data identified 62 families with one or more Federal civilian personnel who received $232,000 in excessive Section 8 housing assistance. Matching to OPM data for Federal retirees, to U.S. Postal Service and to Department of Defense data identified another nine families who received about $15,000 in excessive housing assistance. The combined total of excess assistance was $315,000. Computer matching could not be done with District of Columbia wage data because a District law, DC Code 1981, section 46-114(f), allows disclosure of the data only for specific purposes. Disclosure of the District's wage data to HUD for computer matching is not within the purposes cited in the District's law.

Confirmation of computer matching results is currently ongoing in Dallas and Fort Worth, Texas, and in Denver, Colorado. Additional computer matching is planned in selected housing authorities across the country.

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: 105
- Individuals Convicted: 79
- Restitution/Repayments: $547,729
- Total Fines: $27,759

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

- A Section 8 tenant in Chicago, Illinois, was placed on 5 years probation and ordered to pay $34,154 in restitution to HUD, the Department of Agriculture and the Department of Health and Human Services. The tenant was also ordered to enroll in a vocational training program and be employed on a full-time basis. The tenant, who was a security guard at the Federal Courthouse in Chicago, was cited with knowingly and willfully converting HUD monies and submitting false information concerning employment earnings to receive excess assistance. A joint HUD-OIG and Illinois Department of Public Aid investigation found that the tenant misrepresented earnings to HUD and Public Aid from 1984 to 1987, causing rental assistance overpayments totaling nearly $13,000. She also fraudulently received welfare funds, food stamps and Medicaid benefits of over $21,000. The tenant has been suspended from participation in HUD programs. (United States vs. Valerie Nelson Parks, Northern District of Illinois.)

- A husband and wife, both Section 8 tenants, pled guilty in New York to one count each of making false statements and mail fraud. They were ordered to make restitution of $29,633. A joint investigation by the OIG and the New York City Housing Authority discovered the Section 8 tenants received additional HUD-funded rental assistance simultaneously at one residence in New York City while living and receiving benefits at another unit in an outlying suburb. (United States vs. Samuel and Magda Goldstein, Southern District of New York.)

- A tenant in the Low-Rent Public Housing Program in Tonkawa, Oklahoma, and his spouse were indicted by a Federal Grand Jury in Oklahoma City on conspiracy and false statement charges. The tenants failed to report household income from 1980 through 1986 totalling $30,255. (United States vs. Donald L. and Louella P. Patterson, Western District of Oklahoma.)

- A Section 8 tenant was sentenced in Pittsburgh, Pennsylvania, to 5 years (suspended), placed on 5 years probation, and ordered to make restitution of $18,937. The tenant pled guilty to making false statements to obtain rental assistance. (United States vs. Charles Lundy, Western District of Pennsylvania.)

- A Section 8 tenant at a Racine, Wisconsin multifamily housing project was indicted on three counts of submitting false statements to HUD from 1984 through 1986 by misrepresenting her family composition and income. The tenant did not report the receipt of Social Security income or the presence and income of an adult family member. The tenant improperly received assistance benefits of $17,749. The individual was previously convicted of welfare fraud. (United States vs. Willie Kite Hunter, Eastern District of Wisconsin.)

- A Section 8 tenant in Detroit, Michigan, pled guilty to submitting a false statement to HUD. The tenant failed to report income he received from his employment with a major corporation from 1983 through 1986. As a result of his falsification of benefit forms, the tenant received $15,343 in assistance funds to which he was not entitled. This is one of seven rental assistance indictments recently returned in Detroit. The other individuals involved have entered pleas of not guilty and are awaiting trial. (United States vs. Lawrence Ateman, Eastern District of Michigan.)

- A Carpentersville, Illinois Section 8 tenant was sentenced in a California District Court based on an earlier mail fraud conviction. The tenant was ordered to serve 60 days in jail and given 5 years probation. She also was ordered to make restitution totalling $14,928 to the Departments of HUD and Agriculture and the Illinois Department of Public Aid. A Federal Grand Jury indictment charged the former tenant with nine counts of using the mails in a scheme to misrepresent material information to HUD and the Illinois Department of Public Aid to obtain benefits. From 1980 through 1983, the individual failed to report personal employment earnings which caused Section 8 subsidy, welfare and food stamp benefit overpayments. (United States vs. Aurea Torres, Northern District of Illinois.)

- A husband and wife, Section 8 tenants in Yonkers, New York, pled guilty to one count each of making a false statement by failing to properly report their income on recertification forms. The couple failed to report employment income earned by the wife between September 1982 and May 1986. They received $13,756 in rental assistance to which they were not entitled. (United States vs. Joseph and Camille Willis, Southern District of New York.)

Chapter 2

SIGNIFICANT AUDITS

This Chapter summarizes audit activities in three program areas: Assisted Housing Programs; Community Planning and Development; and General Administration.

Assisted Housing Programs

Our audits focused on problems in the following areas: the Housing Voucher Program; the Section 8 Moderate Rehabilitation Program; the Section 8 Existing and Low-Rent Housing Programs; Controls Over PHAs' Cash and Monetary Assets; the Comprehensive Improvement Assistance Program; and HUD Assisted Housing Management Branch Activities.

Housing Voucher Program—Extent of Compliance with HUD's Housing Quality Standards

We reviewed the Housing Voucher Program to determine the extent to which units occupied by voucher recipients comply with HUD's mandatory minimum Housing Quality Standards (HQS). We conducted inspections of Voucher units using teams of auditors, appraisers/construction specialists, and public housing agency (PHA) inspectors.

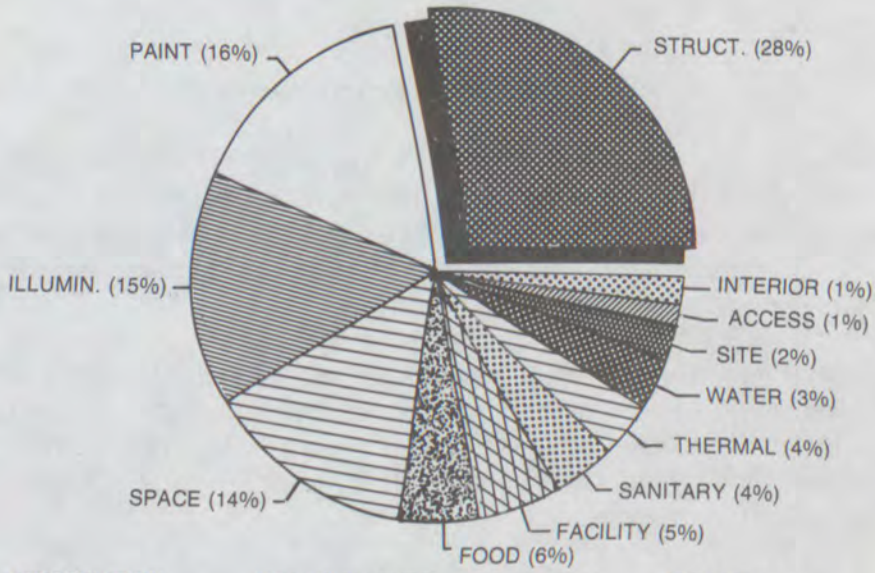
We inspected 154 Housing Voucher units during May 1988 and found that 80, or nearly 52 percent, were not in compliance with HUD's mandatory minimum HQS (i.e., those standards relating to tenants' health and safety.) The 80 inspected units that were in violation of the HQS involved a total of 337 violations, or an average of about four violations per unit. Because the units that we inspected were selected on the basis of a statistical sample with a plus or minus seven percent precision range, we have projected that between 46,700 (45 percent) and 61,300 (59 percent) units out of a universe of 104,000 voucher units nationwide did not meet HUD's mandatory minimum HQS at the time of our inspections in May 1988.

In conjunction with monitoring reviews performed in 1987, HUD Field Office inspections disclosed a 40 percent HQS failure rate in the Voucher Program; however, the units inspected were not selected on the basis of a statistical sample. Our office and HUD have been performing inspections of Section 8 Existing Housing Program (Certificate) units since the 1970's. The current Housing Voucher HQS results are similar to the results of these Certificate unit inspections.

Despite the high HQS failure rate, however, the units that we inspected, with several exceptions, were of generally good quality from a structural and livability standpoint. In addition, some of the violations were not difficult or costly to correct. Nevertheless, the HQS violations detected were sufficient to render the units ineligible for participation in the Housing Voucher Program.

Nationwide Audit of Section 8 Housing Voucher Program

Types of HQS Violations



ABBREVIATION	VIOLATION TYPE	PERCENTAGE
STRUCT.	STRUCTURE & MATERIALS	28%
PAINT	LEAD BASED PAINT	16%
ILLUMIN.	ILLUMINATION & ELECTRICITY	15%
SPACE	SPACE & SECURITY	14%
FOOD	FOOD PREPARATION	6%
FACILITY	SANITARY FACILITIES	5%
SANITARY	SANITARY CONDITION	4%
THERMAL	THERMAL ENVIRONMENT	4%
WATER	WATER SUPPLY	3%
SITE	SITE & NEIGHBORHOOD	2%
ACCESS	ACCESS	1%
INTERIOR	INTERIOR AIR QUALITY	1%

Based on the projected results of our inspections, we estimate that during May 1988, HUD authorized about $19.5 million of housing assistance payments to property owners for units occupied by voucher holders that did not meet HUD's mandatory minimum HQS. We also estimated that PHAs received about $2 million of administrative fees in conjunction with these same units.

We attributed the failure of the inspected voucher units to meet the HQS to a variety of factors, including inadequate housing inspections by PHA personnel, tenants' abuse, tenants' unreported maintenance needs, untimely repairs or replacement of defective components by property owners, inadequate quality control inspections by HUD, and HUD's lack of administrative sanctions against PHAs which repeatedly fail to improve their housing inspection and housing quality enforcement programs. Moreover, it is not uncommon for units to pass HQS inspections, only to fall into noncompliance with the HQS shortly thereafter. This is partly due to the general nature of the HQS and the fact that many types of defects can cause a unit to fail the HQS.

In our draft report, we recommended that: (1) the units identified by our inspections as failing to meet the HQS be brought into compliance; (2) PHAs be required to inspect a representative sample of their voucher units; (3) guidance be provided to PHAs concerning the frequency of required inspections of Section 8 units based on the housing characteristics identified in our report; (4) voucher recipients and property owners be better instructed on the HQS; (5) the quality of PHAs' housing inspection and enforcement programs be one of the criteria for awarding allocations of Section 8 authority to PHAs; (6) Field Offices be required to adhere more closely to PHA monitoring and HQS inspection requirements; (7) sanctions be taken against PHAs who repeatedly fail to improve their housing inspection and enforcement programs; and (8) studies be initiated on the effectiveness and feasibility of the HQS and on the feasibility of a certification program for inspectors of Section 8 units.

Section 8 Housing Voucher Program—Audits of PHAs

Public housing agencies (PHAs) are responsible for administering the Section 8 Voucher Program at the local level. Although the Voucher Program is similar to the Certificate Program, it differs from that program in the following ways: (1) the PHAs set subsidy levels, within HUD limitations; (2) participants' subsidies do not usually depend on the actual rent; and (3) participants can rent housing costing more than HUD's estimates of the cost of modest housing.

To determine how well PHAs were administering the Voucher Program, we began a series of audits of PHAs to determine if: (1) housing units were meeting HUD quality standards; (2) participants were eligible and their subsidies were correct; and (3) PHAs were effectively and efficiently managing the program.

To date, we have completed 14 PHA audits. The audits show weaknesses in the PHAs' administration of the Voucher Program in the areas of housing quality standards, setting of payment standards, participant eligibility and subsidy calculations, and budgeting of program funds. These deficiencies are summarized as follows:

	Category of Deficiency			
PHA	Housing Quality Standards	Payment Standards	Eligibility and Subsidy	Budgeting
Rockland, MA	•		•	•
Worcester, MA	•		•	
Doylestown, PA	•	•	•	•
Fayette County, PA	•		•	
Birmingham, AL	•		•	
Lucas County, OH	•	•		•
North Little Rock, AR	•	•	•	•
Bexar County, TX			•	
Norman, OK	•		•	•
Leavenworth, KS	•			
Contra Costa County, CA	•	•	•	
Sacramento County, CA			•	
Pierce County, WA	•		•	
Snohomish County, WA	•			

All but two of the 14 PHAs reviewed had problems in ensuring that their housing met HUD's Housing Quality Standards (HQS). Of the 205 units inspected, 94, or nearly one-half, had an average of over four HQS violations each. This was principally due to PHAs' inadequate inspections. While at least 272 violations (66 percent) existed at the time the PHAs made their inspections, the PHAs had identified only 18 (four percent). We found that PHA inspectors lacked sufficient training and that their supervisors were not reinspecting five percent of the units, as required for quality control purposes.

Four PHAs were found to be inadequately determining the need for adjusting payment standards to keep housing affordable for their participants. They were not compiling and analyzing relevant data to make informed decisions. Two of the PHAs had not looked into the need to increase the payment standards even though most participants were paying much more than 30 percent of their income for rent. A third PHA unnecessarily increased its payment standard, resulting in excessive subsidies of $186,000 a year.

Eleven PHAs had problems with determining participant eligibility and subsidies, while six inadequately verified participant information and five made errors in calculating subsidies. These problems were due to inadequate supervision and misinterpretation of and unfamiliarity with HUD's regulations.

In addition, five PHAs were not fully using their voucher funds because their budgeting processes were inadequate. Budgets were not properly established or revised as needed and actual expenditures were not compared to the budgets. As a result, the number of families participating and the level of assistance were unnecessarily restricted.

Our recommendations included revising housing quality inspection procedures so that inspections are conducted as required by HUD; establishing an improved system for determining payment standards; implementing an adequate financial management system; and ensuring that a minimum of five percent of units receive supervisory reinspections. We will analyze the results of these audits and others in process and make recommendations to the Assistant Secretary for Housing-Federal Housing Commissioner for improving the Voucher Program's effectiveness. (Audit Report Nos. 88-BO-203-1029; 88-BO-202-1027; 88-PH-203-1017; 88-PH-204-1018; 88-AT-203-1030; 88-CH-203-1022; 88-FW-203-1021; 88-FW-203-1018; 88-FW-203-1020; 88-KC-203-1009; 88-SF-203-1011; 88-SF-203-1014; 88-SE-203-1007; and 88-SE-203-1008.)

Section 8 Moderate Rehabilitation Program

We are auditing HUD and public housing agency (PHA) activities on a nationwide basis to determine the economy, effectiveness and efficiency of the Section 8 Moderate Rehabilitation Program (MRP). The audit is being conducted in Headquarters and nine Regions with work being performed at selected Regional and Field Offices as well as PHAs. Audit work is substantially complete and during the first quarter of Fiscal Year 1989, we plan to issue over 25 external and internal audit reports covering PHA and HUD MRP activities.

Thus far, our audit has identified a number of serious weaknesses in MRP administration. Specifically, we found that: (1) the majority of MRP projects funded over the last 5 fiscal years were selected without the type of open competition intended in HUD regulations and directives governing the MRP; (2) PHA staffs did not demonstrate the capability to properly prepare specifications, estimate costs, distinguish between eligible and ineligible rehabilitation costs, and compute appropriate rental rates; (3) HUD staff did not effectively monitor or assist PHAs; and (4) the current contract rents that govern the amounts of HUD's housing assistance payments exceed those that are necessary and reasonable.

Indicative of the types of problems being encountered nationwide are the results contained in three PHA audit reports issued in September 1988.

- In administering its Section 8 Moderate Rehabilitation Program, the Lynn, Massachusetts Housing Authority did not compute base and contract rents in accordance with HUD requirements. As a result of an identity-of-interest land sales transaction and the inclusion of excess fees and ineligible costs in the rent calculation, HUD will pay nearly $2.5 million in excess rent subsidies over the 15-year term of the Housing Assistance Payments (HAP) contract. The PHA also failed to comply with HUD requirements with regard to project selection, execution of the Agreement to Enter into a HAP (AHAP) contract, and rehabilitation monitoring.

  We recommended that HUD determine the eligibility of the costs in question and instruct the PHA to amend the AHAP to reflect a reduction of the base and contract rents, and ensure that all program regulations are complied with. (Audit Report No. 88-BO-204-1030.)

- The Holyoke, Massachusetts Housing Authority did not assure adequate competition in the selection of the developer. The PHA advertised for proposals in a newspaper with limited circulation and allowed insufficient time for owners to prepare proposals. These actions benefitted one developer who had been preparing a proposal for over a year. The PHA and the developer also executed an AHAP without full agreement concerning work specifications, cost estimates, and the computation for base and contract rents. The PHA could not provide detailed rehabilitation cost estimates for work to be performed for buildings at eight different locations. As a result, the PHA could not assure that contract rents were adequately supported.

  We recommended that HUD: (1) review the propriety of the PHA's process in selecting the developer, determine sanctions available for imposition in the event the selection was improper, and impose such sanctions as appropriate; and (2) review the PHA's specifications and cost estimates and instruct the PHA to recalculate the rents, if necessary. (Audit Report No. 88-BO-204-1028.)

- The San Diego Housing Commission computed both base and contract rents for one project using improper and inadequate information. As a result, excessive rents will total at least $851,400 over the 15-year Housing Assistance Payments (HAP) contract period. The incorrect computations resulted from inflated acquisition costs, ineligible rehabilitation costs, and inaccurate or

ineligible mortgagor fees. This occurred because the Commission's staff was not fully aware of program requirements, staff responsibilities were fragmented and there was a lack of management oversight.

The Commission also failed to comply with other important program requirements. In providing funds for this project, the Commission violated HUD prohibitions against self ownership; did not publicly advertise program availability; did not follow a proper selection process; allowed rehabilitation costs incurred prior to an agreement; and did not properly use a cost certification provided by the owner. As a result, the Commission did not ensure that program funds were used for the most feasible owners/projects or that program funds were spent effectively and efficiently. This occurred because the Commission's staff was not fully aware of or disregarded program requirements and did not have proper management supervision.

We recommended that HUD instruct the Commission to: (1) adjust base and contract rents retroactively to the date of HAP contracts, and refund HUD any excessive amounts paid; (2) review all other MRP contracts for conditions disclosed in this report, make appropriate computation and contract changes, and recover excess payments as appropriate; and (3) ensure that staff members responsible for MRP determinations are properly trained and supervised. We also recommended that the Los Angeles Office Manager determine whether the project in question is eligible to continue in the MRP since project selection procedures were circumvented, and closely monitor and evaluate future projects rehabilitated by the Commission under the MRP. (Audit Report No. 88-SF-203-1016.)

We plan to summarize all results in a report with specific recommendations to assure HUD management that MRP funds are being spent effectively and efficiently.

Section 8 Existing and Low-Rent Housing Programs

We audited various public housing agencies' (PHAs') Section 8 Existing and Conventional Low-Rent Housing Programs to determine whether PHAs complied with program regulations, the Annual Contributions Contract and local policies and procedures. The following are examples of those audits.

- Poor program administration by the former Executive Director of the East Baton Rouge Parish, Louisiana Housing Authority and lack of effective oversight by the former Board of Commissioners resulted in significant program violations and severe financial problems. The PHA over-committed the 883 Section 8 Existing units authorized under the Annual Contributions Contract, placed tenants in the program without issuing valid Certificates of Family Participation (certificates), and made improper and unauthorized Housing Assistance Payments (HAPs) of over $1.2 million to owners. Another $284,332 were ineligible or unsupported. The former Executive Director had apparent conflicts of interest with the owners which may have influenced the improper payments.

  As a result of the unauthorized and improper HAPs, the PHA encountered severe financial problems. Bank loans were obtained and funds were transferred to the Section 8 Program from other PHA programs to fund

Section 8 activities. A bank loan of $97,222 was outstanding at December 31, 1987, and the Section 8 Program owed the Low-Rent Program over $450,000.

We recommended that HUD disallow $1.4 million and questioned the eligibility of expenditures totaling $52,487. We also recommended that HUD require the PHA to seek recovery of funds from owners, contractors, and individuals through civil litigation. HUD should also assist the PHA with financial planning to liquidate Section 8 obligations and negotiate a repayment plan for the PHA to reimburse the ineligible expenditures to HUD.

The former Executive Director pled guilty in May 1988 to conspiring to embezzle $25,000 from the PHA through a fraudulent computer software support contract. (Audit Report No. 88-FW-204-1017.)

- The Housing Authority of the City of San Benito, Texas, failed to exercise adequate administrative controls over its Section 8 Housing Assistance Payments (HAP) Program. As a result, the PHA made $771,824 in ineligible HAPs; administrative fees of $74,937 were not earned pursuant to valid HAP contracts; 11 of the 20 Section 8 housing units inspected did not meet minimum housing quality standards; contract rents were not reasonable in relation to private market rents; and excessive drawdowns were made.

  We recommended that the PHA be required to refund to HUD over $800,000 for ineligible HAPs and administrative fees. (Audit Report No. 88-FW-202-1019.)

- The Housing Authority of Chester County, West Chester, Pennsylvania, did not conduct regular utility surveys or implement its utility allowance schedule. As a result, 529 tenants are owed $176,930 for rent and utility overpayments. Inspection of Section 8 units showed that 12 of 17 units inspected did not meet Housing Quality Standards (HQS). Administrative errors in occupancy activity included incorrectly calculated utility allowances, over-housed tenants, and handicapped tenants not receiving handicap allowances.

  The PHA did not assure the reasonableness of its contract rents. Because the PHA did not use the HUD-recommended market surveys and comparative analyses, contract rents may be excessive in some county areas and insufficient in others. The PHA also failed to fully lease its latest allocation of Section 8 units or efficiently utilize previous allocations because it did not issue Certificates of Family Participation in accordance with HUD guidelines.

  We recommended that the PHA: (1) repay the tenants the $176,930 for understated utility allowances; (2) assure that owners correct HQS violations in the 12 failed units and conduct HQS training for its inspectors; (3) implement a comprehensive, consistent method of supervisory oversight and review of occupancy activities; (4) assure rent reasonableness by conducting and documenting annual market surveys on rent rates for unassisted units; and (5) issue sufficient Certificates of Family Participation to achieve

and maintain a 95 percent occupancy rate. (Audit Report No. 88-PH-203-1009.)

Controls Over PHAs' Cash and Monetary Assets

Between Fiscal Year 1985 through March 1987, we reviewed 141 occurrences involving about $6 million of misappropriated and misused assets at 122 public housing agencies (PHAs) and Indian Housing Authorities (IHAs). The abuses include embezzlement, check forgery, payments to fictitious vendors, unexplained cash shortages and false travel claims. The thefts occurred primarily because the PHAs involved did not establish adequate systems of internal control or comply with existing internal controls. On the basis of issued PHA audit reports, we estimated that about 42 percent of all PHAs administering conventional low-income housing programs are likely experiencing internal control problems relating to monetary assets.

We were advised by the Office of Public and Indian Housing that a task force has been created to revise applicable HUD handbooks to reflect the importance of adhering to internal control requirements and to ensure that the adequacy of internal controls is an element of HUD Field Office management reviews of PHAs and IHAs.

During the current fiscal year, we reviewed the systems of internal control used by 19 PHAs to safeguard their assets. Only two of the 19 PHAs had adequate systems of internal control. The other 17 PHAs had one or more deficiencies in the following areas.

Area of Internal Control	Number of Audits with Deficiencies	Rate of Occurrence
Cash Receipts	16	84%
Cash Disbursements	13	68%
Payroll	9	47%
Investments	6	32%
Property and Inventory	5	26%

Based on the results of the current reviews, we believe PHAs are not establishing adequate systems of internal control or their employees are not complying with existing controls. We made recommendations for PHAs to develop and implement those systems necessary to strengthen their internal controls.

Comprehensive Improvement Assistance Program

We performed a series of audits on public housing agencies' (PHAs) administration of the Comprehensive Improvement Assistance Program (CIAP). This is part of a nationwide review to determine whether PHAs are following HUD program requirements including developing and implementing a long-range CIAP plan, procuring and administering professional services and construction contracts economically and effectively, and requesting CIAP funds based on actual needs. The following audits indicate the types of problems being found nationwide.

- The Atlantic City, New Jersey Housing Authority reported to HUD that at December 31, 1987, the entire amount of its Fiscal Year 1986 CIAP funds

totaling $2.8 million had been obligated when only $455,693 had actually been obligated. Had the unobligated funds not been shown as obligated, they would have been subject to HUD's recapture policy and made available to other PHAs.

We recommended that HUD advise the PHA that $2.3 million are being recaptured in accordance with previous HUD instructions to the PHA. (Audit Report No. 88-NY-204-1803.)

- The Stamford, Connecticut Housing Authority charged $167,612 to its Fiscal Year (FY) 1985 CIAP for work items that were not included in the approved CIAP budget. Therefore, the Authority will not complete all the work items included in the FY 1985 CIAP because funds were used for other than approved CIAP activities. A similar condition was disclosed concerning the PHA's 1983 CIAP. The Authority also needs to strengthen its administration over both professional services and construction-related contracts. The PHA could not provide any evidence that two of three professional service contracts were obtained through the required competitive negotiation process. The PHA also failed to execute any written agreements when additional professional services were requested. These agreements are necessary in order to stipulate the rates of pay and the estimated maximum time and costs.

  The PHA did not adequately monitor construction-related contracts to assure that employees were paid prevailing wage rates. Payroll salaries were based on estimated percentages rather than actual time distribution records. In addition, the CIAP cash balance in the PHA's books of account was understated. We found another $105,282 to be ineligible or unsupported based on these deficiencies.

  We recommended that HUD determine the eligibility of costs charged to the FYs 1983 and 1985 CIAPs and determine whether the PHA has the capacity to continue its CIAP. The PHA should also develop and implement adequate procedures to assure that all aspects of contract administration can be effectively enforced, maintain appropriate documentation to support salary costs charged to its CIAP, and adjust its books of account to reflect proper CIAP cash balances. (Audit Report No. 88-BO-209-1024.)

- The Taunton, Massachusetts Housing Authority needs to strengthen its procedures to assure that its contract administration responsibilities are properly discharged. The PHA did not pay the architect in accordance with contract terms. As a result, the architect was overpaid for reimbursable costs, and the PHA had no assurance that payments for basic services were reasonable and proper. The PHA did not solicit formal bids for asbestos removal because of its failure to recognize an asbestos problem when pointed out by the architect. Subsequently, a contract in the amount of $102,080 was awarded on an emergency basis. The PHA's delays may have unnecessarily exposed tenants to hazardous conditions and may have contributed to higher CIAP costs.

  The PHA did not monitor construction-related contracts to assure employees were paid the proper prevailing wages and fringe benefits. Also, because

construction contracts were not monitored, the PHA was not aware of the failure of the general contractor to report all subcontractors. Accordingly, the PHA had no assurance that the subcontractors were eligible to participate in Federal contracts and had adequate insurance coverage. The PHA also failed to annually request funding for the correction of eligible CIAP project deficiencies. Therefore, deficiencies identified in prior CIAP applications still exist and could affect tenants' health and safety.

We recommended that HUD determine whether the PHA has the capacity to continue its CIAP. The PHA should also develop and implement adequate procedures to assure that all aspects of contract administration are effectively accomplished, and submit a comprehensive 5-year plan annually until all identified project deficiencies are addressed. (Audit Report No. 88-BO-209-1014.)

- In administering its CIAP for FYs 1984 through 1986, the Clackamus County Housing Authority, Oregon City, Oregon, did not always follow HUD requirements or exhibit good management practices. The PHA: (1) executed contracts and contract changes without adequate documentation; (2) charged ineligible or unsupported administrative salaries, planning and other costs; (3) requested CIAP fund advances inconsistent with project needs and did not always properly invest funds; (4) unnecessarily postponed removing an unsafe overhead electrical system that threatened residents' safety; and (5) did not update its 5-year plan to reflect physical and management project needs.

  We recommended that HUD direct the PHA to repay all ineligible costs and provide documentation for unsupported costs; submit all change orders in question to HUD for review; and modify its 5-year plan. (Audit Report No. 88-SE-209-1006.)

We plan to issue our nationwide audit report on PHAs' administration of the CIAP in the first half of Fiscal Year 1989.

Field Office Assisted Housing Management Branch Activities

We previously audited several large financially or operationally troubled public housing agencies (PHAs) and found certain 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 Los Angeles and New Orleans Offices and found that monitoring reviews were not conducted according to HUD requirements; monitoring reports were not properly and timely prepared; problem areas at PHAs were not adequately addressed; and follow-up procedures to assure that PHAs corrected deficiencies were inadequate.

At the Los Angeles AHMB, we noted inadequate internal control systems, lack of supervisory oversight, and ineffective use of available resources. As a result, the AHMB did not: (1) maximize its efforts by targeting the high risk PHAs for reviews; (2) control the timely submission of budgetary and financial

information from PHAs; (3) exercise staff oversight and control to improve its performance; or (4) adequately follow up on PHA responses to monitoring review findings.

At the New Orleans AHMB, presite planning and onsite reviews of PHAs were not adequately performed or documented. The AHMB also failed to effectively use allocated resources, properly implement its PHA monitoring efforts, adequately schedule monitoring reviews, and efficiently use travel resources.

We recommended that the Los Angeles and New Orleans AHMBs implement systems of internal controls to ensure that monitoring reviews are conducted in accordance with prescribed requirements and changes are effected in PHA operations when needed, and provide needed supervisory oversight. Both the Los Angeles and New Orleans Office Managers generally agreed with our findings and recommendations and provided examples of corrective actions that are already being taken. (Audit Report Nos. 88-SF-101-0004 and 88-FW-101-0003.)

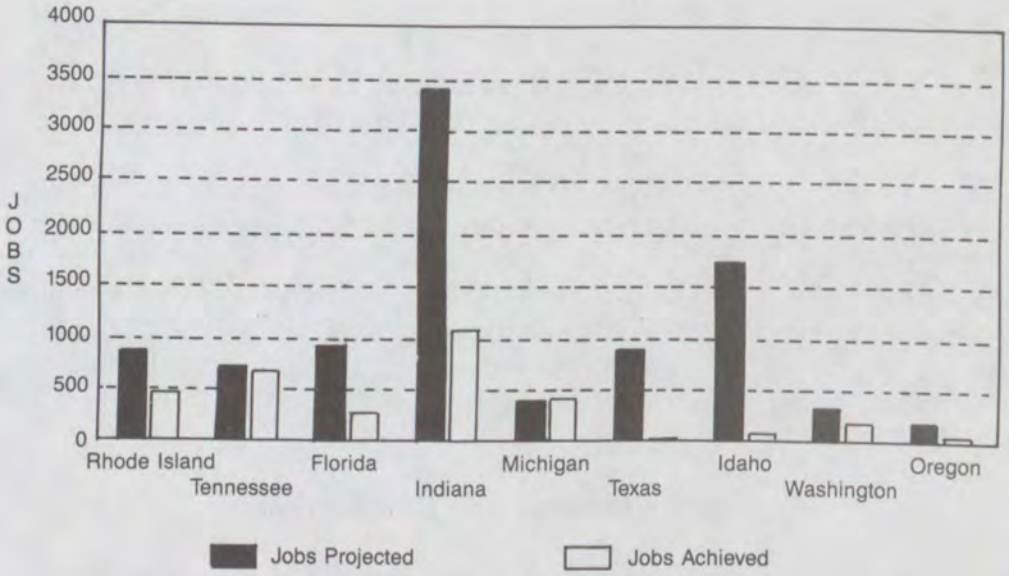
Community Planning and Development

This section highlights problems disclosed by our audits of State-Administered Community Development Block Grant (CDBG) Programs and Urban Development Action Grant (UDAG) Programs.

National Report on State Community Development Block Grant (CDBG) Program

Our nationwide review of economic development and public facility grants awarded under the State-administered CDBG Program disclosed that the Program was ineffective in creating/retaining jobs for low- and moderate-income persons. Only 35 percent of the jobs projected were actually created or retained. The following graph shows the comparison of jobs projected to jobs achieved in the nine States we reviewed.

Comparison of Jobs Projected and Jobs Achieved



Many States and/or their subgrantees did not have evidence that the jobs created would benefit low- and moderate-income families. For example, one project created jobs for people with professional skills not normally available to low- and moderate-income persons. Another State only required that the jobs created be unskilled or semi-skilled, not that the jobs be filled by persons from low- and moderate-income families.

Additional problems disclosed during the nationwide review included the following: (1) the States and/or their subgrantees did not timely use millions of dollars of CDBG Program funds to provide benefits to accomplish program objectives; (2) the States and/or their subgrantees approved public facility grants without adequate evidence that the grants were eligible for funding under the program; and (3) States and/or their subgrantees did not use program income from economic development activities before drawing down additional CDBG funds.

Although the individual examples used in the report may not represent the overall States' operation, the deficiencies cited were generally due to the lack of timely written guidance or technical assistance by HUD through monitoring visits. HUD needs a more aggressive oversight involvement in implementing the State CDBG Program to ensure that national program objectives are met in accordance with the law. We recommended that the Assistant Secretary for Community Planning and Development initiate action to: (1) ensure that States issue adequate instructions to subgrantees; (2) issue guidance to States in a timely manner; and (3) expand HUD's monitoring of State programs. The Assistant Secretary generally agreed with our report and further agreed to implement most of the recommendations. (Audit Report No. 88-TS-142-0013.)

Urban Development Action Grant (UDAG) Program

The following were significant audits in the UDAG Program:

- *Commerce, California*. We reviewed the City of Commerce's $6,990,000 UDAG Program after problems were disclosed by a survey of UDAGs in the San Francisco Region. In general, the grantee carried out its UDAG Program in accordance with the grant agreement, applicable laws, regulations, and HUD requirements. However, unfavorable economic conditions caused the delayed completion of the program and the reduction in the projected creation of jobs from 3,136 to 2,300.

  One requirement of the grant agreement was to establish a Job Referral Center to provide employment referral services to project tenants and other nearby industrial and commercial establishments. Our review of the center disclosed deficiencies such as: (1) the employment referral specialist did not make enough effort to contact present or future project tenants (for example, there was no documented survey of project tenants on jobs created); (2) it had no adequate count of jobs created; (3) advertising and referral applications were completely in English while the majority of the City of Commerce population is Hispanic. We recommended that the HUD Los Angeles Office require the City to improve the effectiveness of the Center. (Audit Report No. 88-SF-242-1015.)

- *Compton, California*. We reviewed a $2.2 million UDAG administered by the City of Compton in response to a Los Angeles Field Office request and found that the City did not administer grant funds in accordance with the grant agreement. As a result, the City did not achieve program goals or receive the benefits planned. The City did not exercise enough control over the nonprofit developer selected to carry out the UDAG Program. Specifically, the City did not monitor purchases or secure assets bought by the developer, allowed the developer to use funds and program assets for other non-UDAG purposes, and allowed the developer to operate without proper financial accounting controls and records.

  We recommended that the HUD Los Angeles Office require the City to: (1) recover assets that it may have a legal interest in; and (2) obtain assurance from the grantee regarding its compliance with grant agreements in any future UDAG Programs.

  The City, in response to our recommendations, stated that they have referred the matter of recoverability of assets to the City Attorney and have implemented systems to assure improved compliance with any future UDAG grant agreements. (Audit Report No. 88-SF-242-1013.)

General Administration

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

Anti-Deficiency Act Violation

We conducted a review to determine whether obligations under HUD's Fiscal Year 1987 Research and Technology (R&T) appropriation were correctly classified to comply with an April 10, 1987 reapportionment from the Office of Management and Budget (OMB).

Obligations totaling $466,861 were not correctly classified in the R&T appropriation. These obligations were classified in either the "Housing Programs" or "Housing Markets" category rather than the "Research Support" category. The appropriate classification was necessary because OMB placed a limit on the amount of funds that could be obligated for each budget line item activity. HUD was required to adhere to the limits by the Anti-Deficiency Act which provides for a system to restrict obligations to levels established by OMB.

As a result of correcting misclassified obligations, the limit on the Research Support budget line item will be exceeded by $456,014, thereby creating an Anti-Deficiency Act violation. The misclassifications occurred because of a lack of adherence to the Department's "administrative control of funds" procedure and improper cost classifications.

We recommended that the accounting records be adjusted; the violation be reported as required by law; and that future apportionments involving budget line items be controlled in accordance with the Department's procedures. (Audit Report No. 88-AO-169/172-0005.)

Audit Support for HUD's Procurement Process

During Fiscal Year 1988, HUD-OIG staff's pre-award cost and pricing advisory services to the Office of Procurement and Contracts resulted in $5.6 million in cost avoidance or efficiency savings. These savings derived from 20 audit or audit-related memorandum reports issued by our Headquarters and Regional audit staffs. In one case, our price proposal evaluation report and direct participation in contract negotiations contributed to $2.7 million in price reductions on the 3-year $22 million Master Servicer Contract for the Community Planning and Development Section 312 Rehabilitation Loan Program. Another report led to the disallowance of a $1.5 million supplemental claim on one of HUD's Data Entry Service Contracts.

Advisory Report on Small Business Administration (SBA) Contract

At the request of the SBA, we performed an audit to determine the adequacy of Holland Consulting, Inc.'s (HCI's) performance, effort and pricing under a $1.5 million SBA contract. The contract was funded by HUD under its Community Development Block Grant Program and administered by the SBA through an Interagency Agreement. HCI is a for profit organization which provides management and technical assistance in the areas of: community economic development; small and minority business development; and real estate. Under the contract, HCI was to develop economically feasible projects owned by minorities.

In our opinion, HCI is not entitled to the full value of the contract under either a firm fixed price or fixed price level of effort interpretation of the contract. HCI did not fulfill the objectives of the contract; did not provide the level of effort anticipated; and used defective pricing data in proposing the contract amount. Although HCI's books and records reflected approximately $1.5 million of contract costs, we concluded that only $739,477 could be accepted. This amount could be further reduced depending upon the results of our recommendation that the contracting officer seek further programmatic and legal counsel as to the reasonableness and propriety of funding HCI's material deviations from the statement of work, including the pursuit of undisclosed personal interests of the HCI President.

We recommended that SBA proceed to expel HCI and its President from the SBA 8(a) preferential procurement program and debar them from further Federal business on the grounds that they have proven not to be a responsible contractor in accordance with the provisions of Federal Acquisition Regulation, Part 9. The SBA-OIG is presently pursuing resolution of our recommendation. (Audit Report No. 88-AO-262-1005.)

Collection Officer Activities Jackson, Mississippi

We reviewed the collection officer activities at the HUD Jackson Office at the request of the Regional Administrator. The collection officer accumulated and held collections of more than $1 million over a 23-month period. The problem occurred and went undetected because of a breakdown of management supervision and management's assumption that the individual was carrying out collection responsibilities. We found no evidence of misappropriation of the funds in the possession of the collection officer. A task force, appointed by the Jackson Office Administrator, made deposits and otherwise properly disposed of the accumulation of funds. The collection officer was immediately removed from the position. Subsequently, the Jackson Office adopted new procedures which, along with additional Regional Office requirements, should prevent recurrence. (Audit Report No. 88-AT-162-0004.)

HUD User Fees

We issued a report on HUD's implementation of 31 United States Code (USC) 9701, commonly known as the User Charge Statute, which provides the general authority and requirements for user fees. Our report stated that HUD has not determined the full costs of providing user fee related services and fees may be too low. As a result, HUD may be unnecessarily increasing the need for appropriations each fiscal year. We estimated that this amount exceeds $28 million annually. We recommended that the Assistant Secretary for Administration develop and issue Departmental policies and procedures consistent with 31 USC 9701 and Office of Management and Budget Circular A-25, User Charges, which requires annual evaluations of full costs. (Audit Report No. 88-AO-169-0801, issued December 1, 1987, not previously reported.)

HUD's Assistant Secretary for Administration subsequently advised us that her office has no authority or responsibility over user fees and that our recommendations should be directed to the individual program Assistant Secretaries. While we agree that individual fee setting should be the responsibility of each program Assistant Secretary, the policies, methodologies, and indirect cost rates used to set them should be standardized for the Department. Since the Assistant Secretary for Administration is the Chief Financial Officer of HUD, responsible for accounting and budgeting matters, it would seem appropriate that her office should be the focal point on this matter. On August 31, 1988, we brought this matter to the attention of the HUD Under Secretary for further consideration.

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 Single Family Property Disposition. Chapter 1 of this report summarizes our other 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 partner/owner of a HUD-insured multifamily project in Washington, D.C., and his son were sentenced in U.S. District Court after pleading guilty to conspiracy and false statement charges. The father and son team were involved in submitting false statements to HUD in order to conceal the diversion of funds from project income. The funds were diverted to a third individual. The father received a 5-year suspended sentence and was ordered to make restitution to HUD of $39,925. The son received a sentence of 2 to 4 years in prison and was ordered to make restitution of $137,026. (United States vs. Al and Stuart Silver, District of Columbia.)

Public Housing

- Ten individuals pled guilty and two were convicted at trial for their participation in the embezzlement of over $230,000 from a special Section 8 Demonstration Program in Chicago, Illinois. Sentences for the 12 individuals totalled 6 months incarceration, 15 months work release, 408 months probation, $113,268 in restitution, and 1,650 hours of community service. The individuals sentenced included two officials of a Certified Public Accounting (CPA) firm which had a contract with HUD to administer a Section 8 Assistance Program for Chicago area public housing families. Also involved were a currency exchange employee, a bank teller, and eight other individuals who falsely represented themselves as either tenants or landlords. The CPA firm has also reimbursed HUD over $110,000 for costs to which they were not entitled as a result of the embezzlement. The actions were the result of an OIG investigation, with FBI assistance, which determined that CPA firm officials and their associates entered into a scheme to divert monies from the Section 8 Program. Landlord payment checks were issued to individuals who were not program participants, or were issued to landlords who were at one time program participants. The checks were subsequently cashed by the unauthorized landlords, or were forged by a member of the scheme, and then cashed by the currency exchange employee or bank teller. The proceeds were split among the CPA officials and their associates. (United States vs. William Hardy, et al., Northern District of Illinois.)

Abandoned Section 8 project in Chicago from which over $230,000 was embezzled. Windows are either boarded up or broken.

- The former Director of Finance and Administration at the Philadelphia, Pennsylvania Housing Authority (PHA) was sentenced after pleading guilty to mail fraud and theft of funds from the PHA and the New Haven, Connecticut Housing Authority (NHCHA) where he had also worked. He was sentenced to 2 years in jail and the amount of restitution is under consideration. He previously signed an agreement to repay $60,764 to the PHA and $242,950 to the NHCHA. He was also placed on probation for 5 years following completion of his jail term. The former Director fled to Ghana, Africa, after OIG initiated investigations at the NHCHA and the PHA concerning the embezzlement of Federal funds. He was indicted in Philadelphia for mail fraud and theft and in New Haven for embezzling funds from the NHCHA. Both indictments were sealed pending completion of extradition proceedings which were commenced to secure his appearance in the U.S. from Ghana. The U.S. Marshall Service transported the former Director from Ghana to Bridgeport, Connecticut, for arraignment on the charges. He initially pled not guilty but later changed his plea. (United States vs. Anthony Andoh, Eastern District of Pennsylvania and District of Connecticut.)

- The accountant of the Wayne Metropolitan Housing Authority in Wooster, Ohio, was indicted on four counts of theft of government funds, embezzlement, and the submission of false statements to HUD between 1983 and 1986. The indictment charged the accountant with the unauthorized conversion of over $40,000 in HUD monies to his own use during that period. The indictment resulted from a joint audit and investigation conducted by the OIG. (United States vs. James E. McGinnis, Northern District of Ohio.)

- The Executive Director of the East Baton Rouge Parish, Louisiana Housing Authority was sentenced to 5 years in prison and placed on 5 years probation following release from jail for embezzling Housing Authority funds. He was also ordered to pay $25,000 in restitution. He previously pled guilty to conspiring to embezzle $25,000 from the Housing Authority in a phony computer software scheme and lying to a Federal Grand Jury. The President of a Baton Rouge contracting firm also pled guilty to conspiracy in the scheme and is awaiting sentencing. OIG audit assistance was provided to the FBI which conducted the investigation. (United States vs. Reginald Jones and Charles Edward Quin, Sr., Middle District of Louisiana.)

- The coordinator of a Section 8 program in Eagle Pass, Texas, was given a 3-year suspended sentence and placed on 5 years probation. The coordinator pled guilty to misapplication of a Social Security number. In the same case, a Section 8 landlord received a 1-year suspended sentence, was ordered to serve 5 years supervised probation, and make restitution to HUD in the amount of $17,164. The landlord, who was also fined $1,000, pled guilty to unlawful conversion of money in connection with Housing Assistance Payments (HAPs) received. The defendants conspired to receive HAPs for properties in which no tenants resided. The investigation was conducted by the FBI with assistance from the OIG. (United States vs. Elvira English and Remelia Rodriguez, Western District of Texas.)

- The Director of the Atlanta, Georgia Bureau of Housing and Physical Development, who was also a Section 8 landlord, pled guilty to three counts of cheating his own low-income tenants. The Director was previously indicted on 50 counts of making and using false statements. He made and used false Housing Assistance Payments contracts and leases for five of his tenants from 1983 through 1987. He falsely certified that he had not received any additional rent from tenants, when in fact he received approximately $15,000 in side payments from them. The Director/landlord has been suspended from participating in HUD programs. (United States vs. Robert Sumbry, Northern District of Georgia.)

- The Executive Director of the Annapolis, Maryland Housing Authority (PHA) was charged in a 10-count indictment with wire fraud, bribery and racketeering. He allegedly used the PHA as a racketeering enterprise through which he awarded contracts in exchange for bribes. A joint investigation by the OIG and the FBI disclosed that HUD's Comprehensive Improvement Assistance Program funded lucrative modernization contracts to contractors who then supplied the Executive Director with goods, services and

cash for his personal use. The three contractors pled guilty. HUD suspended all four individuals from participation in HUD programs. (United States vs. Arthur Strissel, et al., District of Maryland.)

Community Development Block Grants

- A City of Boston employee and a co-defendant made an out-of-court settlement in connection with a Massachusetts Suffolk County Superior Court civil case charging that the employee violated the State Conflict-of-Interest Statute and that both defendants made false representations. The settlement required the reimbursement of $46,600 to the City of Boston Community Development Block Grant (CDBG) account. A five-count civil action charged that the defendants made false representations in connection with a CDBG-funded loan intended to finance rehabilitation work at a property in which the employee and the co-defendant had a substantial interest. The City of Boston relied on the representations of both defendants in granting the $46,600 loan. (City of Boston vs. Thomas M. Celata and Nancy Garcia, Suffolk Superior Court, Commonwealth of Massachusetts.)

- A Federal Grand Jury in Amarillo, Texas, indicted a Rehabilitation Specialist for the City of Amarillo on theft and bribery charges concerning programs receiving Federal funds. The City official was charged with accepting cash payments totaling $4,615 from contractors who were attempting to do business with the City under a Community Development Block Grant. The investigation was conducted by the OIG with assistance from the City of Amarillo Police Department. (United States vs. John Henry Parker, Northern District of Texas.)

- The Director of the Housing Rehabilitation Office for the Community Development Agency, North Little Rock, Arkansas, was sentenced to 4 years imprisonment for theft and conspiracy. The Director was charged with one count of conspiracy in connection with the administration of the Rental Rehabilitation and Interim Assistance Grant Programs for the City. The investigation was conducted by the FBI with OIG audit assistance. (United States vs. Bill Rush, Eastern District of Arkansas.)

Single Family Property Disposition

- Two HUD Area Management Brokers in Las Vegas, Nevada, were indicted on 27 counts of making false statements, conspiracy, and aiding and abetting. The brokers submitted false claims to HUD totalling $173,111 for reimbursement of expenditures which they never paid on HUD-owned properties. (United States vs. John Phelps, Monroe Williams and Williams-Phelps Property Management, Inc., District of Nevada.)

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 describes our work in five areas: Fraud Awareness; the President's Council on Integrity and Efficiency; Special Projects; the HUD Hotline; and Monitoring Audit Quality.

Fraud Awareness

Inspector General Cash Award

The Inspector General made a cash award to a HUD employee under the authority granted in Public Law 99-145. The $1,500 award was presented to Mr. Anthony Stanford, a Housing Management Specialist in the Department's Chicago Office. While conducting an on-site inspection at a Chicago multifamily project in 1986, Mr. Stanford was offered a substantial cash bribe by the project's managing agent and site manager in return for accepting units that did not meet housing quality standards. He immediately reported the bribe offer to the Office of Inspector General and later cooperated in an investigation by accepting the bribe while under the supervision of OIG Investigators. As a result, both project management officials were indicted by a Federal Grand Jury on bribery charges to which they pled guilty in May 1988. Their firm, which also managed other HUD properties, has been debarred and suspended from all HUD programs. Mr. Stanford's refusal to accept the bribe in return for allowing substandard units into the Section 8 Program saved the Department $144,000 a year in rental assistance payments.

The authority granted by Congress to recognize employees whose disclosures result in cost savings to the Department expired on September 30, 1988. H.R. 4574, "Federal Employees Cost Savings Award Act," was introduced to provide us further authority to recognize employees and enhance our past authority by: (1) recognizing intangible benefits from employee disclosures as eligible; (2) increasing the award amount allowable for cost savings disclosures; and (3) providing funding specifically for the awards program. Although the additional authorities were not granted, Congress extended our present authority to recognize employees until September 30, 1990. Our office considers the employee cash awards program a valuable opportunity for the Inspector General to reward and encourage employees whose disclosures result in cost savings to the Department.

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 four Program Integrity Bulletins (PIBs). These PIBs are described below:

- *Things You Should Know.* This bulletin provides applicants and tenants with information they need to know so that they do not violate program rules regarding their eligibility or level of benefits. It also outlines the responsibility of the applicant or tenant to provide truthful, complete and accurate

information as well as the consequences of knowingly omitting or giving false information. The bulletin is written in both English and Spanish.

- *Information for Independent Auditors for Use in Conducting HUD Audits of Non-Federal Entities.* This PIB describes the general requirements that HUD program participants must follow in obtaining audit services and the role of the OIG in monitoring audit quality. Also included are examples of common problems found in non-Federal audits, examples of substandard audit work, and a description of available corrective actions.

- *Avoiding Embezzlement of PHA Funds.* This PIB alerts PHA Commissioners and Executive Directors to the problem of embezzlement. The bulletin discusses how and why embezzlement occurs, who is likely to steal, how to spot problems, and ways to prevent or reduce the risk of employee theft.

- *Misuse and Diversion of Funds—HUD-Insured Multifamily Projects.* This PIB provides information to project owners and management agents concerning misuse and diversion of HUD-insured and HUD-held multifamily project funds. It provides examples of typical diversions and discusses the stronger penalties now available to HUD to help discourage diversions.

During this period, we issued a new type of awareness publication called the "OIG Communique." The Communique presents the results of various audits and investigations. It is written for individuals and organizations involved in administering HUD programs and will provide information on new OIG publications and describe proven methods that can be used to identify and curb program abuse. The first Communique provided information on the status of new enforcement tools available to program administrators under the Program Fraud Civil Remedies Act, the Housing and Community Development Act of 1987, and the new suspension and debarment regulations.

A second Communique discussed computer matching and answered some common questions related to the technical and legal aspects of conducting computer matches. This publication also discussed several significant tenant fraud cases which were successfully prosecuted.

In addition to these publications, our office prepared articles on equity skimming and loan fraud in HUD's Single Family Programs. The articles were subsequently published in the Real Estate Finance Today and the Georgia Housing Network.

Training Workshops

OIG has been aggressively pursuing ways to prevent tenant fraud and enable local administrators, such as public housing agencies, to deal with these cases. Early next year, OIG will begin nationwide workshops on a "Tenant Integrity Program" (TIP). The goal of the TIP is to deny or terminate assistance to those households that have falsified their eligibility. The program is designed to improve the quality of the review of tenant eligibility. It also shows agencies how to properly document violations and take appropriate actions, including repayments and prosecutions. The OIG is working with the Public Housing Authorities Directors Association to schedule the first round of workshops.

President's Council on Integrity and Efficiency

The President's Council on Integrity and Efficiency (PCIE) combines the forces of the 19 statutory OIGs, including our office, and representatives of the Departments of Justice and Treasury, the Office of Personnel Management, the Office of Special Counsel, and the Office of Government Ethics. During this reporting period, we took part in a number of PCIE interagency activities aimed at addressing fraud and abuse, or promoting economy and efficiency, in the Federal Government. Our office has performed work in several areas that will be used in consolidated PCIE reports.

Loan Guarantee Programs

In an audit report, we advised the HUD Assistant Secretaries for Housing-Federal Housing Commissioner and Administration, as well as the General Counsel, of the results of a limited review of HUD's implementation of the Office of Management and Budget's (OMB's) Nine-Point Credit Management Program for Title I, Single Family and Multifamily Guaranteed Loans. Although we found HUD to be generally in compliance, we recommended improvements in eight areas of noncompliance, including: delinquent Federal debtors were not precluded from obtaining guaranteed loans; penalty charges and administrative costs were not being assessed on delinquent Title I loans; and HUD and approved lenders were not reporting delinquent, defaulted, and foreclosed multifamily loans to credit reporting agencies. Management has responded that some of the identified areas are being addressed; however, we believe that still more can be done. A final PCIE report on the results of our and other agency OIGs' audit work is pending. (Audit Report No. 88-AO-119/129-0004.)

Computer Access Controls

Our audit report on computer systems integrity in the Department has also been consolidated into a draft report of the PCIE Computer Committee. Our audit disclosed that the Department did not effectively implement procedures to control user access to HUD's automated systems. Consequently, many individuals who no longer needed access to HUD's mainframe computers continued to have access authority. Further, the Department lacked adequate controls over the use of sensitive utility software. The Office of Information Policies and Systems has already initiated action to more timely update user computer access. Other actions to improve controls should be implemented in the near future. The PCIE Computer Committee will combine our report with those of other agencies to provide a governmentwide perspective in this area. (Audit Report No. 88-AA-166-0001.)

Special Pay Rate Subcommittee

Our office also chaired the Special Pay Rate Subcommittee under the PCIE entry-level hiring project. The purpose of the Subcommittee was to determine whether pay gaps between Federal and non-Federal salaries were causing problems with recruiting and retaining auditors. The Subcommittee performed a preliminary assessment of whether a problem existed and determined the geographical locations of perceived problems; coordinated the inclusion of the Federal accounting profession in the scope of the study because auditors and accountants are hired based on similar requirements; and arranged for the Defense Contract Audit Agency (DCAA) to be the lead agency in conducting a formal salary study as prescribed by the Office of Personnel Management (OPM). The Subcommittee and DCAA transmitted their report to OPM on July 31, 1988. OPM is reviewing the report.

Closed Investigations Analysis

We also took part in an Integrity/Law Enforcement Committee project to determine the characteristics of successful procurement and financial investigations. We collected data on 68 investigative cases closed during February 1988 for consolidation with other OIG cases and analysis of the relationships among various case characteristics.

Special Projects

During this period, we conducted special projects in two areas: Controls Over the Receipt and Disbursement of Funds; and Consulting Services.

Controls Over the Receipt and Disbursement of Funds

Using inspection techniques, we developed an inventory of conditions which either have led or could lead to substantial monetary losses. We are using this inventory as a part of our audit planning process. We also provided this inventory to the appropriate Assistant Secretaries to better assure the early resolution of the problem conditions.

Consulting Services Review

As required by 31 USC 1114, we evaluated HUD's controls over advisory and assistance services. We found that HUD was in general compliance with OMB guidelines and that relevant data was accurately reported to the Office of Federal Procurement Policy. HUD management is taking action to address certain areas where we noted room for improvement. Our results were transmitted to Senator Pryor of the Senate Committee on Governmental Affairs and will be incorporated in the Department's Fiscal Year 1990 budget submission.

HUD Hotline

We opened 137 Hotline complaints during the 6-month period. The new complaints bring the total received to 3,399 since Hotline operations began in 1979. Most of the complaints were received through the HUD Hotline; however, seven were referred to our office by the General Accounting Office.

Our office saw a 41 percent increase in the number of complaints opened during this period compared to the preceding 6-month period. We attribute the increase to publications issued under our Fraud Awareness Program. In May 1988, our Program Integrity Bulletin entitled "Things You Should Know" was distributed directly to tenants receiving housing subsidies under HUD programs. The Bulletin listed our Hotline address and telephone number as an avenue for reporting suspected fraud.

Evaluations of Hotline complaints were made by either the HUD Office of Inspector General or an appropriate HUD program official. During the reporting period, we closed 162 complaints. Thirty-six percent of the closed complaints were found to be valid and generated corrective actions. Monetary recoveries or claim collections in connection with the corrective actions totaled over $91,000. In addition to repayments, other actions included terminating housing assistance to tenants, correcting maintenance deficiencies and reprimanding staff. Examples of Hotline results follow:

- A single family preservation contractor entered into an agreement to reimburse HUD for $25,000 of expenses and to comply with other administrative

requirements. The actions were taken after allegations were made that the company overcharged HUD and the Veterans Administration for moving expenses of evicted defaulted single family borrowers.

- A chairman of a housing authority's Board of Commissioners resigned after a review disclosed that he violated the conflict-of-interest provision of the authority's Annual Contributions Contract with HUD. The chairman failed to disclose his interest in firms conducting business with the authority.

- A tenant who received subsidy under HUD's Section 8 Program was required to reimburse HUD $10,365 in overpaid assistance and vacate the unit. The tenant reported that her only income was from Aid to Families with Dependent Children when in fact she was employed.

- A mortgage company cleared a mortgagor's loan payment record of references to a deficient payment history and refunded incorrectly assessed late charges to the escrow account. The actions were taken following a review of allegations that the mortgagee's servicing department had incorrectly classified the mortgagor's account as delinquent.

- Two HUD managers received letters of warning for creating the appearance of giving preferential treatment to co-workers. A review disclosed that one HUD manager was allowed to review his wife's employment application with the knowledge of line supervisors. The manager's wife was subsequently hired for the position. In addition, the second manager approved vouchers for services performed by his stepson who is a HUD contract employee.

- An executive director of a housing authority reimbursed the authority $2,079 for unauthorized use of an automobile. The executive director used the authority's automobile to commute between his residence and work (40 to 50 miles each way) and to take personal trips.

- A Section 8 tenant entered into an agreement to repay $6,000 of unauthorized subsidy. Additionally, the tenant's rent was re-adjusted. The actions resulted from an allegation that the tenant did not report income from the jobs of her daughter, common-law husband and stepson.

- A tenant who received subsidy under HUD's Section 8 Program was required to reimburse HUD $6,180. A review disclosed that the tenant failed to report income received from two jobs. The tenant's salary from the most recent employment was $20,000 annually.

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 4,400 reports are controlled and issued 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 (QCR's) 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 Audit by Non-Federal Auditors for the 6-Month Reporting Period

	Single Audits (Cognizant Assignments and General Oversight Entities)			Other Audits (HUD Program Audits)			
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	Grand Total
Total Reports Issued	2,248	151	2,399	37	3	40	2,439[1]
1. Reports issued without change or with minor changes							
a. Based on desk review	1,977	142	2,119	32	3	35	2,154
b. Based on QCR	53	1	54	0	0	0	54
Total without change or minor changes	2,030	143	2,173	32	3	32	2,208
2. Reports issued with major changes							
a. Based on desk review	159	8	167	5	0	5	172
b. Based on QCR	59	0	59	0	0	0	59
Total with major changes	218	8	226	5	0	5	231
3. Reports with significant inadequacies							
a. Based on desk review	18	0	18	0	0	0	18
b. Based on QCR	14	0	14	4	0	4	18
Total with significant inadequacies	32	0	32	4	0	4	36
4. Total Quality Control Reviews including reports not issued	112	1	113	183	0	183	296[2]
5. Number of auditors referred to State Boards/AICPA	4	0	4	6	0	6	10[3]
6. Number of auditors against which other sanctions were taken	5	0	5	5	0	5	10

[1]This does not include Defense Contract Audit Agency and Single Audits for which we are not the cognizant/general oversight agency as well as certain HUD audited programs.

[2]This includes QCRs done on reports not included in line 1.

[3]This does not include an additional seven IAs who were referred to their State Boards for possible licensing violations.

Non-Federal auditors performing audits of Federal programs are required to follow government auditing standards. These standards pertain to the auditor's professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful audit reports. As described earlier in the Chapter, we published a Program Integrity Bulletin (PIB) during the reporting period which provides information to non-Federal auditors and emphasizes the importance of adhering to these requirements. We expect that this PIB will help enhance the quality of audits by increasing non-Federal auditors' awareness of the standards and the availability of sanctions when

violations occur. Effective October 1, 1988, the Inspector General will have the authority to suspend or debar non-Federal auditors from participation in Federal programs governmentwide when they fail to materially adhere to the standards.

The following is a brief description of standards violations disclosed as a result of our monitoring efforts during the reporting period.

Frequently Identified Audit Deficiencies

- Independent Auditors (IAs) failed to document in the working papers the audit plan used to accomplish the objectives of the review.
- IAs failed to meet State licensing requirements within the jurisdiction of the auditee.
- IAs did not obtain written representations from management and the auditee's counsel as part of an examination made in accordance with generally accepted auditing standards.
- Working papers did not contain supporting documentation required for compliance testing.

Examples of Extremely Deficient Audits

- An IA failed to disclose significant related party transactions involving unauthorized loans and improper use of a revolving fund. The loans amounted to $200,000.
- An IA failed to report noncompliance with procurement requirements. In a separate audit report, we disclosed significant deficiencies with the housing authority's procurement activities involving over $1 million in contracts.
- An IA performed audits of HUD housing authorities in 18 States. We conducted QCRs of the working papers pertaining to seven of the audits. The QCRs disclosed significant departures from generally accepted government auditing standards. Our review disclosed that financial statements did not agree with or reconcile to the accounting records nor was the conclusion regarding the reliance on internal controls appropriate. Sufficient evidential matter was not obtained.

Results of Referrals to State Boards/ AICPA/HUD

During the reporting period, 10 IAs were referred to State Boards and/or the AICPA for deficient work and seven IAs were referred for possible licensing violations. As of September 30, 1988, 29 referrals were still under review. Sanctions were administered against two IAs by State Boards. The sanctions included a fine of an unspecified amount and a consent order agreeing to a private reprimand. The AICPA administered sanctions which included a reprimand; a requirement of 80 hours of continuing professional education; and a determination that future work would be reviewed.

During this period, HUD issued Limited Denials of Participation (LDPs) against four IAs and six IAs were debarred or suspended. An LDP prohibits a respondent from participation in specified HUD programs for a period of 1 year

and is restricted to specified geographical jurisdictions of HUD. A suspension is an action which is effective immediately, prohibiting the respondent from participation in all HUD programs. A debarment is a nationwide exclusion of the respondent for a specified period of time, generally not to exceed 3 years.

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:

Amendment in the Nature of a Substitute for H.R. 4054, Inspector General Act Amendments

This amendment would increase the number of statutory Inspectors General (IGs) by establishing such offices in departments and agencies currently without a statutory IG, would transfer existing audit and investigation offices to these new Offices of Inspector General, and would extend certain protections, requirements, and duties. While we generally supported the amendment, we had reservations about the significantly increased reporting requirements in the original H.R. 4054, and were concerned that the reporting requirements called for in this amendment exceeded those originally required. The amendment was subsequently passed by Congress.

Proposed Rule—Authorize Additional Types of Loans for Direct Endorsement Processing

The Direct Endorsement Program allows certain mortgagees to underwrite and close mortgage loans without prior HUD review or approval. We reviewed a proposed rule which would make all FHA-approved lenders (excluding loan correspondents) eligible to participate in the Direct Endorsement Program by removing 24 Code of Federal Regulations (CFR) 200.164(c)(2). Also, under current regulations, certain mortgages may not be processed under this program, and mortgages currently eligible for direct endorsement processing may not be insured pursuant to Section 238(c) (Mortgage Insurance in Federally Impacted Areas). The proposed rule would make all these types of mortgages eligible for processing through the Direct Endorsement Program. The Department believes that the availability of Direct Endorsement processing for these loans would not present any unusual or unacceptable insurance risks.

We nonconcurred in the issuance of the rule. Removal of 24 CFR 200.164(c)(2) would eliminate the higher net worth requirements for Direct Endorsement lenders, and reduce net worth requirements for all HUD-FHA approved lenders to $100,000. The rationale given for this reduction was to permit all approved lenders to apply for participation as Direct Endorsement lenders. We believe that such action taken now, when the FHA insurance fund is experiencing its greatest losses, would be counterproductive. While net worth is not a measure of one's capability as a mortgagee, it provides leverage in the event HUD should seek indemnification for poorly underwritten loans.

Proposed Rule Requiring Disclosure of Social Security Numbers and Employer Identification Numbers by Participants in HUD Programs

As part of the implementation of previously sought legislation on this issue, we reviewed a proposed rule which would require certain individuals to disclose their Social Security Numbers when they apply for participation in programs covered by the rule or when their continuing eligibility to participate in a program is determined. The rule would also require certain entities to disclose their Employer Identification Numbers, and certain officials of these entities to disclose their Social Security Numbers, when the entities apply for participation in a covered program. Failure of any individual or entity to make the required disclosure would constitute grounds for denying eligibility or continuing eligibility under the program involved. The rule would enable the Department to use Social Security and Employer Identification Numbers to help decrease fraud, waste, and abuse in programs subject to the rule.

We suggested deleting the Transitional Housing Program (which provides money to nonprofit organizations to provide shelter to homeless individuals) from this rule, since we believe any attempt at implementation of the rule with regard to the homeless would attract adverse publicity to the Department. We also believe this would be impractical administratively, as many homeless persons cannot provide a number or documentation. Given the small number of violations that would be found in this particular program, we believe that, at this time, the Department should exclude coverage.

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 sentenced to serve seven concurrent 2-year sentences and a concurrent 1-year sentence in prison together with a 3-year probation term and 300 hours of community service upon release from prison. The former employee's accomplice was sentenced to serve eight concurrent 1-year terms in prison together with 3 years probation and 300 hours of community service upon release from prison. They were found guilty on conspiracy and conflict-of-interest charges. The two concealed the former employee's involvement as a secret partner in a company so that the employee could use his official position to obtain the HUD endorsement of a video produced by that company. The employee falsely represented to State and local government agencies that there was a HUD requirement for two yearly seminars on Fair Housing and then used his position to recommend only his accomplice to conduct the seminars for which she charged $1,500 each. Additionally, the employee received thousands of dollars through his accomplice under a previously agreed upon arrangement to conceal such payments.

- A former realty contract specialist was indicted by a Federal Grand Jury for theft of a $2,000 cashier's check made payable to HUD as an earnest money deposit toward the purchase of a HUD-acquired property. The check was received at the HUD office and allegedly deposited in the former employee's business bank account. The employee resigned from employment with HUD.

- A former temporary employee, who was an imprest fund cashier at a HUD Regional Office, was placed on 3 years probation, and was ordered to pay approximately $2,580 in restitution to the government and participate in a drug counselling program. The former employee was convicted of theft of government funds amounting to approximately $2,580. A joint investigation by the OIG and the U.S. Secret Service found that the employee took approximately $140 each day from the imprest fund to support a cocaine habit.

- A Community Planning and Development representative was indicted on State charges for theft and misappropriation by a fiduciary. The employee, a former president of a local chapter of the American Federation of Government Employees, was indicted as a result of an investigation conducted by a District Attorney's office. The indictment alleged that the employee unlawfully converted Union funds to his own use.

- A designated collection officer was suspended without pay for 14 calendar days. The employee inadvertently removed $1,200 in government funds from the HUD office, but later returned the money to HUD. The money had been received in the office in payment on a HUD-held mortgage.

Chapter 7

STATISTICAL SUMMARY

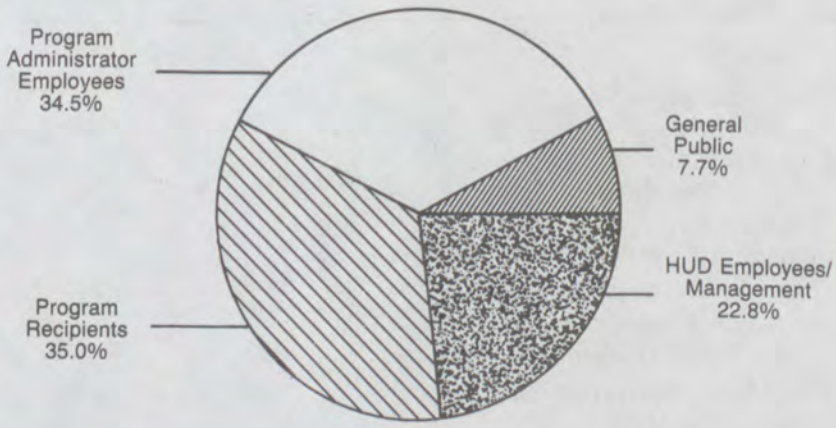
Department of Housing and Urban Development
Office of Inspector General

	April 1, 1988 through September 30, 1988	Fiscal Year 1988
Audit Activities		
• Cash Recoveries/Savings	$13,298,916	$26,725,093
• Commitments to Recover Funds	$26,116,430	$48,208,667
• Cost Efficiencies	$15,143,695	$19,798,850
• Suspensions of Persons/Firms Doing Business with HUD	56	68
• Debarments of Persons/Firms Doing Business with HUD	52	103
• Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	9	20
• Subpoenas Served	24	104
• Reports Issued		
Internal Audit Reports:	25	44
External Audit Reports:	108	207
Audit-Related Memoranda Issued:	26	57
Non-Federal and Other Agency Reports Accepted:	2,902	5,473
Investigation Activities		
• Cash Recoveries/Savings	$5,204,369	$9,600,928
• Commitments to Recover Funds	$133,776	$360,248
• Cost Efficiencies	$653,715	$7,161,648
• Total Fines Levied	$289,378	$576,764
• Indictments	233	393
• Convictions	203	317
• Total Years of Prison Sentences	256	438
• Suspensions of Persons/Firms Doing Business with HUD	137	160
• Debarments of Persons/Firms Doing Business with HUD	108	162
• Personnel Actions Initiated Against HUD Employees	9	24
• Subpoenas Served	51	79
Fraud Control Activities		
• Fraud Awareness Publications Issued	8	11
• Hotline Complaints Opened	137	234
• Proposed Legislation and Regulations Reviewed	107	180

Hotline Activities

The following chart depicts the source of the 137 hotline complaints received during the past 6 months.

Distribution of Hotline Complaints by Source
April 1, 1988 Through September 30, 1988



The following is a summary of significant results for the 162 complaints closed during the reporting period:

- Cash Recoveries or Claim Collections = $92,936
- Housing Subsidy Terminated or Reduced = 16 instances
- Procedural Improvements = 14 instances
- Maintenance Repairs Made = 10 instances
- Written/Verbal Reprimands = 8 instances
- Rules Enforced to Benefit of Participants = 4 instances

Audit Recommendations

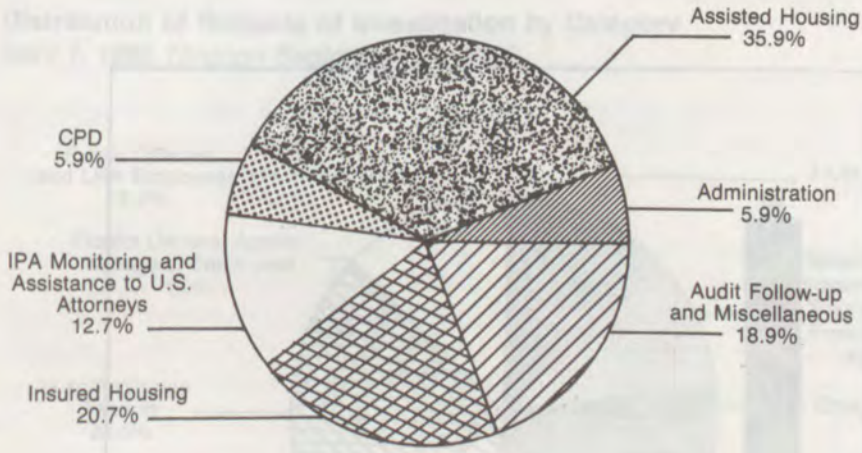
Following are statistics on the inventory of open audit recommendations and the activity during the reporting period:

- Audit recommendations undetermined at 4/1/88 = 2,520
- Audit recommendations issued during the period = 3,688
- Audit recommendations determined during the period = 3,837
- Audit recommendations undetermined at 9/30/88 = 2,371
- Audit recommendations undetermined over 6 months old = 392 ($29,771,503)

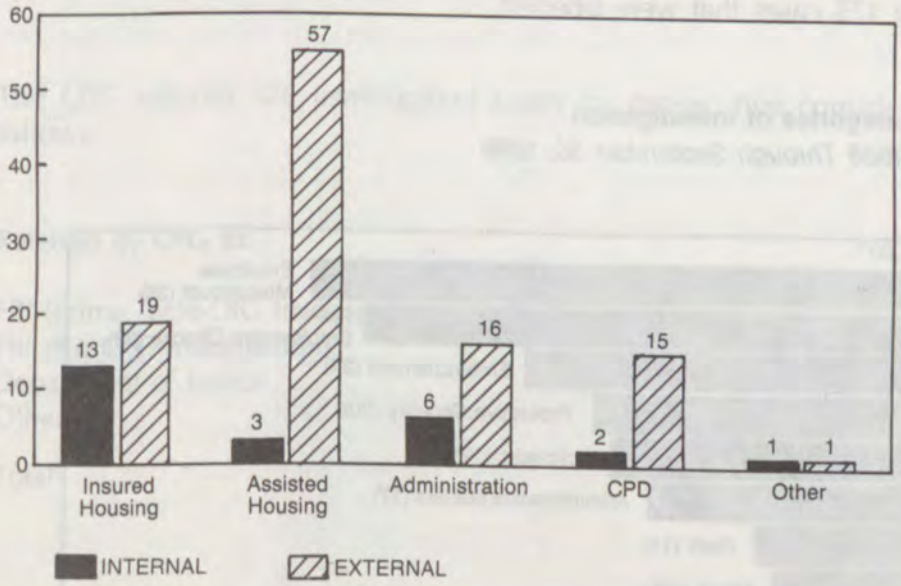
During the reporting period, we made enhancements to our Automated Audits Management System (AAMS) which permit closer monitoring of audit recommendations through the resolution process. Appendix 2 illustrates the specific data on the status of audit recommendations now available in our AAMS.

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

Distribution of Audit Staff Time by Program Area and Type of Audit
April 1, 1988 Through September 30, 1988



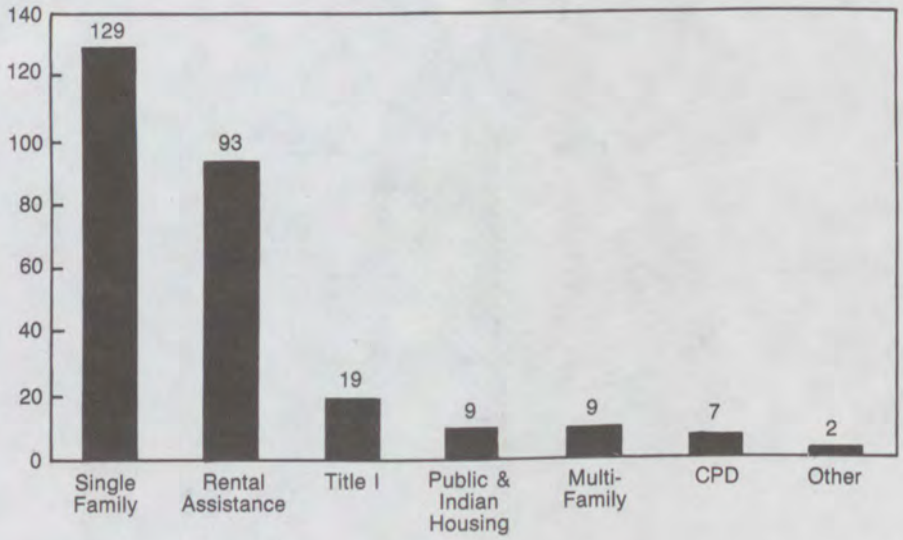
Distribution of Audit Reports Issued by Program Area and Type of Audit
April 1, 1988 Through September 30, 1988



Investigation Cases Opened

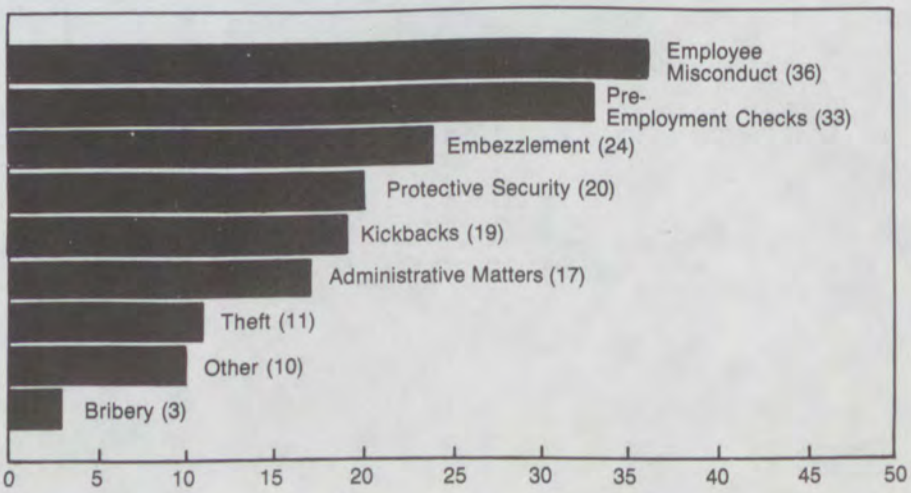
The following tables break down the 441 investigation cases opened during the last 6 months. Of these cases, 268 involved false statement violations as shown below.

False Statement Investigation Cases Opened
April 1, 1988 Through September 30, 1988



The following table depicts the types of alleged violations involved in the remaining 173 cases that were opened.

Other Categories of Investigation
April 1, 1988 Through September 30, 1988



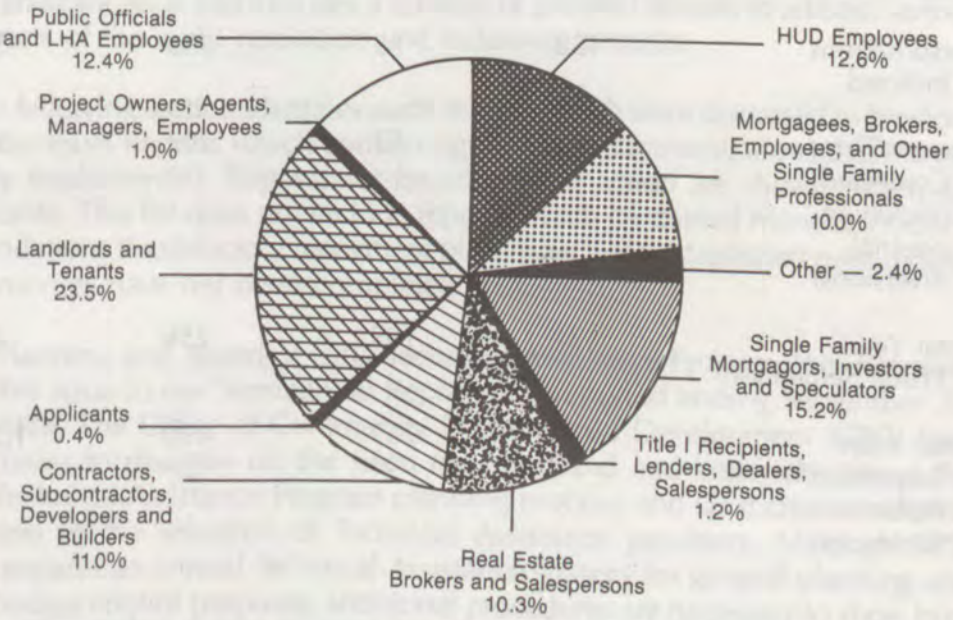
Pending Cases

As of September 30, 1988, we had 1,564 investigation cases either in process or awaiting investigation. Of these, 696 were FBI/other cases, 605 were cases of the OIG, and 263 were completed cases pending with the U.S. Attorney.

Closed Cases

The OIG closed 438 investigation cases during the reporting period. The 438 cases closed involved 493 individuals and firms who were the subjects of the investigations. The following graph represents a breakdown of the subjects.

Distribution of Subjects of Investigation by Category
April 1, 1988 Through September 30, 1988



Investigation Cases Referred for Prosecution

The OIG referred 176 investigation cases for prosecutive consideration as follows:

Referred by OIG to:	No. of Cases
FBI (Prima Facie-OIG Investigation)	7
FBI (No OIG Investigation)	59
Department of Justice	99
Other	11
Total	176

Prosecutions and Recoveries

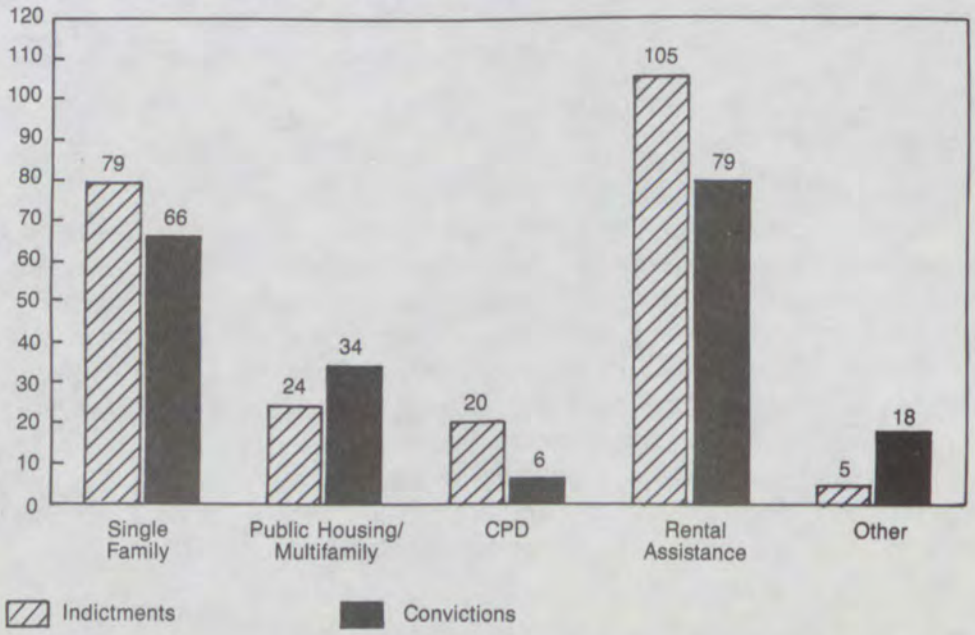
The OIG conducts investigations alone and jointly with other investigative agencies. In addition, the OIG refers cases to other Federal, State, and local agencies and monitors investigations and prosecutions by these agencies without providing significant investigative assistance. The following table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

	OIG/ Joint Cases	Others Alone	4/1/88-9/30/88 Total	FY 1988 Total
Cash Recoveries	$3,817,595	$1,386,774	$5,204,369	$9,600,928
Total Fines	$207,055	$82,323	$289,378	$576,764
Persons/Firms Indicted	158	75	233	393
Persons/Firms Convicted (Including pre-trial diversions)	146	57	203	317
Total Years Prison Sentences	147	109	256	438
Total Years Suspended/ Probated Sentences	423	267	690	1,293

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

Prosecutions

April 1, 1988 Through September 30, 1988



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 and includes a number of planned actions to address various aspects of the audit resolution and follow-up process.

Previously Reported Items—Corrective Action Not Completed

The following section identifies audit reports which were discussed in previous Semiannual Reports which contain significant recommendations that are not fully implemented. Target dates for completed action are shown, when applicable. This list does not include reports which contained monetary recommendations if satisfactory repayment plans have been established even though all monies have not been completely recovered.

- Planning and Award of CPD Technical Assistance Projects. We discussed this issue in our Semiannual Report for the period ending September 30, 1986. The Office of Community Planning and Development (CPD) continues to disagree on the need to: (1) expand and better document the Technical Assistance Program planning process; and (2) increase competition in the selection of Technical Assistance providers. Although CPD prepares an annual Technical Assistance strategy for general planning and budget control purposes, additional procedures are necessary to show how individual Technical Assistance projects are to be developed from the strategy. CPD contends that sufficient "unsolicited" project proposals are received to address its strategy, in lieu of improved planning and greater competition. We believe improved planning and greater competition are necessary to better assure efficient and effective use of Technical Assistance resources and preclude the appearance of favoritism in the Technical Assistance provider selection process. We elevated this issue to the Headquarters Audits Review Group for final resolution. (Audit Report No. 86-AO-145-0006.)

- Development and Management of Indian Housing. This June 1986 report disclosed that the development of an Indian housing project required about 40 months from the appropriation of the funds to occupancy. Further, cost containment measures were not implemented by public housing agencies. Management of the developed projects was inadequate with regard to maintenance, tenant management, rental collection and procurement. Initially, HUD's Office of Indian Housing expressed general agreement with our findings and recommendations and indicated they were trying to implement numerous recommendations. Subsequently, the Office of Indian Housing decided to suggest alternative recommendations as a means of resolving the conditions reported and anticipates submitting these recommendations in the immediate future. (Audit Report No. 86-TS-101-0018.)

Report Number	Title	Report Issue Date	Target Date
82-PH-202-2270	The Philadelphia Housing Authority, Philadelphia, Pennsylvania	05/28/82	1/
84-PH-201-2303	Public Housing Agency, Philadelphia, Pennsylvania	08/10/84	1/
85-NY-241-1004	CDBG, San Juan, Puerto Rico	10/26/84	4/
85-BO-201-1004	Public Housing Agency—Section 8 Moderate Rehabilitation Program, Boston, Massachusetts	02/15/85	7/
85-DE-202-1003	Low-Income Housing Program, Crow Creek Housing Authority	04/26/85	6/
86-AT-203-1006	Section 8 Moderate Rehabilitation Program Chattanooga, Tennessee	12/18/85	6/
86-NY-242-1019	UDAG and Low-Income Housing, City of Salem, New Jersey	01/21/86	1/
86-KC-211-1005	Hidden Valley Estates, Wentzville, Missouri	02/19/86	6/
86-SE-201-1003	Low-Income and Section 8 Moderate Rehabilitation Programs, Seattle, Washington	02/21/86	4/
86-PH-249-1003	Urban Redevelopment Authority, Pittsburgh, Pennsylvania	02/26/86	03/31/89
86-TS-122-0010	Title I Property Improvement Loan Insurance Program (Dealer Loans)	02/28/86	6/
86-CH-201-1005	Cuyahoga Metro Housing Authority, Cleveland, Ohio	03/14/86	11/30/88
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	7/
86-TS-112-0012	Title X Mortgage Insurance for Land Development Program	03/31/86	2/
86-KC-241-1008	CDBG Activities, Jobs Bill, St. Louis, Missouri	04/24/86	1/
86-NY-219-1029	Property Disposition, San Juan, Puerto Rico	05/06/86	7/
86-TS-101-0018	The Development and Management of Indian Housing	06/19/86	5/

Report Number	Title	Report Issue Date	Target Date
86-TS-111-0019	Deposit and Use of Reserve for Replacement and Residual Receipts Funds	06/24/86	01/30/89
86-AT-214-1013	Tenant Income Comparisons, National Coalition for Housing Partnerships	07/02/86	6/
86-SF-201-1019	Section 8 Existing Housing Program, Los Angeles, California	07/11/86	1/
86-AT-214-1014	Tenant Income Comparisons, Metric Property Services, Inc., Atlanta, Georgia	07/17/86	6/
86-PH-241-1008	Effectiveness of the City of Philadelphia's Monitoring of Its CDBG Program, Philadelphia, Pennsylvania	07/24/86	4/
86-AO-145-0006	Review of CPD Technical Assistance Program	08/15/86	5/
87-NY-211-1014	Dayton Operating Company, Dayton Seaside Associates #2 and Dayton Seaside Associates #3, Queens, NY	11/20/86	1/
87-SF-212-1002	Concord Senior Housing Foundation, Pasadena, California	11/21/86	7/
87-SF-212-1003	Sunnyhills Apartments, Milpitas, California	12/01/86	1/
87-AT-214-1003	Tenant Income Comparisons, Paradise Management, Inc., Atlanta, Georgia	12/03/86	6/
87-FW-212-1002	Calvary Arms Apartments, Dallas, Texas	12/12/86	12/31/88
87-PH-203-1002	Section 8 New Construction & Substantial Rehabilitation Program, Maryland Community Development Administration	12/22/86	7/
87-CH-212-1003	Country Way Apartments, Saginaw, Michigan	12/24/86	11/11/88
87-NY-241-1019	CDBG, Bayamon, Puerto Rico	02/13/86	1/
87-CH-241-2293	CDBG Activities, Chicago, Illinois	02/25/87	3/
87-CH-201-1007	Low-Income Housing Program, Detroit, Michigan	03/24/87	6/
87-BO-212-1012	Franklin Park I, Inc., and Franklin Park II, Inc., Boston, Massachusetts	03/31/87	7/

Report Number	Title	Report Issue Date	Target Date
87-CH-103-0002	Special Claims Under the Section 8 Housing Assistance Payments Program	03/31/87	12/31/88
87-SF-214-1009	G and K Management Co., Inc.	06/25/87	10/11/88
87-SF-212-1012	Cedarwood Apartments	07/28/87	7/
87-FW-212-1004	Willow Tree Apartments	09/18/87	1/
87-SE-209-1007	Cook Inlet Housing Authority	09/29/87	4/
88-NY-241-1006	CDBG Activities, Nassau County, New York	12/18/87	6/
88-AO-161-0001	Report on HUD's Implementation of OMB Circular A-123 Revised and Federal Managers' Financial Integrity Act of 1982	12/22/87	01/31/89
88-TS-112-0003	Misuse and Diversion of Assets and Income at HUD-Insured Multifamily Housing Projects	02/04/88	6/
88-FW-249-1004	Rental Rehabilitation Program, North Little Rock, Arkansas	02/08/88	05/31/88
88-NY-241-1009	CDBG Activities, Caguas, Puerto Rico	02/09/88	1/
88-PH-101-0001	Assisted Housing Management Branch, Charleston, West Virginia Office	02/12/88	11/30/88
88-CH-242-1011	UDAG, Toledo, Ohio	03/02/88	12/31/88
88-AO-161-0002	HUD's Distributive Shares One-time Mortgage Insurance Premium Refund Payment Process	03/03/88	04/30/89
88-TS-113-0005	Repairs and Rent Increases on Multifamily Projects in HUD's Possession	03/15/88	11/30/88
88-CH-249-1012	CDBG Activities, Detroit, Michigan	03/18/88	01/31/89
88-CH-101-0003	Assisted Housing Management Branch, Indianapolis, Indiana Office	03/23/88	01/31/89
88-TS-101-0006	Nationwide Review of PHAs' and IHAs' Misappropriation and Misuse of Cash and Other Assets	03/24/88	6/
88-PH-201-1006	Housing Authority, Procurement Activities, Philadelphia, Pennsylvania	03/25/88	6/

Report Number	Title	Report Issue Date	Target Date
88-TS-103-0007	Section 8 New Construction and Substantial Rehabilitation Program, State Housing Finance Agencies	03/29/88	6/
88-NY-241-1011	CDBG Activities, Albany, New York	03/31/88	6/
88-PH-209-1007	Housing Authority, Baltimore, Maryland	03/31/88	7/

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 09/30/88.

7/ In Litigation.

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
Housing		
88-AO-119-0004	PCIE Project-Coordinated Review of Guaranteed Loans	07/22/88
88-AT-123-0001	Losses on the Sale of Single Family Properties, Coral Gables Office	06/03/88
88-AT-123-0002	Review of Single Family Mortgage Assignment Process	06/10/88
88-CH-123-0004	Losses on the Sale of Single Family Properties, Chicago Regional Office	07/26/88
88-FW-101-0003	Assisted Housing Management Branch, New Orleans Office	06/10/88
88-PH-121-0002	Single Family Assignment Program, Philadelphia Regional Office	05/11/88
88-SE-123-0002	Losses on the Sale of Single Family Properties, Seattle Regional Office	05/11/88
88-SF-123-0002	Losses on the Sale of Single Family Properties, Las Vegas and Phoenix Offices	05/12/88
88-SF-121-0003	Single Family Insurance of Fourplex Dwellings	06/30/88
88-SF-101-0004	Assisted Housing Management Branch, Los Angeles Office	08/24/88
88-SF-123-0005	Handling of Single Family Property Disposition Receipts	09/06/88
88-TS-123-0009	HUD's Accounting for and Control Over the Acquisition and Sale of Single Family Properties	06/24/88
88-TS-111-0010	Processing of Rent Increases for Subsidized Housing Projects with HUD-Insured or Direct Loans — Region 9	08/05/88
88-TS-123-0011	Nationwide Internal Audit on Disposition of Single Family Acquired Properties	08/29/88

Internal Audit Reports

Report Number	Report Title	Issue Date
88-TS-122-0012	Review of the Title I Manufactured Home Loan Program	08/29/88
88-TS-103-0014	Tax-Exempt Financing of HUD-Insured and Subsidized Multifamily Projects	09/07/88
Community Planning and Development		
88-TS-159-0008	Rental Rehabilitation Program — National Report	05/04/88
88-TS-142-0013	National Report on Economic Development and Public Facility Grants in the State CDBG Program	08/29/88
Administration		
88-AO-169-0005	Anti-Deficiency Act Violation	09/02/88
88-AO-169-0201	Rehabilitation Loan Fund	09/16/88
88-AO-169-0202	Housing for the Elderly or Handicapped Program Revolving Fund	09/16/88
88-AA-166-0001	Computer Access Controls	08/22/88
88-AT-169-0003	Control and Use of Audit Reports for Insured Multifamily Operations and Section 8 Non-Insured Projects in Georgia	07/07/88
88-AT-162-0004	Collection Officer Activities, Jackson Office	08/19/88
Other		
88-AO-176-0006	Foreclosure Activities for Single Family Acquired Properties	09/20/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
Housing			
88-AT-202-1019	Housing Authority — Minority Youth Training Program	Prichard AL	05/04/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-AT-202-1020	Housing Authority	Berry AL	05/19/88
88-AT-212-1022	Cumberland Courts, Inc. — I & II	Greensboro NC	05/25/88
88-AT-202-1023	Housing Authority — Control of Cash and Other Monetary Assets	Hackleburg AL	06/01/88
88-AT-212-1024	The Park Apartments	Melbourne FL	06/20/88
88-AT-202-1027	Housing Authority	Robersonville NC	07/07/88
88-AT-202-1028	Housing Authority	Warrenton GA	07/26/88
88-AT-229-1029	Rick's Lind-Davis Real Estate Company, Inc.	Montgomery AL	09/22/88
88-AT-203-1030	Housing Authority — Section 8 Housing Voucher Program	Birmingham AL	09/30/88
88-AT-209-1031	Housing Authority — Comprehensive Improvement Assistance Program	Birmingham AL	09/30/88
88-BO-209-1014	Housing Authority — Comprehensive Improvement Assistant Program	Taunton MA	04/18/88
88-BO-202-1016	Housing Authority	Woburn MA	05/10/88
88-BO-202-1018	Housing Authority	Newton MA	05/12/88
88-BO-202-1020	Housing Authority	Waltham MA	06/01/88
88-BO-202-1021	Housing Authority	Fall River MA	06/21/88
88-BO-202-1023	Housing Authority	Somerville MA	06/24/88
88-BO-209-1024	Housing Authority — Comprehensive Improvement Assistance Program	Stamford CT	06/30/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-BO-212-1025	Jamaica Plain Apartment Trust	Boston MA	08/01/88
88-BO-204-1026	Housing Authority — Section 8 Moderate Rehabilitation Program	Portland MA	08/08/88
88-BO-202-1027	Housing Authority — Section 8 Housing Voucher Program	Worcester MA	09/07/88
88-BO-204-1028	Housing Authority — Section 8 Moderate Rehabilitation Program	Holyoke MA	09/07/88
88-BO-203-1029	Housing Authority — Section 8 Housing Voucher Program	Rockland MA	09/09/88
88-BO-204-1030	Housing Authority — Section 8 Moderate Rehabilitation Program	Lynn MA	09/09/88
88-CH-202-1014	Housing Authority	Kenosha WI	04/06/88
88-CH-212-1015	The Center for Independent Living	Belleville IL	04/12/88
88-CH-212-1018	C.L. Langs Investment Company	Pontiac MI	06/30/88
88-CH-202-1019	Housing Authority	Marion IN	07/08/88
88-CH-214-1020	ABC Management Company	Baltimore MD	07/08/88
88-CH-202-1021	Housing Authority	Linton IN	08/04/88
88-CH-203-1022	Lucas County Housing Authority Section 8 Housing Voucher Program	Toledo OH	09/29/88
88-CH-209-1023	Wayne Metropolitan Housing Authority — Cash Defalcation	Wooster OH	09/30/88
88-CH-209-1024	Housing Commission — Control Over Cash and Other Monetary Assets	Flint MI	09/30/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-DE-209-1002	Housing Authority — Control of Cash and Other Monetary Assets	Salt Lake City UT	04/12/88
88-DE-209-1003	Housing Authority — Control of Cash and Other Monetary Assets	Williston ND	04/29/88
88-DE-209-1004	Housing Authority	Aurora CO	06/03/88
88-DE-212-1005	Leewood Apartments	Britton SD	07/08/88
88-DE-209-1006	Housing Authority — Control of Cash and Other Monetary Assets	Boulder CO	07/25/88
88-FW-202-1007	Housing Authority — Safeguarding Cash	Ryan OK	04/28/88
88-FW-202-1009	Housing Authority — Cash Accountability	Otoe-Missouria Tribe OK	05/10/88
88-FW-202-1010	Housing Authority — Cash Accountability	Pawnee Tribe OK	05/12/88
88-FW-202-1011	Housing Authority — Cash Accountability	Tonkawa Tribe OK	05/20/88
88-FW-204-1017	Housing Authority — East Baton Rouge Parish	Baton Rouge LA	06/29/88
88-FW-203-1018	Housing Authority — Section 8 Housing Voucher Program	Bexar County TX	08/24/88
88-FW-202-1019	Housing Authority	San Benito TX	09/09/88
88-FW-203-1020	Housing Authority — Section 8 Housing Voucher Program	Norman OK	09/13/88
88-FW-203-1021	Housing Authority — Section 8 Housing Voucher Program	North Little Rock AR	09/15/88
88-FW-215-1023	Oklahoma Property Management, Inc.	Oklahoma City OK	09/29/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-KC-202-1005	Housing Authority	Chanute KS	04/14/88
88-KC-212-1006	Carlton Green Apartments	Kansas City MO	04/20/88
88-KC-202-1007	Housing Authority	Chaffee MO	04/28/88
88-KC-203-1009	Housing Authority — Section 8 Housing Voucher Program	Leavenworth KS	07/27/88
88-KC-202-1010	Housing Authority — Safeguarding Assets	Kinloch MO	08/12/88
88-KC-209-1011	Missouri Housing Development Commission, Section 8 Contract Administration	Kansas City MO	09/08/88
88-NY-212-1013	Givoh, Habracha and KZHB Associates	New York City NY	05/23/88
88-NY-212-1014	Lissette Apartments, LDP Associates	Carolina Municipality PR	05/27/88
88-NY-209-1015	Housing Authority	Hoboken NJ	06/14/88
88-NY-209-1017	Housing Authority	Poughkeepsie NY	07/22/88
88-PH-222-1008	Messenkopf and Eckert	Erie PA	04/08/88
88-PH-203-1009	Housing Authority — Section 8 Existing Housing Program	Chester County PA	04/27/88
88-PH-204-1011	Housing Authority	Lackawanna County PA	06/07/88
88-PH-201-1015	Housing Authority — Internal Controls Over Monetary Assets	Pittsburgh PA	08/17/88
88-PH-204-1016	Housing Authority — Internal Controls Over Monetary Assets	Chester PA	08/22/88
88-PH-203-1017	Housing Authority — Section 8 Existing and Housing Voucher Program	Bucks County PA	09/30/88
88-PH-204-1018	Housing Authority — Section 8 Housing Voucher Program	Fayette County PA	09/30/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-SE-209-1006	Housing Authority — Comprehensive Improvement Assistance Program	Clackamas County OR	07/01/88
88-SE-203-1007	Housing Authority — Section 8 Housing Voucher Program	Pierce County WA	09/14/88
88-SE-203-1008	Housing Authority — Section 8 Housing Voucher Program	Snohomish County WA	09/28/88
88-SE-212-1009	Coho Park Apartments and Chinook Apartments	Juneau AK	09/30/88
88-SE-219-1008	U.S. Escrow Company	Downey CA	05/19/88
88-SF-211-1010	The Maryott Apartments	Palmdale CA	07/18/88
88-SF-203-1011	Housing Authority — Section 8 Housing Voucher Program	Contra Costa County CA	09/08/88
88-SF-203-1014	Housing Authority — Section 8 Housing Voucher Program	Sacramento CA	09/28/88
88-SF-203-1016	San Diego Housing Commission Section 8 Moderate Rehabilitation Program	San Diego CA	09/30/88
88-TS-221-1017	First Union Mortgage Corporation	Denver CO	05/25/88
88-TS-214-1018	First Columbia Management, Inc.	Dallas TX	06/06/88
88-TS-221-1019	Westwind Mortgage Company	San Diego CA	09/21/88
Community Planning and Development			
88-AT-259-1017	Rental Rehabilitation Program	Winston-Salem NC	04/19/88
88-AT-243-1021	State of Tennessee Small Cities CDBG Program	Tennessee	05/24/88
88-AT-243-1025	State of Florida Small Cities CDBG Program	Florida	06/24/88
88-AT-242-1026	UDAG — Housing Subsidies	Birmingham AL	07/06/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-BO-259-1017	Paul Parks and Associates, Inc.	Boston MA	05/10/88
88-CH-243-1017	State of Indiana Small Cities CDBG Activities	Indiana	06/29/88
88-FW-242-1008	UDAG	Three Rivers TX	05/20/88
88-FW-242-1022	UDAG	New Orleans LA	09/28/88
88-NY-248-1016	The 52 Association for the Handicapped, Inc.	New York City NY	07/15/88
88-PH-249-1010	Virginia Housing Development Authority — Rental Rehabilitation Program	Virginia	06/06/88
88-PH-241-1013	CDBG	Weirton WV	06/17/88
88-PH-242-1014	UDAG	Conshohocken PA	06/24/88
88-SF-241-1009	CDBG	Compton CA	06/08/88
88-SF-242-1013	UDAG	Compton CA	09/19/88
88-SF-242-1015	UDAG	Commerce CA	09/29/88
Administration			
88-AO-261-1004	National Puerto Rican Coalition	Washington DC	05/23/88
88-AO-262-1005	Holland Consulting, Inc.	Livonia MI	06/17/88
88-AO-261-1006	National Association of State Development Agencies	Washington DC	07/11//88
88-AT-269-1016	Martin Luther King, Jr. Center for Nonviolent Social Change	Atlanta GA	04/13/88
88-AT-262-1018	St. Peter Manor	Memphis TN	05/02/88
88-BO-261-1015	Halcyon, Ltd.	Hartford CT	04/20/88
88-BO-261-1019	Community Development Training Institute	Newport RI	05/13/88
88-BO-261-1022	Real Estate Enterprises, Inc.	Boston MA	06/24/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
88-BO-261-1031	Council for Economic Action, Inc.	Boston MA	09/21/88
88-CH-262-1016	Residential Care for Developmentally Disabled, Inc.	Oshkosh WI	06/02/88
88-DE-261-1001	Terry Johnson and Co.	Denver CO	04/05/88
88-FW-262-1016	A.O. Phillips and Associates	Houston TX	06/22/88
88-KC-261-1008	National Computer Systems	Iowa City IA	05/06/88
88-NY-262-1012	State of New York — Division of Housing and Community Renewal	New York	04/07/88
88-PH-261-1012	Online Service Corporation	Philadelphia PA	06/13/88
88-SF-262-1012	Doyle, Williams and Company	Oakland CA	09/09/88
Other			
88-TS-271-1020	Prudential Mortgage Corporation	San Juan PR	09/30/88

Appendix 2

AUDIT RECOMMENDATIONS

Schedule of Audit Determination and Resolution Status (as of 9/30/88)	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 Offest 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;	392	392	$7,037,526	N/A	$10,776,238	N/A	N/A
–was made during the reporting period, and for which resolution has not occurred;	533	93	$13,934,399	$13,822,567	$5,661,596	$4,640,632	N/A
–was made during the reporting period, and for which resolution has occurred.	1,709	257	$4,780,260	$1,513,521	$5,012,265	$867,083	$2,230,142
B. Audit report completed during the reporting period, and for which an audit determination:							
–was not made by the end of the reporting period;	1,979	—	$18,022,808	N/A	$15,121,554	N/A	N/A
–was made during the reporting period, and for which resolution has not occurred;	253	—	$1,717,900	$598,785	$2,364,783	$2,230,175	N/A
–was made during the reporting period, and for which resolution has occurred.	1,342	—	$856,862	$512,735	$2,243,076	$938,634	$1,427,496

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
P-88-2	Things You Should Know
P-88-3	Information for Independent Auditors for Use in Conducting HUD Audits of Non-Federal Entities
P-88-4	Avoiding Embezzlement of PHA Funds
P-88-5	Misuse and Diversion of Funds — HUD-Insured and HUD-Held Multifamily Projects

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

Director, Publications and Awareness 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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EQUAL HOUSING OPPORTUNITY