Office of Inspector General Report to the Congress

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Number 21

for the 6-month period
October 1, 1988 through March 31, 1989
Pursuant to Section 5(b) of Public Law 95-452

PROFILE OF PERFORMANCE

Department of Housing and Urban Development
Office of Inspector General Activities

	October 1, 1988 through March 31, 1989
• Cash Recoveries/Savings	$18,836,157
• Commitments to Recover Funds	$30,011,410
• Cost Efficiencies	$6,324,399
• Total Fines Levied	$485,156
• Persons/Firms Indicted	187
• Persons/Firms Convicted	151
• HUD Employees Indicted	1
• HUD Employees Convicted	1
• Suspensions of Persons/Firms Doing Business with HUD	71
• Debarments of Persons/Firms Doing Business with HUD	131
• Mortgagees/Lenders Sanctioned as Result of Referrals to HUD Mortgagee Review Board	2
• Subpoenas Served	203
• Awareness Publications Issued	3
• Proposed Legislation and Regulations Reviewed	81

For additional details on OIG Audit, Investigation, and Fraud Control Activities, see Chapter 6, Statistical Summary.

Office of Inspector General Report to the Congress

Number 21

for the 6-month period

October 1, 1988 through March 31, 1989

Pursuant to Section 5(b) of Public Law 95-452

TABLE OF CONTENTS

THE INSPECTOR GENERAL'S MESSAGE TO CONGRESS

This report highlights the activities and accomplishments of our office for the 6-month period ending March 31, 1989. During this reporting period, our audits and investigations resulted in cash recoveries and savings to the Department of $18,836,157 and cost efficiencies of $6,324,499. Management also agreed to recover $30,011,410 that we questioned or disallowed. In addition, 188 persons or firms doing business with the Department were indicted and 152 were convicted.

Our audits continued to show serious problems in HUD's housing programs. A comprehensive review of HUD's Section 8 Moderate Rehabilitation Program identified pervasive programmatic weaknesses which will result in millions of dollars of HUD overpayments to public housing agencies. Problems were noted with the funding allocation process, monitoring of PHA's and contract rent calculations. HUD officials took several timely and positive actions in response to our reported findings to curb further program abuse and recover overpayments. We are optimistic that the Secretary's personal commitment to strengthening the program, coupled with these actions, will result in a viable and effective program.

HUD's Multifamily Section 223(f) Coinsurance Program has been a focus of attention in our last three reports. Defaulted loans under this program may result in losses of nearly $700 million to HUD. During the period, management proposed numerous actions in response to our audit recommendations which, if implemented, may correct programmatic deficiencies. We will continue to work with management in this effort.

Fraud and abuse continue to plague the Single Family Mortgage Insurance Program. During the period, 72 persons or firms were indicted and 52 were convicted for single family program violations. Our summary report describes the efforts of our Office, the Department, and the Congress to curb HUD's losses through fraud and abuse in the program. Despite these actions, the Department continues to sustain a high level of fraud-related losses. We are recommending additional actions including legislative changes which should strengthen the program and reduce the potential for future abuse.

We are actively involved in several initiatives to prevent and detect tenant fraud in public housing programs. The goal of our recently established Tenant Integrity Program is to ensure that scarce housing resources are properly provided to only eligible applicants and tenants. We are pleased with the enthusiastic response to this Program which is designed to teach public housing agency staffs how to prevent, detect, and act upon tenant error and fraud.

Secretary Kemp and his staff have taken an active interest in our Office and have responded quickly and positively to reported audit and investigation matters.

Paul A. Adams
Inspector General

Chapter 1

SIGNIFICANT AUDITS

This Chapter details significant problems, abuses, and deficiencies found during our audit work and recommendations for corrective actions. The Chapter is divided into the following parts: Section 8 Programs; Public and Indian Housing; Multifamily Housing and Rental Assistance; Single Family Insured Programs; Community Planning and Development; and Other Programs.

Section 8 Programs

Section 8 Programs assist low- and very low-income families in obtaining decent, safe, and sanitary housing through subsidies that are provided to tenants, public housing agency owners or private owners, depending on the program involved. We audited selected Section 8 Programs during the reporting period, as described below.

Moderate Rehabilitation Program

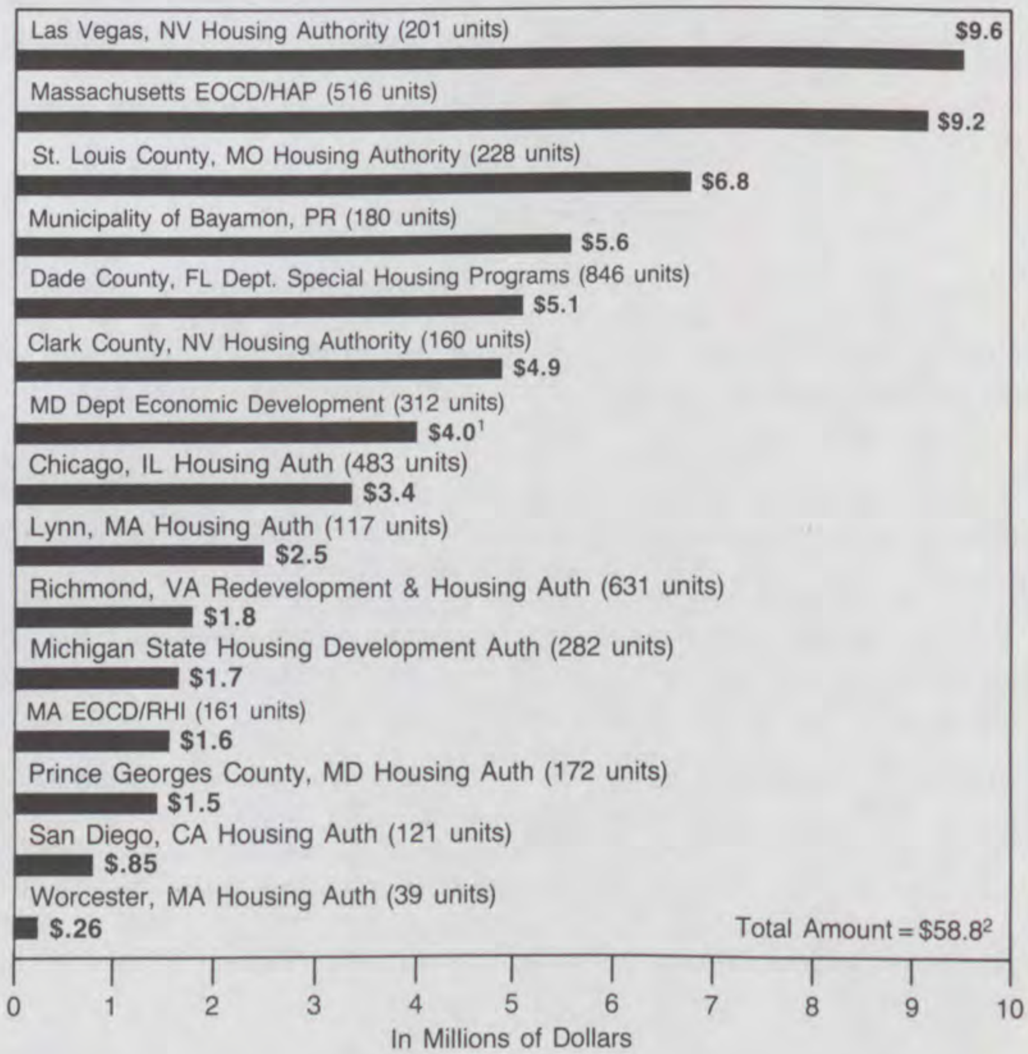
We completed a review of the Section 8 Moderate Rehabilitation Program (MRP). The MRP's purpose is to upgrade substandard rental housing and provide rent subsidies for lower-income families. We found that numerous factors contributed to HUD's inability to effectively administer the MRP. The audit results, when taken collectively, show that programmatic weaknesses are numerous and significant and cover the entire spectrum of MRP development activities.

We evaluated the MRP by analyzing activities over a 5-year period at all levels of program participation, i.e., at both HUD Headquarters and Field Offices, at 20 public housing agencies (PHA's), at one coinsurance lender, and at project developers/owners. The activities covered the project proposal and selection process; the financing and construction phase; and the cost certification and final contract execution stage. We did not review the project operation/management phase.

For the most part, we found the funding allocation process conducted at Headquarters was undocumented and contrary to pertinent regulations. PHA's failed to carry out the MRP in accordance with current requirements and HUD Field Office staff did not adequately assist or monitor the PHA's. Over the past 2 years, about half of all projects funded obtained financing through HUD's coinsurance programs. Confusion over the respective roles in determining contract rents led to HUD's insuring inflated mortgages and paying excess subsidies. In dollar terms, we identified incorrect rent calculations that will result in HUD's paying excessive housing assistance totaling over $58.8 million during the 15-year contract periods for those projects reviewed. Furthermore, the scope and type of deficiencies noted indicate that total excess assistance for the projects funded during the audit period could approach $413 million over the contract terms.

The following table shows the potential overpayments (over 15 years) identified at 15 of the 20 PHA's we reviewed. The other five PHA's reviewed, at which potential overpayments were not noted, are the Holyoke, Massachusetts Housing Authority; the Portland, Maine Housing Authority; the Vermont State Housing Authority; the New York State Housing Finance Agency; and the St. Louis City Housing Authority.

Potential Overpayments to PHA's



[1]Based on Survey Report dated March 1, 1988.
[2]Amount equates to $11,544 per unit over 15-year contract term.

Concerted efforts are needed to overcome the programmatic weaknesses and to design management control systems that will restore the public's and PHAs' confidence in HUD's ability to administer an effective MRP. In addition, a consistent and practicable approach needs to be established in recovering overpaid assistance and in prospectively reducing contract rents to their proper amounts.

Our report contained 21 specific recommendations designed to assist in carrying out the needed efforts. The internal control weaknesses cited in the report are material and were reported as such under the Federal

Managers' Financial Integrity Act in the December 31, 1988 report to the President. They should be again reported in the December 31, 1989 report.

HUD officials reacted swiftly to our report. Secretary Kemp also issued a memorandum to Regional and Field Office officials on April 7, 1989, stating:

> "I want you all to be aware that the Office of Housing essentially has accepted the Office of the Inspector General's (OIG's) findings and has agreed to most of the recommendations.
>
> In the coming year we will be communicating with your offices to implement the recommendations in the audit. I expect you and your staffs to be fully responsive to these efforts and to give them priority attention. Among the actions to be taken will be additional staff training and a review of contract rents to determine whether they were established in accordance with HUD procedures.
>
> I expect that each of you will convey — clearly and credibly — not only to your staffs but to PHA's administering the Moderate Rehabilitation Program that during my tenure as Secretary, I am personally committed to ending both the reality and the suggestion that the Department has been tolerant of or inattentive to perceived program abuse."

The Office of Housing agreed to implement 19 of our 21 recommendations and provided target dates for initiating their actions. (Audit Report No. 89-TS-103-0005.)

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

The final report on the Section 8 Housing Voucher Program disclosed that of 154 statistically sampled Housing Voucher units that we inspected, 82, or nearly 53 percent, were not in compliance with the Housing Quality Standards (HQS). The review was made to determine the extent to which units occupied by voucher recipients complied with HUD's mandatory minimum HQS, i.e., those standards relating to tenants' health and safety.

The Housing Voucher Program provides assisted families with greater choices in the selection of rental units. It permits families to rent units above HUD's fair market rents. Housing must meet the decent, safe, and sanitary standards required by the program. Monthly housing assistance payments are based on the difference between a payment standard for the area and 30 percent of the family's monthly income.

The 82 units in violation of the HQS involved a total of 340 violations, or on average about four violations per unit. We projected that between about 48,000 (46 percent) and 61,000 (59 percent) voucher units out of a universe of 104,000 voucher units under lease nationwide did not meet the Department's HQS at the time of our inspections.

Despite the relatively high HQS failure rate, the units that we inspected were generally in good condition from a structural and livability standpoint. Nevertheless, the HQS violations detected were sufficient to render the units ineligible for participation in the Housing Voucher Program. Neither public housing agencies' (PHAs') controls nor HUD's oversight were adequate to ensure an acceptable level of HQS compliance.

Based on our inspections, we estimated that HUD authorized about \$19.7 million of subsidy payments to property owners for voucher units that did not meet HUD's HQS. We also estimated that PHA's received about \$2 million of administrative fees in conjunction with these same units. The \$21.7 million represents the total potential repayments to HUD if the HQS violations are not corrected timely.

We also inspected 305 non-statistically sampled voucher units in connection with 18 external audits of PHA's which were part of Phase II of our audit. Of these units, 50 percent were not in compliance with the Department's HQS.

The inspection results for the current statistically sampled voucher units are similar to the results of other inspections of Section 8 Existing Housing Program units performed by our office since 1978.

OIG Inspections for HQS Compliance
Section 8 Certificate and Voucher Programs
1978-1988

Year of Inspections	Program	No. of Units		HQS Failure Rate	Unit Selection Method
		Inspected	Failed HQS		
1978/79	Certificate	345	139	40-45%	Stat. Sample (PHA's)
1981	Certificate	222	122	55	Non-Stat. Sample
1985/86	Certificate	998	539	69	Non-Stat. Sample
1988	Voucher	305	152	50	Non-Stat. Sample
1988	Voucher	154	82	46-59	Stat. Sample (Units)
TOTALS		2,024	1,034	Avg. 51%	

The most common direct factor accounting for voucher units failing the HQS was normal wear and tear of premises. Among the other direct factors were household abuse, building design defects, and equipment malfunctions. The indirect factors included inadequate PHA housing inspections, unreported maintenance needs, untimely owner repairs, and HUD's lack of administrative actions against PHA's which repeatedly fail to improve their inspection programs.

With respect to inadequate PHA housing inspections, we concluded that at least 123 of the 340 HQS violations disclosed by our voucher unit inspections existed at the time of the PHAs' inspections. However, we estimate that only about 16 percent of these violations were detected by the PHA's during their inspections. These internal control weaknesses are material and were reported as such under the Federal Managers' Financial Integrity Act in the December 31, 1988 report to the President. They should be again reported in the December 31, 1989 report.

As previously indicated, our office's inspections over the years have disclosed a high HQS failure rate in the Section 8 Program. We believe that this is due in part to the nature of the HQS and the fact that numerous and varying degrees of diverse types of defects can cause a unit to fail the HQS. The HQS, generally, treat many adverse conditions much the same regardless of the degree of their significance. We believe that HUD needs to study the effectiveness and feasibility of the HQS in ensuring adequate housing for Section 8 recipients at a reasonable cost.

In response to certain report recommendations, HUD: (1) instructed its Regional Offices to have all failed units disclosed by our inspections brought into compliance with the HQS; and (2) will initiate discussions to study the possibility of better targeting the HQS to health threatening conditions. We are currently working to resolve the other report recommendations. (Audit Report No. 89-TS-103-0001.)

Section 8 Discretionary Loan Management Set-Aside Program

The lack of written HUD guidelines for administering the Section 8 Discretionary Loan Management Set-Aside Program (LMSA) has contributed to situations where LMSA assistance was provided to projects that were not approvable under HUD regulations and did not demonstrate an emergency need.

The LMSA allocates Section 8 units to HUD-insured and Secretary-held projects experiencing financial difficulty. A Housing Assistance Payments contract between the owner and HUD identifies the amount of assistance. This infusion of Section 8 assistance is intended to solve problems such as high vacancies or turnover and to provide increased cash flow, thus preventing a claim on the HUD insurance fund. Approximately 15 percent of the total annual LMSA funding is held back to aid projects experiencing financial emergencies requiring immediate attention. The held-back funds are awarded to projects through the Discretionary LMSA Program.

We reviewed 25 awards and found that funding decisions were not well-documented and often inappropriate. Project files did not support whether or not regulatory requirements were met and that emergency funding was needed. We found that 11 of the 25 projects awarded did not meet regulatory criteria. HUD Field and Regional Office staffs were often not aware of or were opposed to project owners' requests for LMSA assistance. In 11 cases, Field and Regional staffs did not know of the requests until they were advised by Headquarters that LMSA units were awarded. In four cases, the Field and Regional staffs rejected the requests for assistance or rated the projects too low for LMSA funding. We believe that these internal control weaknesses are material and should be reported as such under the Federal Managers' Financial Integrity Act.

We recommended that the Assistant Secretary for Housing-Federal Housing Commissioner: (1) instruct responsible program officials to adhere to LMSA application and processing requirements; (2) require that LMSA assistance requests that are made directly to Headquarters be referred back to the Field Office for processing; (3) establish criteria to guide Field Offices in determining the conditions that constitute project emergencies and cost effectiveness; and (4) establish written procedures for administering the LMSA Program to include developing a checklist to assure that projects' approvability elements have been addressed and justifying the number of units and contract authority awarded to a discretionary LMSA. The Office of Housing generally agreed with our recommendations and plans to implement them. (Audit Report No. 89-AO-119-0006.)

Public and Indian Housing

HUD's Public Housing Programs provide aid to public housing agencies (PHA's) to remedy unsafe and unsanitary housing conditions and to provide housing for lower-income families. PHA's develop, own, and operate low-income housing projects. In addition to financial assistance, HUD also furnishes technical assistance in planning, developing, and managing the projects.

Indian Housing Programs provide aid to Indian housing authorities (IHA's) for housing and related facilities for lower-income Indians and Alaska natives. IHA's develop and operate rental and homeownership opportunity projects. HUD provides technical as well as financial assistance.

Housing Authority of the City of Las Vegas – Low-Income Housing

The Las Vegas Housing Authority (PHA) did not administer its housing programs according to HUD regulations. The PHA wrote off $2.9 million that was owed to the revolving fund from its non-Federal programs. The Las Vegas Housing Authority administers various low-income housing programs and other housing developments.

The $2.9 million written off by the PHA represents receivables for withdrawals by the PHA's non-Federal program to purchase houses and for development costs of a non-Federal project. The write-off resulted in Federal monies being used for non-Federal costs. The PHA also caused tenants to make excess rent payments by incorrectly calculating rent computations. Tenants may have paid at least $2.4 million more than necessary for rent since 1982.

The PHA obtained excessive funds from HUD when it: (1) charged $551,797 of ineligible, unnecessary and inadequately supported amounts to its modernization activities; and (2) did not reduce subsidy claims by $254,297 of other income as required. The PHA also withdrew $784,450 in funds from one project for non-project expenses and did not fund a replacement reserve account timely as required. As a result, the funds were not available to pay project expenses or decrease HUD subsidies.

Contrary to HUD requirements, the PHA invested its risk management trust funds in corporate stocks and bonds instead of government-backed or -guaranteed securities as required.

We made specific recommendations to overcome the above deficiencies and obtain repayments. (Audit Report No. 89-SF-209-1004.)

Comprehensive Improvement Assistance Program

We performed a series of audits on public housing agencies' (PHAs') administration of the Comprehensive Improvement Assistance Program (CIAP). The purpose of CIAP is to improve the physical condition and upgrade the management and operations of existing public housing projects and assure that such projects continue to be available to low-income families. Our reviews were made to determine whether PHA's are following HUD program requirements including developing and administering a long-range CIAP plan, adhering to budgetary controls, and efficiently procuring/administering professional services and construction contracts. The following audits indicate the types of problems found in our reviews.

- The Cohoes, New York Housing Authority experienced significant accounting, reporting, and administrative deficiencies, including costs inadvertently charged to the wrong project and reports that failed to show the correct financial condition of the projects. A review of four physical improvement and two professional services contracts showed contracts awarded without competition and ineffective contract monitoring by the PHA. These deficiencies resulted in $388,368 in unsupported costs. The PHA also failed to submit a 5-year plan to provide for the total physical and management needs of the CIAP projects, as required by HUD.

  We recommended that HUD consider suspending CIAP funding until the PHA institutes corrective actions that will prevent these deficiencies from recurring. HUD also needs to determine the eligibility of all unsupported costs. (Audit Report No. 89-NY-204-1021.)

- The Peoria, Illinois Housing Authority did not adhere to budgetary controls. The PHA incurred cost overruns in excess of budgeted classifications without prior HUD approval. The PHA also failed to: (1) document the cost/benefit of using force account labor as opposed to contracting out for services; (2) support labor payroll charges of $394,000; (3) obtain professional services contracts competitively; and (4) adequately monitor construction contractors.

  We recommended that HUD instruct the PHA to develop management controls to overcome the deficiencies noted in the audit. (Audit Report No. 89-CH-202-1005.)

- The St. Louis Housing Authority awarded contracts without open and free competition and with inappropriate terms and payment methods, and inadequately administered contracts. The PHA issued a notice to proceed before contract award, awarded change orders without prior HUD approval, and inadequately reviewed contractor billing statements. We noted that $101,443 in CIAP expenditures were unsupported and $49,847 were ineligible. The PHA's applications for funding for improvements failed to address total physical and management improvement needs. The PHA also failed to submit a comprehensive 5-year modernization plan.

  We recommended that HUD suspend CIAP funding until the PHA prepares a procurement policy acceptable to HUD, instruct the PHA to recover any costs determined to be ineligible, and reiterate to the PHA the importance of proper preparation and processing of CIAP applications, including a 5-year plan. (Audit Report No. 89-KC-201-1003.)

- The Columbus Metropolitan Housing Authority did not obtain required HUD approvals before exceeding amounts budgeted for cost categories and charged costs for work not approved by HUD. The PHA allocated indirect salary and fringe benefits to the CIAP without the use of time records or a cost allocation plan. HUD cannot determine the propriety of indirect costs charged to CIAP. The PHA also failed to document that it obtained bids or proposals for many of its purchases. HUD therefore had no assurance that the PHA obtained goods and services at the lowest price.

  We recommended that HUD require the PHA to develop management controls to overcome the noted deficiencies. (Audit Report No. 89-CH-202-1001.)

- The Clintonville, Wisconsin Housing Authority did not adhere to HUD requirements in administering its CIAP. The PHA failed to act on specific instructions and guidance resulting from adverse audit findings and monitoring results. Specifically, the PHA: (1) did not have adequate internal controls to safeguard its assets; (2) lacked controls to ensure expenditures were within budget guidelines; (3) did not adequately administer professional services and construction contracts; (4) obtained loans from banks without HUD's approval; and (5) failed to make purchases in compliance with its own procurement policy.

  In addition to specific recommendations to correct the deficiencies found, we recommended that HUD meet with the PHA's Board of Commissioners to ensure that they are fully aware of HUD's CIAP requirements, closely monitor the PHA's implementation of the audit report recommendations, and, if this is not successful, impose other administrative sanctions. (Audit Report No. 89-CH-202-1008.)

We are conducting several additional reviews of the CIAP and plan to issue a summary report to the Assistant Secretary for Public and Indian Housing in the near future.

Consolidated Supply Program

As a result of a complaint concerning a specific contractor's participation in HUD's Consolidated Supply Program (CSP), we performed a review which disclosed serious irregularities in several contracts with public housing agencies (PHA's). Under the CSP, HUD enters into open-end contracts with suppliers of common use items under which PHA's are entitled to make purchases by issuing purchase orders. Consolidated supply contracts are intended to permit PHA's to take advantage of competitive procurement savings without having to incur the administrative expenses associated with the competitive process. This is made possible because HUD awards CSP contracts on a competitive basis.

Our audit disclosed that the Knoxville Community Development Corporation (KCDC) was overcharged as much as $464,466 for three CSP purchase orders involving bathroom renovations. The excessive costs resulted because the contractor billed KCDC for the full CSP price for installing bathtub liners and tub surrounds even though only tub surrounds were ordered, provided and installed.

Two of the three KCDC projects were funded under HUD's Comprehensive Improvement Assistance Program (CIAP). We found that the HUD Knoxville Office did not effectively review the KCDC CIAP budget submissions. The KCDC CIAP budget listed "tub surround wall kits" as one of the proposed line item renovations. Although HUD personnel reviewed the budgets, they did not question the excessive estimated unit costs included for "tub surround wall kits."

We recommended that HUD's Office of Public Housing: (1) direct KCDC to renegotiate the purchase orders for tub surround systems; (2) recover the CIAP funds paid to KCDC in excess of the actual contract value for the tub surround systems; (3) notify the Knoxville Office of the need to determine the validity of cost estimates in reviewing and approving CIAP budgets; and (4) review the purchase orders for the contractor to determine if additional overcharges have occurred in the other PHA's included in our review and if the contractor violated contract provisions at other PHA's. (Audit Report No. 89-AO-201/269-1801.)

Multifamily Housing and Rental Assistance

HUD administers several mortgage insurance programs that finance the construction or rehabilitation of multifamily projects. In addition to projects with HUD-held or -insured mortgages, the Department also directly owns a number of multifamily projects acquired through its insurance and loan programs. Under the Multifamily Housing Programs, HUD, in some cases, subsidizes the rents for eligible low-income households through Section 8, Rent Supplement, and Rental Assistance Payments Programs.

Section 223(f) Coinsurance Program

On December 9, 1988, we issued the audit report on the Section 223(f) Coinsurance Program. The audit focused on 3 of the 55 lenders participating in the program: ABG Financial Services, Inc., DRG Funding Corporation, and York Associates. Together, DRG and York had processed about 66 percent of all Section 223(f) coinsured loans underwritten at the time of our audit. As of about February 1989, approved lenders had underwritten about $6.7 billion of Section 223(f) coinsured loans.

Section 223(f) of the National Housing Act authorizes HUD to insure mortgages executed for the purchase or refinancing of existing multifamily housing projects. Section 244 of that Act authorizes HUD to coinsure such mortgages pursuant to a contract with an approved coinsuring lender. Once approved by HUD, the coinsuring lender must agree to abide by all applicable requirements imposed by HUD and agree to perform all of HUD's normal loan underwriting functions, among other functions. The lender bears the first 5 percent of each loss on loans it originates. Any further losses are split 85 percent and 15 percent between HUD and the lender, respectively.

Our audit disclosed that coinsuring lenders were not adequately complying with HUD's coinsured loan underwriting and servicing requirements. Lenders were underwriting unsound loans, overmortgaging properties, failing to detect indications of troubled loans in a timely manner, and were not taking adequate and timely actions to minimize mortgage defaults and coinsurance losses. At the time of our audit, 106, or nearly 13 percent of all Section 223(f) coinsured loans, had defaulted. The outstanding principal and accrued interest balance applicable to the 106 loans amounted to nearly $700 million.

While HUD has taken aggressive actions to improve its monitoring of co-insuring lenders' performance, more effective controls and enforcement efforts are needed to enhance the Department's capacity to achieve corrective action by lenders in a more timely manner. HUD's failure to enforce program requirements in a more vigorous fashion is adversely affecting the success of the Section 223(f) Coinsurance Program in preserving existing rental housing and in ensuring the timeliness and quality of lenders' loan under-writing. HUD is also incurring substantial losses in the program and will continue to do so in the future unless more aggressive enforcement measures are taken. These internal control weaknesses are material and were reported as such under the Federal Managers' Financial Integrity Act in the December 31, 1988 report to the President. They should be again reported in the December 31, 1989 report.

The most serious deficiencies detected during our audit of the Section 223(f) Coinsurance Program involved DRG Funding Corporation. At the time of our audit, 79, or 29 percent of DRG's 272 coinsured loans were in default, encompassing nearly 32 percent of the original value of its Section 223(f) coinsured mortgages. The outstanding principal and accrued interest balance on DRG's defaulted loans amounted to nearly $538 million, or about 77 percent of the total principal and accrued interest balance outstanding on all defaulted Section 223(f) coinsured loans at the time of our audit.

Our audit disclosed that DRG was employing high-risk loan processing and management practices in almost every phase of its operations. Consequently, DRG's disregard of HUD's underwriting requirements contributed to its high default rate and substantially increased both its own and HUD's coinsurance risk. For just 11 loans for which DRG had submitted claims to HUD at September 1988, about $55 million in claim payments will be required by the Department. HUD estimated that its losses from DRG loans could be in the hundreds of millions.

In September 1988, the Government National Mortgage Association (GNMA) terminated DRG's participation in the Mortgage-Backed Securities Program, declaring that DRG was in default of its obligations as an approved issuer because DRG failed to pass sales proceeds from disposed projects to GNMA security holders. GNMA was reportedly spending over $6 million monthly to cover the shortfall in debt service payments to GNMA security holders. About $1.1 billion of DRG's Section 223(f) loans were acquired by GNMA and assigned to another lender for servicing.

On January 23, 1989, the FBI executed a court-approved search warrant on DRG. The search warrant application alleged that DRG committed fraud and other offenses against the Federal Government under the Section 223(f) Coinsurance Program and GNMA Mortgage-Backed Securities Program. Documents filed with the court alleged that DRG disregarded HUD regula-tions, underwrote loans for amounts in excess of the market value of the underlying properties, sold foreclosed properties for substantially less than their value, failed to pass sales proceeds from disposed properties to GNMA security holders, made false statements and certifications to HUD, and misapplied escrow funds. The FBI's investigation of DRG is continuing.

On March 22, 1989, HUD announced that DRG, its affiliates, and 17 named officers/employees were suspended from participating in all Federal housing programs or procurement contracts. The suspension was the result of DRG's irregularities in dealing with GNMA and the Federal Housing Administration as well as allegations of criminal activities, as evidenced by the FBI's investigation of the lender.

On March 31, 1989, the United States District Court for the District of Columbia denied a claim DRG made previously against HUD and dismissed DRG's civil action. On August 5, 1988, DRG had filed a lawsuit against HUD disputing the manner in which coinsurance benefits were paid by HUD. DRG sought a declaration that it was entitled to receive its debentures (coinsurance benefits) with interest from the date of default rather than from the date of settlement of insurance claims. At stake was between $8 million and $9 million in additional interest payments for nine loan claims by DRG.

In addition to the actions taken against DRG, HUD proposed numerous other actions during the reporting period in response to our Section 223(f) report recommendations. For example, HUD proposed to: (1) more vigorously enforce the current regulatory timeframe for acquiring projects after default; (2) publish regulations to revise the amount of accrued interest payable for the period between acquisition and disposition; (3) implement measures providing for financial disincentives for lenders' unsound underwriting and other types of lender noncompliance with program requirements; (4) increase lenders' sound capital resources and liquidity requirements; (5) require lenders to establish and maintain dedicated, funded accounts to accommodate coinsurance losses; (6) publish a policy setting forth the administrative remedies and sanctions HUD will invoke against coinsuring lenders for serious infractions of the Department's coinsurance requirements; and (7) implement a procedure for reviewing lenders' underwriting and property disposition when property sales are below a stated percentage. (Audit Report No. 89-TS-119-0002.)

Benton Mortgage Company

Benton Mortgage Company (BMC), Knoxville, Tennessee, did not follow prudent underwriting practices and HUD requirements in processing Section 223(f) and 221(d) coinsured loans with Section 8 Moderate Rehabilitation assistance. Mortgages for 14 projects we reviewed were excessive by $22 million, and Section 8 subsidy will be overpaid by $37 million over the 15-year contract period.

Multifamily housing coinsurance provides for joint mortgage insurance by the Federal Government and State housing agencies or authorized private lenders to finance rental housing. Section 223(f) provides mortgage insurance for the purchase or refinancing of existing multifamily housing projects that are at least 3 years old and have five or more units. Section 221(d) provides mortgage insurance for the new construction or substantial rehabilitation of multifamily housing projects.

Deficiencies in BMC's valuation, mortgage credit and architectural processing resulted in material misrepresentation of mortgage amounts and rents. Valuation processing deficiencies included: (1) substituting superior comparables for those used by BMC's contract appraiser, resulting in higher Section 8 rents and a correspondingly higher mortgage; (2) increasing rents with excessive and/or unwarranted rent trend adjustments, often when vacancies were high and rents had declined; and (3) selecting rents from the upper range of comparable rents without justification. In the mortgage credit and architectural areas, BMC: (1) approved construction contract increases long after added work was completed, and for work already included in the contracts; (2) allowed mortgagors to use vague work descriptions and specifications, thus weakening BMC's controls over costs and the quality of repair work; and (3) allowed mortgagors to inflate profits through "paper conduit" general contractors.

BMC allowed mortgagors to include excessive costs in Section 221(d) mortgages, which inflate the Section 8 rents and HUD's subsidy costs. Excessive profit allowances, improperly approved increases to construction contracts, and ineligible costs resulted or will result in the 10 mortgages reviewed being overinsured. BMC also incorrectly calculated the maximum insurable mortgage for all four Section 223(f) projects reviewed. In addition, BMC issued a commitment to a mortgagor having a family relationship with the owners of BMC without seeking HUD approval.

Based on BMC's deficient underwriting, we recommended that HUD's Mortgagee Review Board take appropriate sanctions against BMC. (Audit Report No. 89-TS-221-1005.)

Retirement Service Centers

We reviewed the Chicago Region's underwriting of mortgage insurance for Retirement Service Centers (ReSC's). ReSC's are designed primarily for persons 70 years of age or older who can live independently and pay market rates for services provided. At the time of our review, 24 ReSC's under the jurisdiction of the four Field Offices included in our audit were being marketed. Of these 24 projects, six (or 25 percent) were in default on their mortgages or assigned to HUD; six others were considered financially troubled by the Field Offices. The defaulted and financially troubled projects had mortgages totaling in excess of $120 million. We attributed the projects' failure, in part, to the Field Offices' poor underwriting practices.

The Cincinnati and Minneapolis-St. Paul Offices did not reasonably assure that adequate markets existed before they approved ReSC's. HUD's processing requirements included a provision for the Field Office to obtain a market analysis opinion from the Economic Market and Analysis Division (EMAD) before approving the development of ReSC's. The Cincinnati Office approved five ReSC's that contained more units than EMAD considered adequate for the market area. Four of the five projects are in default or considered financially troubled by the Cincinnati Office; the four projects have mortgages totaling $35.2 million. The Minneapolis-St. Paul Office approved one project that EMAD advised be rejected, and did not consider EMAD's advice for proper debt service reserves and other actions needed to protect HUD from the existence of weak markets for two other projects. Two of the three projects are in default or considered financially troubled by the

Minneapolis-St. Paul Office; the two projects have mortgages totaling $17.8 million. The Minneapolis-St. Paul Office approved Section 8 rental assistance for the third project to keep it financially sound. The Field Offices also failed to assure that owners were familiar with or had specialized management experience with the ReSC market.

We recommended that the Regional Administrator develop improved underwriting procedures to address the problems found during our audit. Specifically, HUD should ensure that the projects have viable markets and require the projects' sponsors to hire experienced management agents. (Audit Report No. 89-CH-119-0001.)

We are currently conducting reviews of ReSC's in the Atlanta, Denver and San Francisco Regions. These reviews include ReSC's that were processed under HUD's Coinsurance Program. We plan to issue a summary report to the Assistant Secretary for Housing in the near future.

Multifamily Owners/Management Agents

Six audits disclosed that multifamily owners and management agents improperly used over $6.2 million in HUD project funds for ineligible and unsupported costs in violation of their Regulatory Agreements. As a condition of providing mortgage insurance on multifamily projects, owners sign a Regulatory Agreement with HUD. If approved by HUD, the owners may delegate authority for operating the project to a management agent for whom the terms of the Regulatory Agreement remain binding. Provisions in the Regulatory Agreement specify that expenditures must be reasonable and necessary to the project, and limit the circumstances and manner under which cash may be taken out of a project by the owners.

- The owners of Executive House in Philadelphia, Pennsylvania, withdrew $2.5 million from the project while the mortgage was in default, contrary to the Regulatory Agreement. The owners alleged that they made withdrawals because they believed they could recover advances made to the project before default. As a result, funds necessary to pay project obligations were not available. The owners also disbursed $209,047 in project funds to pay costs not related to project operations. These included payments for construction costs, legal fees, marketing services, interest costs, and a political contribution.

  We recommended that the owners reimburse HUD over $2 million in unauthorized withdrawals and $209,047 in ineligible costs paid from project funds. HUD program management deferred action on the recommendations pending resolution of various litigation efforts involving the developers and the Department of Justice. (Audit Report No. 89-PH-213-1003.)

- Finger Enterprises Management Company, Inc., Houston, Texas, invested $101,000 from four projects in a single certificate of deposit. However, the certificate was issued in the name of an identity-of-interest company rather than the individual projects. Also, $100,000 of operating funds from another project were also invested in a similar certificate of deposit in another branch of the same bank. The management agent, on advice of the owners' legal counsel, invested $775,000 of operating funds from two projects instead of remitting the funds to the mortgagee and/or HUD for application to these two projects' delinquent mortgages. Another $85,437 in ineligible disbursements were made by the management agent. Of this amount, $79,500 related to repayment of owner advances from project operating funds during a period of mortgage default.

We recommended that HUD require the management agent to promptly remit the funds in question for application to delinquent indebtedness. HUD should also obtain written assurance from the management agent that project funds will be invested only in the projects' names. (Audit Report No. 89-FW-214-1001.)

- The former Board of Directors of Freedom West Homes I and II, San Francisco, California, made decisions that resulted in over $112,000 of unnecessary legal fees; the management agent's receiving nearly $115,000 in fees but not being allowed to manage the projects; acquisition of at least $607,000 in services, equipment, and supplies without competitive bidding; at least $68,797 in overpriced or undelivered services, equipment and supplies; and $11,738 in other unnecessary expenses. The former Board was also responsible for tenant selection procedures that violated HUD requirements. Tenants were not selected from a waiting list or their eligibility was not established before occupancy.

  We recommended that HUD ensure that the owner establishes and implements procedures to correct these deficiencies, including contracting procedures, review project rents and determine if they should be reduced, and follow up to ensure that the owner complies with HUD's occupancy requirements. (Audit Report No. 89-SF-212-1002.)

- The owner of Cumberland Cove Apartments, a HUD-held project in Raleigh, North Carolina, had residual cash of $306,561 which should be remitted to HUD, including $194,238 for delinquent mortgage payments and $112,323 for property taxes which HUD paid. The owner also: (1) made unauthorized distributions of $119,641; (2) repaid operating advances of $48,844 while the mortgage was delinquent or in default; (3) incurred excess or unnecessary costs of $93,455 for maintenance, painting, employee compensation, promotions, and management agent costs; and (4) paid about $66,000 for the furniture and equipment leased from an entity related to the owner's general partner.

  We recommended that HUD require the owner to: (1) remit to HUD all residual project cash; (2) reimburse HUD for property taxes paid on behalf of the project; and (3) pay HUD for improper distributions of funds. The furniture and equipment lease should also be cancelled. (Audit Report No. 89-AT-212-1010.)

- The owner of Housing Innovations, Inc., Boston, Massachusetts, obtained project loans of $450,000 without HUD's approval. The management agent could not explain the purpose of these loans. As of May 31, 1988, the owner had paid interest totaling $84,110 on the loans. The projects were also charged $85,512 in unnecessary costs for interest on utility bills and late fees on the mortgages.

We recommended that the owner be required to: (1) provide documentation regarding the purpose and disposition of the loan proceeds and reimburse any ineligible proceeds; and (2) repay the projects for the unauthorized interest charges and unnecessary costs. HUD should consider administrative sanctions if the owner does not comply. (Audit Report No. 89-BO-212-1005.)

- The owners of King's Cove Apartments in Moore, Oklahoma, spent $327,018 in project funds for ineligible expenditures including payments related to an unauthorized second mortgage; condominium sales expenses; owners' distributions; repayment of owners' loans; payments of owners' expenses; and unauthorized concessions to tenants. The owners could not provide support for an additional $50,382. Project funds were improperly spent because the owners: (1) concluded they could maintain full occupancy better by selling the units as condos than by continuing to rent them; (2) began to experience personal financial problems; and (3) disregarded the Regulatory Agreement and HUD regulations. The owners defaulted on the mortgage payment in March 1986 and foreclosure action was first initiated in September 1987. At July 31, 1988, total payments due on the mortgage were $273,531.

  We recommended that HUD initiate collection efforts to recover all ineligible project costs and require the owners to provide documentation for unsupported expenses. (Audit Report No. 89-FW-212-1003.)

Flexible Subsidy Program

The New York Regional Office (NYRO) and the Newark Field Office (NFO) did not process Flexible Subsidy Program loans according to HUD requirements. Advances of $3.4 million may not be eligible.

The Flexible Subsidy Program assists in restoring or maintaining the financial and physical soundness of privately owned, Federally assisted multifamily housing projects; improving their management; and maintaining them for low- and moderate-income people. Flexible Subsidy loans provide immediate cash for correcting deferred maintenance and replacements, financial deficiencies, and replacement reserve and operating deficits. Both the initial allocation and the continued receipt of Flexible Subsidy assistance are conditioned on a project owner's ability to provide management satisfactory to HUD.

Although it is required to do so, the NYRO did not monitor State agencies receiving Flexible Subsidy funds. The NYRO relied on certifications by State agencies that all Flexible Subsidy requirements were, or would be, met. The NYRO believed it was not responsible for such monitoring. Funds were advanced prior to being needed, funds in the project improvement account were not processed according to HUD requirements, procurement was not conducted according to HUD requirements, and project analysis was not adequate to determine whether physical and financial problems would be corrected. Because of these deficiencies, HUD has no assurance that program funds are used effectively or that the projects' physical and financial needs will be met. As a result, advances amounting to $3 million may not be eligible.

The NYRO and its Field Offices (FO's) did not promote the use of the Flexible Subsidy Program. They did not request funds for any project for the first 6 months of Fiscal Year 1988, but rather stated that owners of troubled projects did not want Flexible Subsidy assistance. However, every other Regional Office except the NYRO requested funding. Troubled projects in the New York Region are thus not receiving available assistance.

Both the NYRO and the NFO approved construction repairs even though procurement procedures were not conducted according to HUD requirements. They approved management and operating plans that included repairs already completed, improperly processed closed-out projects, and processed incomplete documents. These improprieties occurred because HUD staff were either unaware of or lacked an understanding of program requirements. As a result, advances amounting to $419,830 may not be eligible.

We recommended that: (1) training be provided to NYRO and NFO personnel on processing Flexible Subsidy loans according to HUD requirements; (2) the NYRO be advised as to its monitoring responsibilities; (3) efforts made by the NYRO to promote the Flexible Subsidy Program be documented and the approach evaluated; and (4) HUD instruct project owners to make repayments from non-Federal funds if any repairs are determined to be ineligible. (Audit Report No. 89-NY-111-0001.)

Single Family Insured Programs

Our audits of Single Family Insured Programs disclosed continuing problems in Single Family Mortgage Insurance loan origination activities as well as Property Disposition and Single Family Loan Management.

Single Family Mortgage Insurance

Our audit activities continue to be directed at conducting reviews of mortgagees and loan origination activities. Currently, teams of auditors from our office and monitors from the Office of Single Family Housing are reviewing activities in San Antonio, Nashville, Phoenix and Indianapolis. Another focus of our efforts is reviewing the payment of mortgage insurance premiums to HUD by mortgagees. We are planning 25 reviews at various locations, and will be reporting on our findings in the near future. Described below are significant activities completed during the reporting period.

Fraud in the Single Family Mortgage Insurance Program

In our previous eight Semiannual Reports, we reported on the continuing efforts of our office, the Department and the Congress to curb HUD's losses through fraud and abuse in the Single Family Mortgage Insurance Program. We reviewed the actions taken to date to determine if there were additional steps either the Department or Congress could take to further reduce the potential for fraud in the insurance program. We discussed our concerns in a summary report submitted to the former Secretary and former Assistant Secretary for Housing-Federal Housing Commissioner; this report describes the various efforts of the past 4 years.

During this period, our office conducted investigations and audits directed at detecting and prosecuting fraud in this program. Joint HUD/VA/FBI task forces were created in five cities to audit and investigate lenders, investors, brokers, real estate agents and mortgagors.

Task force efforts and other audits conducted throughout the Nation resulted in 68 referrals of approved lenders to HUD's Mortgagee Review Board. The Board and HUD's Office of Lender Activities entered into settlement agreements involving over 4,000 loans indemnifying HUD for over $20 million of losses. The related investigations led to 378 indictments and 340 convictions, resulting in fines of over $2 million and sentences of over 997 years incarceration.

In addition, the former HUD Secretary appointed a task force to address the loan origination problems. Implementation of the task force's recommendations resulted in new regulations, revised handbooks and instructions, strengthened automated systems and new legislation, particularly Sections 406, 407, and 416 of the Housing and Community Development Act of 1987.

Despite the actions taken by the Department, the Congress and our office, schemes to defraud the insurance program continue. We are unable to estimate exactly how much of the billions of dollars lost on foreclosed homes is due to these schemes. However, we believe a disproportionate share of the $2 billion in losses in Fiscal Year 1988 is attributable to program fraud and abuse. Additionally, the Department cannot continue to sustain a high level of fraud-related losses without an adverse effect on the overall mission of the insurance fund.

We recommended the following actions, some of which would require legislative changes: (1) require Federal controls and nationwide certification of real estate appraisers; (2) eliminate investor participation in the FHA Single Family Mortgage Insurance Program; (3) authorize the Mortgagee Review Board to levy civil monetary penalties; (4) require indemnification by mortgagees if fraud is involved in the loan application process; (5) increase capital requirements for HUD-approved mortgagees; (6) closely monitor program participants using accountability monitoring techniques; and (7) provide more specific requirements for mortgagee quality control plans and mortgage underwriting.

The Departmental response to our report acknowledged it as an accurate portrayal of the problems facing the Single Family Mortgage Insurance Program, but took exception to certain recommendations. The Department expressed concern that some of them may be premature, since sufficient time has not passed to evaluate corrective actions already underway, while other recommendations may not be cost beneficial or may have an adverse impact on program participants.

We recognize these concerns and will work closely with the Department to address the problems which continue to confront the program. The serious nature of these problems, which persist despite Congressional and Departmental efforts, suggests that additional actions, such as those we have recommended, are appropriate and timely. Strengthening the program through enhanced legislation and regulations will reduce the potential for future abuse.

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 the period, the MRB took action against two mortgagees referred by our office after audits disclosed serious deficiencies in loan originations.

- On November 18, 1988, the Board voted unanimously to offer First Union Mortgage Corporation of Denver, Colorado, the opportunity to enter into a settlement agreement which provided for indemnification to HUD for claim losses in connection with the improperly originated loans cited in our audit report. On April 17, 1989, First Union executed a settlement agreement under which it paid HUD $1.3 million for HUD losses on 21 loans. First Union also agreed not to file insurance claims on 13 other loans. (Audit Report No. 88-TS-221-1017.)

- In another action, the MRB suspended Mountain View Mortgage Company of Rancho Cucamonga, California, pending completion of our audit. Our review disclosed that the company failed to submit one-time mortgage insurance premiums on 118 loans that were to be insured by FHA. The mortgage insurance premiums totaled $339,000. (Audit Report No. 89-TS-221-1801.)

Property Disposition Activities

HUD's Property Disposition Branches (PDB's) are responsible for managing and selling the single family properties they acquire as the result of foreclosures. The PDB's must maintain the properties, correct any hazardous conditions, and prepare them for sale. The primary objectives are to maximize net dollar returns to the insurance fund and to preserve and maintain residential areas. During the reporting period, our audits disclosed problems in Anchorage, Alaska, and Denver, Colorado.

- The Anchorage Field Office did not always follow HUD requirements in managing properties conveyed to HUD through mortgage insurance claims. The PDB assigns its property management function to Area Management Brokers (AMB's) under contracts. Our review disclosed that the PDB staff allowed one AMB, Continental Ventures Realty, Inc., to perform and bill for prohibited identity-of-interest services at excessive rates and to charge for contracted services at amounts more than actual costs. The AMB received over $78,000 in questionable and ineligible service fees from July 1986 through September 1988. The field staff did not ensure that the contract terms were enforced or the AMB's performance was monitored. The staff also did not ensure that utility bills processed through a private financial service were paid before billing due dates. Consequently, HUD has paid an estimated $58,180 in unnecessary utility bill late charges since November 1987.

  The Anchorage Field Office issued policies and procedures that unnecessarily increased property preservation costs. Changing these policies and procedures could potentially save HUD $423,110 and avoid payment of duplicate services. We recommended that: (1) the staff be provided with adequate training; (2) the staff follow HUD requirements; (3) the late and unnecessary charges be eliminated from utility bills; (4) the Anchorage Office provide evidence that the present policies on preservation costs are necessary or change the policy; and (5) preservation policies be restated to avoid duplicate services. Additionally, we recommended that Continental Ventures Realty, Inc., be required to pay back excessive charges and provide support for over $19,000 in unsupported charges. (Audit Report Nos. 89-SE-123-0001 and 89-SE-222-1002.)

- Denver's Property Disposition Contracting Branch (PDCB) did not adequately administer contracts awarded for maintaining properties and preparing them for sale. Our audit disclosed unsupported and ineligible costs of over $318,000 for services reimbursed under the contracts. Inadequately trained staff were generally responsible for the noncompliance with HUD requirements and administrative policies which allowed the improprieties to occur. In one instance, a contractor was reimbursed over $151,000 for labor costs without any supporting documentation. The PDCB also allowed an unauthorized individual to execute two $50 million contracts and let prohibited statements appear in HUD advertising.

  We recommended that the Regional Administrator-Regional Housing Commissioner take actions to recover the disallowed costs; provide appropriate training for staff; and improve current monitoring procedures. (Audit Report No. 89-DE-123-0002.)

Loan Management Branch

Management of HUD's Assigned Single Family Inventory, Detroit Office

The Detroit Office's Loan Management Branch (LMB) did not effectively service its portfolio of 4,700 Secretary-held mortgages. Our audit disclosed that approximately 1,000 mortgagors were behind 6 or more years in principal payments and had accrued delinquencies of up to $28,700 each. The ineffective servicing resulted from the LMB's lack of adequate staffing and failure to follow required servicing procedures to ensure compliance with program requirements.

The Single Family Assignment Program provides financially distressed mortgagors with the opportunity to avoid foreclosure and retain homeownership. HUD accepts assignments of defaulted mortgages and services the accounts with the objective of protecting the Department from losses associated with foreclosure actions.

The Detroit Office loan servicers were responsible for portfolios which were eight times the size of the "benchmark" portfolio size recommended for effective servicing. While the LMB's lack of success was principally due to understaffing, the LMB did not always follow required or prudent servicing practices. Delinquent mortgagors were not always dealt with in a timely or appropriate manner. The LMB also had a backlog of 316 uncollectible loans, some of which should have been referred for foreclosure as early as 1985. Consequently, HUD incurred additional losses of $269,000 for property taxes paid while these loans were in the LMB inventory. To further the problem, servicers spent approximately 75 percent of their time resolving mortgagor complaints concerning erroneous statements generated by HUD's accounting system, the Single Family Mortgage Notes System (SFMNS). The inordinate time spent on resolving complaints reduced the servicers' ability to pursue collection or foreclosure of delinquent loans.

Both photographs show vacant, open, vandalized properties in Detroit, Michigan. Mortgages on both properties had been placed in an "inactive" inventory and no actions were being taken by the Detroit Office.

The Regional Administrator-Regional Housing Commissioner advised that Fiscal Year 1989 staffing allocations provide for an increase in the Detroit Office's LMB staff. We recommended that an assessment be made to ensure the increase will be adequate to properly service the loan inventory. We also made several recommendations to ensure timely and appropriate servicing of delinquent mortgages and avoidance of SFMNS errors. In addition, our office has initiated a multi-region audit of HUD's servicing of assigned single family mortgages to review longstanding program policies and procedures which contributed to the problems in the Detroit Office. (Audit Report No. 89-CH-123-0003.)

Community Planning and Development

The Community Development Block Grant (CDBG) Entitlement Program provides communities with grants to carry out a wide range of community development activities directed toward neighborhood revitalization, economic development and improved community facilities and services. The Urban Development Action Grant (UDAG) Program provides grants to local governments to assist them in stimulating economic development activity for local economic recovery. The local governments use funds to make loans to private developers for commercial, residential or industrial projects. HUD requires grantees participating in either program to fulfill certain Federal regulations and HUD requirements. Our audits disclosed the following problems in these programs.

Community Development Block Grant Program

City of Biloxi, Mississippi

Our review of the City of Biloxi disclosed significant deficiencies in the administration of its CDBG Program and other HUD-funded programs including a Section 108 loan and a special projects grant. The City used CDBG funds totaling $1.9 million for costs not eligible under the program and could not satisfactorily document that costs of $2.1 million were eligible or for approved items or activities. In addition, future savings of $365,000 were estimated through avoidance of unnecessary commitments.

The City did not follow HUD requirements or use good business judgement in the acquisition of land and equipment intended for use in the development of a waterfront project. The City paid in excess of the fair market value to acquire land and equipment for the project site and in one instance paid twice for the same parcel of land. The excessive payments were made primarily because: (1) the City circumvented acquisition regulations by using eminent domain proceedings to establish property values instead of using appraised values; and (2) the City did not obtain formal appraisals or review appraisals and accepted the sellers' appraisals at face value. The City also acquired over $2 million of land for which it may not have clear title, impeding further development of the project.

The City acquired a restaurant for $680,000 which provided no apparent benefit to the project. The only beneficiaries appear to be the owners who received cash and debt relief from the transaction and retained control of the restaurant through a 30-year lease back agreement. In another leasing arrangement, the City entered into a 99-year lease for property without any commitment from developers. Annual payments are $82,000 for the first

5 years, increasing thereafter. Three years have passed, leaving the City with no revenue-generating development on the property and no apparent means of meeting the financial obligations of the lease agreement.

The site of the City of Biloxi's waterfront project, Point Cadet.

A restaurant acquired by the City for $680,000 with no apparent benefit to the project.

Other deficiencies cited in the report include: failure to report or reprogram income generated by the program; use of CDBG funds for an unapproved activity; use of CDBG funds to pay costs which were the responsibility of third parties; and unnecessary payments for improvements to leased property.

We recommended that the Jackson Office: (1) recover the $1.9 million in ineligible expenditures plus interest from the date the funds were obtained by the City; and (2) require the City to provide support for costs of $2.1 million or recover the funds. Additionally, we recommended the City be prohibited from further expending funds on ineligible activities and that the City be monitored with respect to its contracting, appraisal and leasing procedures. The resolution of this audit is deferred pending completion of an inquiry by the United States Attorney. See Chapter 2 for investigation activities related to this audit. (Audit Report No. 89-AT-241-1009.)

Summary Report on Monitoring of Subgrantee Performance

Our summary review disclosed serious problems with subgrantee performance, including nonperformance of contracted activities and waste of program funds. CDBG entitlement grantees are responsible for monitoring subgrantees using guidance provided by HUD. There is no formal HUD regulatory or policy guidance regarding the monitoring requirement.

Grantees did not effectively monitor subgrantees or adequately address nonperformance. When poor subgrantee performance was identified in monitoring and audit reports, grantees failed to follow up to assure deficiencies were corrected. HUD Field Office monitoring was ineffective in monitoring grantees and their systems for assuring subgrantee performance. Additionally, grantee administration of the contracts with subgrantees needs improvement. Controls were deficient in the areas of budgets versus planned activities and quantification of contractual goals/objectives. These internal control weaknesses are material and were reported as such under the Federal Managers' Financial Integrity Act in the December 31, 1988 report to the President. They should be reported again in the December 31, 1989 report.

HUD's Office of Community Planning and Development (CPD) has proposed actions and issued a notice to address the deficiencies. We believe the new guidelines will improve HUD and grantee monitoring controls over subgrantee performance. In addition, we recommended that CPD request a technical assistance grant from the Secretary's Discretionary Fund so grantees and subgrantees can receive more training on program requirements; incorporate HUD notices and instructions on grantee monitoring of subgrantees into a more formalized text, such as handbooks or regulations; and request Office of Management and Budget approval to require line item budgets which relate costs to specific activities. (Audit Report No. 89-TS-141-0003.)

CDBG Subgrantee Monitoring, District of Columbia

An audit of the District of Columbia's monitoring of CDBG subgrantees found that ineffective monitoring allowed subgrantees to incur costs of $1,043,000 which were unsupported and ineligible costs of $159,240.

The grantee did not take adequate action to ensure that over $38 million in CDBG funds provided to subgrantees were audited in accordance with Federal requirements and that subgrantees had proper records to support the allocation of indirect costs and salaries. Consequently, there was insufficient assurance that CDBG funds were properly used. We also found that certain data reported by subgrantees could not be supported by source documentation, particularly statistics on jobs created or retained by economic development activities.

We recommended that the grantee: (1) repay the CDBG Program for all ineligible costs and provide documentation or repay unsupported costs; (2) ensure that subrecipients are audited in accordance with Federal requirements; and (3) establish systems to improve monitoring, assure accurate reporting and provide subgrantee oversight. (Audit Report No. 89-PH-241-1011.)

Urban Development Action Grants (UDAG)

City of Chelsea, Massachusetts

The City of Chelsea did not comply with UDAG agreement requirements pertaining to the use of program revenues and reporting of revenues and disbursements. The City's UDAG Program generated revenues of $4.9 million from land and air rights sales and earned interest. Subsequently, the City disbursed $4.7 million of the revenues, using at least $88,876 for ineligible items. Contrary to UDAG requirements, the City did not report the program revenues and disbursements in its Semiannual Program Report (SPR). The SPR is used by HUD and external parties to evaluate the program's progress.

Other deficiencies cited in our audit report included the following items:

- The City failed to collect lease payments from a developer totaling $16,000. Subsequent to our inquiry, the City received an additional payment of $7,000.
- The City did not establish a system to evaluate the reported progress of jobs generated by the UDAG. Without this monitoring, there is no assurance that the data is accurate and job goals will be met.

We recommended that the Boston Regional Administrator-Regional Housing Commissioner instruct the City to amend its SPR to reflect the revenues and expenditures. In addition, the City should determine if revenues were properly used for eligible UDAG activities. Subsequent to our review, $87,210 were reimbursed to the UDAG Program. We recommended that the City submit evidence of repayment of the remaining $1,666. We also recommended that the City: (1) provide evidence that all lease payments are collected; and (2) implement monitoring procedures to evaluate job progress and amend the SPR to accurately reflect jobs claims. (Audit Report No. 89-BO-242-1001.)

Other Programs

This section summarizes our major activities in other program areas such as Fair Housing and Equal Opportunity; Administration; the Office of Small and Disadvantaged Business Utilization; and the Government National Mortgage Association.

Fair Housing and Equal Opportunity

Community Housing Resource Board (CHRB) Program

Our review of the CHRB Program concluded that the program is ineffective and that grant resources were not adequately accounted for, safeguarded or efficiently used. In Fiscal Years 1986 and 1987, about $.7 million of the $3.7 million in grants were used for ineligible activities or used for costs which were not properly supported.

CHRB's are local boards organized by HUD Field Office Fair Housing and Equal Opportunity (FHEO) Directors, and consist primarily of volunteers from local civic groups and businesses with fair housing concerns. Under this program, CHRB's may receive HUD grants of up to $25,000 to assist in furthering fair housing issues. The objectives of the CHRB's are to: (1) monitor the implementation of HUD's Voluntary Affirmative Marketing Agreement with local realty boards; and (2) maximize communication between local groups on housing issues.

Our audit disclosed that the CHRB's generally did not meet their objectives and were not effectively using grant funds. CHRB's lacked the administrative capacity to carry out the program and to comply with fiscal requirements. In addition, HUD did not provide adequate or proper guidance and support to the CHRB's. Any effect that the grant program may have had was diminished by the fact that only 38 percent of the funds were used for direct program costs. The remaining funds were used for administrative costs (44 percent) or remained unused after grant completion (18 percent).

We recommended that the Assistant Secretary for FHEO place a moratorium on future funding of CHRB's until action is taken to strengthen administrative and fiscal guidelines for CHRB's as well as provide training for HUD staff who monitor CHRB's. In addition, we considered the internal control weaknesses discussed in the report to be material; they were reported as such under the Federal Managers' Financial Integrity Act in the December 31, 1988 report to the President. They should be reported again in the December 31, 1989 report. (Audit Report No. 89-TS-174-0004.)

Administration

Report on HUD's Implementation of the Federal Managers' Financial Integrity Act (FMFIA) of 1982

The FMFIA requires the head of each agency to establish and maintain internal control and financial management systems. OMB Circular Nos. A-123 and A-127 set forth responsibilities and requirements for implementing the FMFIA to reduce the risk of fraud, waste and abuse in the use of government resources, and improve management of government programs. FMFIA requires that the head of each agency submit an annual statement to the President and the Congress on the adequacy of the agency's internal control and financial management systems.

The Department made significant progress in evaluating its internal control and financial management systems in Fiscal Year 1988, including the completion of: a 5-year Management Control Plan (MCP) for the period 1988 through 1992; new scoping, reporting and quality review guidelines for "assurance reviews"; 49 internal control reviews (ICR's), including 25 of 30 ICR's scheduled for Fiscal Year 1988 in the MCP; and 47 alternative ICR's (AICR's), including 46 of 70 AICR's scheduled for Fiscal Year 1988 in the MCP.

Despite the progress made in FY 1988, HUD is still not in a position to provide reasonable assurance of its overall compliance with FMFIA objectives because: ICR's or AICR's have not been completed on approximately 63 percent of HUD's inventory of assessable units, with some high risk areas still not evaluated; detailed evaluations have not been performed on two of HUD's eight existing financial management systems; and significant internal control weaknesses and financial management system nonconformances are not yet corrected. The Department's existing evaluation process should be strengthened to increase its effectiveness, thereby achieving full compliance with FMFIA objectives.

We made recommendations to clarify the extent of HUD's evaluation efforts and the results in the Fiscal Year 1988 FMFIA Annual Statement. We also made recommendations to improve the effectiveness of HUD's FMFIA evaluation process. The Department is in the process of implementing them. However, the Assistant Secretary for Administration does not, at this time, plan to phase out the use of contractors to evaluate the Department's internal control systems. Administration believes that independent review offers a significant advantage over using limited staff resources to ensure compliance with FMFIA. (Audit Report No. 89-AO-169-0004.)

Regional Accounting Division and Other Program Areas, Fort Worth, Texas

The Regional Accounting Division (RAD) and certain branches of the Housing Management Division did not adequately follow the Department's cash management and debt collection policies and procedures. The Region's controls were not sufficient to prevent overpayments of more than $5.3 million in real estate taxes. Although tax authorities returned over $5,285,000 of the overpayments through Treasury checks and refunds, five tax authorities included in our review did not refund over $54,000. Since there are more than 2,000 tax authorities in the five-State region, it is apparent that substantial additional overpayments need to be recovered.

Improved RAD controls and adequate Housing reviews of billings are essential. The Region now pays about $14.6 million in real estate taxes each year and $25 million each month for Housing Assistance Payments (HAP) billings. In addition, we noted the RAD's December 31, 1987 semiannual review of unliquidated obligations omitted 59 older, inactive operating subsidy projects with $903,960 in unliquidated obligations.

We recommended that the Region take certain steps to better comply with Treasury and HUD requirements when processing tax and HAP billings. These steps include: (1) more thorough and timely reviews of billings; (2) proper determinations and recordings of amounts owed the Department; and (3) additional monitoring to help ensure proper processing of billings. Concerning the incomplete review of unliquidated obligations, we recommended a more careful review to help assure that any omitted projects are covered. The Office of Administration has indicated it will assist the Fort Worth Region in implementing these recommendations. (Audit Report No. 89-FW-161-0001.)

Reports on Services Provided Under Contracts

We performed an audit to determine the eligibility of costs incurred for Fiscal Years 1985 and 1986 by Comprehensive Marketing Systems (CMS) on Federal cost reimbursable contracts. CMS is a real estate and policy planning corporation which provides services for: housing and economic development consulting; loan servicing and portfolio management; construction management; real estate analysis and project implementation; and international development. The most significant effect of our audit was a $.5 million reduction in costs charged to HUD's contract for the servicing of Section 312 loans.

We previously reviewed the contract awarded to CMS to service Section 312 loans and found performance and monitoring problems. In response to our recommendations, HUD added performance incentives to the current contract with CMS. Our review of the current contract disclosed that the incentive performance levels reported by the contractor could not be readily validated and HUD's review of contract incentive performance was not adequate. We recommended recovery of unsupported incentive fees paid during the first contract period ($120,000) and discontinuation of any further fee payments until the contractor develops an adequate system for accurately reporting and fully supporting its performance levels. (Audit Report Nos. 89-AO-262-1004 and 89-AO-122-0005.)

Controls Over Magnetic Tapes

We issued a report concerning the Department's implementation of the automated System for Tape Administration and Reporting (STAR) used to control magnetic tapes for HUD's UNISYS mainframe computer operations. Our report stated that STAR has not been effectively used to: (1) account for magnetic tapes stored at off-site storage locations; and (2) protect data on these tapes from unauthorized access, destruction or error. The lack of effective internal controls over magnetic tapes could seriously impair the Department's ability to efficiently and effectively carry out its mission.

An inventory of magnetic tapes at one off-site storage facility showed that 58 of 147 tapes listed in STAR were not at that location and 698 tapes at the facility were not designated within STAR as being at that site. Similarly, magnetic tapes located at another off-site storage site had not been entered into STAR. Neither the Office of Information Policies and Systems (IPS) nor the Office of Administrative and Management Services (OAMS) conducted periodic inventories of tapes at the off-site locations, or fully implemented procedures to control the transfer of magnetic tapes to and from the off-site locations.

In implementing STAR's features to protect magnetic tapes, the Department allowed: (1) an excessive number of STAR users access to STAR data that should be restricted from access; (2) users to circumvent controls which verify tape ownership; and (3) unauthorized individuals access to and use of the STAR master password.

The Assistant Secretary for Administration implemented our recommendations to conduct periodic magnetic tape inventories and to develop magnetic tape transfer procedures. Further, the Assistant Secretary implemented recommendations to place restrictions on access to critical data elements on the Tape Inventory File; the software option which allows circumvention of tape ownership data; and the STAR master password. We also considered these weaknesses material and recommended disclosure in the Department's Fiscal Year 1989 Federal Managers' Financial Integrity Act Assurance Statement to the President and Congress. (Audit Report No. 89-AA-166-0001.)

The Office of Small and Disadvantaged Business Utilization

Review of Contracting for OSDBU

At the request of the former HUD Under Secretary, we reviewed selected contracting activities in the Office of Small and Disadvantaged Business Utilization (OSDBU) and found that $336,000 were awarded for contracted support services that were of questionable need, cost and benefit. Our review, limited to 10 contracts/purchase orders, disclosed that established procurement policies and practices were not followed in the award and administration of the 10 OSDBU procurement actions. We noted problems in the areas of: advance procurement planning; needs justification; statement of work definition; contractor selection; cost and price analysis; and Government Technical Representative performance. Generally, we concluded that the OSDBU needs to fully implement prescribed internal controls over the procurement process. Additionally, the Office of Procurement and Contracts needs to strengthen preaward processing controls. Our recommendations were directed at strengthening procurement controls in OSDBU and the Department as a whole. (Audit Report No. 89-AO-163/179-0001.)

Government National Mortgage Associaton

Review of Procurement of Mortgage-Backed Securities Program Servicing Contract

Our limited review of the program servicing contract awarded by the Government National Mortgage Association (GNMA) disclosed deficiencies in the award process. The basis for the selection was not adequately documented nor were discussions pertaining to the unsuccessful bidder's proposal documented.

The major element of the servicing contract is the on-site review of issuer and custodian compliance with GNMA requirements. The successful bidder proposed a review effort more than 10 times that which was conducted by the previous servicing contractor. The basis for the selection of the successful bidder was that the additional time would more likely generate a complete and accurate product. However, GNMA did not prepare cost or time estimates for these reviews. Consequently, the contract was awarded to the contractor proposing the highest level of effort without an evaluation of whether the time proposed was necessary or reasonable.

We recommended that GNMA: (1) assure cost estimates are prepared in the future; (2) incorporate the Federal Acquisition Regulations into their procurement procedures (with the exception of issuer contracts); and (3) monitor the contract to determine if hours estimated as the basis for the contract are necessary. If not, the contract should be renegotiated or terminated. (Audit Report No. 89-AO-171-0007.)

Chapter 2

SIGNIFICANT INVESTIGATIONS

This Chapter describes some of the more significant prosecutive actions which occurred during the reporting period. The Chapter is divided into Single Family; Rental Assistance; Public Housing; Multifamily; the Title I Property Improvement Program; and the Community Development Block Grant Program.

Single Family

Our resources continued to be directed toward investigations of mortgage fraud schemes in the Single Family Mortgage Insurance Programs. During the reporting period, our investigations of lenders, real estate agents, investors, mortgagors and others involved in the schemes resulted in criminal charges against 72 individuals/firms, 52 convictions, $104,000 in fines and approximately $3.1 million in monetary recoveries.

We sponsored a conference with the Federal Bureau of Investigation (FBI), Fraud Section, Department of Justice (DOJ), and the Veterans Administration (VA) OIG to enhance our investigative and prosecutive efforts to address fraud in the Single Family Mortgage Loan Program. The conference focused on the need for cooperative efforts to detect, investigate, and prosecute mortgage loan origination fraud and equity skimming. Attending were approximately 100 investigators and prosecutors from more than 30 cities where a substantial number of cases exist. The conference highlighted many fraud and equity skimming schemes. The attendees shared their experiences and heard about techniques which have been successfully applied in investigating and prosecuting these cases. The conference has already resulted in an increased interest and emphasis by the FBI, United States Attorneys, and the DOJ Fraud Section in the single family mortgage loan fraud area.

The following are some significant investigative results during the reporting period.

- Five individuals in the Denver area pled guilty to false statement charges in connection with a mortgage fraud scheme. A direct endorsement lender originated over 1,000 loans using inflated appraisals, strawbuyers and false documents. The five individuals acted as strawbuyers and received $1,000 for each property they purchased. Titles to the properties were subsequently conveyed to investors, who used the properties in equity skimming schemes. All the loans are in foreclosure and HUD has paid claims of over $1.6 million. Four of the strawbuyers were fined $2,000, given probation and ordered to perform community service. The mortgage company has been suspended from participation in HUD programs by HUD's Mortgagee Review Board. Sentencing for one strawbuyer is pending. This investigation was conducted by a task force comprised of special agents from the OIG, the FBI and the IRS. (United States vs. Cecil Jenkins, et al., District of Colorado.)

- As part of a continuing investigation, four individuals pled guilty and were sentenced for their activities in originating fraudulent single family loans in Kalamazoo, Michigan. The investigation was centered around the activities of a real estate broker, the president of a construction company, another real estate agent and an investor landlord. The construction company president and the landlord submitted false statements and in some cases, used strawbuyers to obtain FHA-insured mortgages and subsequently rented the properties. To date, 14 properties have been identified as having been purchased through the scheme and HUD's losses are over $315,000. The broker, who was a former president of the Kalamazoo Board of Realtors and an instructor at a local college, taught a real estate course focusing on creative financing. One of the broker's students, who was also a real estate agent, stated in court that the broker had explained in class how to defraud HUD when purchasing/financing single family properties. The four individuals have been sentenced to a total of 6 years and 303 days confinement and have been suspended from future participation in HUD programs. (United States vs. Edmond Michael Kilbourn, et al., Northern District of Michigan.)

The real estate broker and investor landlord falsified the $67,000 loan application on this property in Kalamazoo, Michigan. Neither disclosed that they received a $10,000 kickback from the profit of the seller. HUD sustained a $62,556 loss after reselling the property upon foreclosure.

- A continuing task force investigation of mortgage fraud in the District of Columbia resulted in additional convictions of strawbuyers, brokers and investors who participated in the schemes. During this period, 13 individuals pled guilty to charges of conspiracy and submitting false statements in connection with loan originations. Thus far, ten of the individuals have received sentences totaling over 23 years (14 years suspended), $35,000 in fines, 200 hours of community service and 15 years of probation. They were also ordered to make restitution to HUD of $123,965. To date, 26 individuals have been sentenced and civil and criminal recoveries amount to $4.1 million. The sentences total over 78 years of incarceration and 47 years of probation. The task force consists of the HUD and VA-OIG's and the FBI. (United States vs. Arnold Litman, et al., District of Columbia.)

- The efforts of a task force comprised of HUD and FBI special agents, attorneys from the Offices of the United States Attorney for Oklahoma City and Tulsa, and the Fraud Section, Department of Justice, resulted in five indictments, four convictions, and court-ordered monetary recoveries of $37,739. To date, a total of 32 persons has been indicted and 22 convicted in this effort. The task force is investigating in excess of 125 subjects who purchased single family properties in a depressed economic environment, obtained highly inflated appraisals, and submitted false statements to obtain mortgage loans. The rate of foreclosure in the State of Oklahoma in 1987 was three times the national average, and HUD's average net loss for each property is approximately $25,000. (United States vs. Cecil Johnson, et al., Western District of Oklahoma.)

- Two investors were indicted by a Federal Grand Jury in Las Vegas, Nevada, on two counts each of conspiracy, aiding and abetting, and equity skimming. A joint investigation by the OIG and the Las Vegas District Attorney's Office disclosed that the investors assumed HUD- and VA-insured loans, subsequently rented the properties, and failed to make the mortgage payments. The loss to HUD for the five properties listed in the indictment was in excess of $225,000. (United States vs. Patrick Michael Griffin, aka Ted Griffin, and Karen Marlene Byford, aka Karen Marlene Griffin, District of Nevada.)

- Two real estate investors pled guilty in Houston, Texas, to mail fraud and bank fraud charges. Both investors had previously been indicted by a Federal Grand Jury on 11 counts of conspiracy, mail fraud, bank fraud and transportation of stolen monies. The indictment was the result of a joint OIG/FBI investigation which found that the investors assumed ownership of approximately 40 single family homes, half of which were originally purchased with HUD-insured mortgages. After acquisition, the investors intentionally caused water and fire damage to the properties, filed false hazard insurance claims, forged endorsements of mortgage companies and a bank on the insurance checks, and collected the insurance proceeds via the U.S. Mail. After obtaining the hazard insurance proceeds, the investors made no payments on the HUD-insured mortgage loans. (United States vs. Sidney B. Yarborough and Charles T. Collier, Southern District of Texas.)

- A real estate broker was indicted in Camden, New Jersey, and charged with one count of conspiracy and six counts of making false statements concerning the employment, income and assets of homebuyers. The broker thus enabled unqualified buyers to obtain HUD-insured mortgages. HUD paid claims totaling over $150,000 on these properties. The broker has been suspended from participation in HUD programs. (United States vs. Samuel Cohen, District of New Jersey.)

- A Federal Grand Jury in Great Falls, Montana, returned a 29-count indictment charging a Montana businessman with equity skimming, the submission of false statements and mail fraud. An OIG investigation revealed that the businessman assumed over 40 FHA loans, collected over $115,000 in rent, and did not make any mortgage payments. HUD's losses are estimated at over $2 million. (United States vs. Ernest L. Bowers, District of Montana.)

- Two Area Management Brokers (AMB's) in Las Vegas, Nevada, were convicted of conspiracy in the submission of false statements to HUD. An investigation disclosed the AMB's, through their property management company, submitted false monthly accounting reports to HUD from 1985 through 1987. The scheme resulted in losses to HUD in excess of $170,000. Each partner was placed on probation and ordered to make restitution of $86,500 and perform 300 hours of community service. Additionally, the AMB's and their company have been suspended from participation in HUD programs. (United States vs. John C. Phelps, Monroe Williams, and Williams-Phelps Property Management, Inc., District of Nevada.)

- A real estate investor who was also a mortgage company official in Atlanta, Georgia, was placed on 3 months unsupervised probation for his participation in a mortgage fraud scheme. The investor received payments from the seller of properties for obtaining loans for buyers. HUD insured the mortgages as the result of false statements which were made in connection with the transactions. The investor was the 18th defendant charged and sentenced in the ongoing OIG/FBI investigation into single family fraud in the Atlanta area. (United States vs. Michael Whitledge, Northern District of Georgia.)

- A Federal Grand Jury in St. Louis, Missouri, returned a six-count indictment charging an attorney with one count of making a false statement to HUD, two counts of failure to file a Federal tax return and three counts of filing false Federal tax returns. The attorney, who participated in HUD's Section 235 Program, underreported his income by $815,197 between 1981 and 1985. Each year the attorney certified to HUD that his income was under $23,000 in order to qualify for mortgage assistance through the program. The attorney has been suspended from participating in HUD programs. The investigation was conducted by the OIG and the IRS Criminal Investigations Division. (United States vs. Charles L. Bussey, Jr., Eastern District of Missouri.)

- The employer of a Chicago, Illinois property investor was convicted on false statement and conspiracy charges for his role in a loan origination scheme. The employer falsified forms verifying the investor's employment, income and intent to occupy the home. The investor and a real estate broker were previously convicted of conspiracy to obtain mortgages on properties by making false statements to HUD. The employer was placed on 2 years probation and ordered to perform 200 hours of community service. He has been suspended from participating in HUD programs. (United States vs. Elijah Miles, et al., Northern District of Illinois.)

- A real estate agent in Chicago, Illinois, was sentenced to 11 months in prison (3 years suspended), 5 years probation, and was ordered to make restitution of nearly $188,000 to HUD and nearly $30,000 to the Veterans Administration. The agent was involved in a single family equity skimming scheme and also failed to file tax returns. A joint OIG/FBI investigation determined that the agent assumed 15 Federally insured loans and failed to make mortgage payments while collecting rents from the properties. Losses to HUD are approximately $200,000. (United States vs. Errol Vestuto, Northern District of Illinois.)

Rental Assistance

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. The following actions were recorded:

- Individuals Indicted: 61
- Individuals Convicted: 69
- Restitution/Repayments: $796,942
- Total Fines: $81,606

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

- A Section 8 landlord pled guilty in Suffolk County, New York, to one count of petit larceny in connection with side payments that the landlord obtained from at least 16 of his tenants. The plea was part of an agreement in which the landlord will make restitution of $125,000 in the form of rental rebates to all 83 of his Section 8 recipients. (State of New York vs. Caesar Figoni.)
- A Cook County, Illinois Deputy Sheriff, who was also a legislative aide to an Illinois State Representative, was sentenced to 1 year and 1 day in prison and placed on probation for 5 years on the condition that she perform 300 hours of community service and make restitution to HUD in the amount of $67,384. She previously pled guilty to two counts of submitting false income certifications to HUD and one count of Federal income tax evasion. She is to repay $18,810 to HUD in Section 8 benefits which she obtained while residing at the Damen Court Apartments in Chicago, an additional $48,574 which the Department lost due to her default on a fraudulently obtained single family insured mortgage, and $6,737 to the Internal Revenue Service. She has also been suspended from participation in HUD programs. The investigation was conducted jointly by the OIG and the IRS Criminal Investigations Division. (United States vs. Cynthia E. Sanders, Northern District of Illinois.)

- A Federal Grand Jury in Minneapolis, Minnesota, returned a four-count indictment against a tenant and spouse. The indictment charged that the tenant misrepresented total household income by failure to report the spouse's residency and income earned as a City employee. The two were charged with aiding and abetting, theft of government property, making false statements, and conspiracy. The charges were the result of an OIG investigation which determined that the tenants underpaid their rent in the amount of $67,657 between 1982 and 1986. (United States vs. Sharon K. and Gary E. Martin, District of Minnesota.)

- Four persons were indicted and one convicted in the Boston, Massachusetts area on 14 counts of making false statements, conspiracy, and conversion of public money in fraudulently obtaining Section 8 rental subsidy from HUD. The individuals submitted false statements to HUD concerning occupancy, total family income, and total assets which resulted in overpayments of approximately $42,430. The convicted tenant was sentenced to 6 months imprisonment on three counts of making false statements, to be served concurrently, and 3 years probation, and was ordered to pay $11,433 in restitution. Charges against the four indicted individuals are pending. The investigations were conducted by the OIG and presented as a package to the U.S. Attorney for prosecution. (United States vs. Debra Chapman, Linda Stokes, Nana Boateng, Lucy Prado, and Ernest Onuoha, District of Massachusetts.)

- A secretary to the Chicago Regional Counsel, Internal Revenue Service (IRS), was charged with submitting false statements to HUD to obtain Section 8 rental benefits to which she was not entitled. The two-count charge was the result of an OIG/IRS Internal Affairs Division investigation which found that the tenant misrepresented her IRS earnings between 1984 and 1988, causing an assistance overpayment of nearly $30,000. (United States vs. Jacqueline Rice, Northern District of Illinois.)

- A University of Illinois employee pled guilty to two counts of submitting false statements to HUD concerning her participation in the Section 8 Rental Assistance Program. The tenant submitted false employment information to HUD and lied to an OIG agent. She received rental assistance of nearly $20,000 to which she was not entitled. This individual was one of several charged on the same day by the Chicago U.S. Attorney to demonstrate that prosecutive actions would be taken against abuse in programs of several Federal agencies. (United States vs. Giovanna Lewis, Northern District of Illinois.)

- One current and two former Section 8 tenants in Athens, Georgia, each pled guilty to separate charges of defrauding HUD by making false statements on recertification forms. As a result of these fraudulent statements, the tenants were able to receive $22,343 in rental assistance between 1983 and 1987. The investigations were conducted as a result of a computer matching operation involving the three largest Section 8 management companies in the State of Georgia. (United States vs. James Brown, Brenda J. Davis and Georgia Smith, Middle District of Georgia.)

- A former Section 8 tenant in Flint, Michigan, who was convicted of misrepresenting information on income derived from narcotics sales, was sentenced to 17 years and 4 months in jail, 5 years probation, and fined $26,000. The sentencing followed conviction of the tenant for submitting false statements to HUD and related narcotics charges. The tenant pled guilty to a Federal Grand Jury indictment which charged that between 1987 and 1988, she falsified application and recertification documents about other personal income. The indictment also charged that she actually owned and resided in another property while receiving rental assistance benefits and that she had not reported income derived from the sale of cocaine. (United States vs. Wanda Miller Henderson, Eastern District of Michigan.)

- A Section 8 tenant in Philadelphia, Pennsylvania, was placed on 5 years probation and ordered to pay restitution of $27,007. The tenant was previously indicted on four counts of making false statements. The charges resulted from the tenant's fraudulent submission of information in order to receive rental subsidy. She has been suspended from participating in HUD programs. (United States vs. Deborah A. Harley, Eastern District of Pennsylvania.)

- A former Section 8 property owner in Cleveland, Tennessee, was sentenced to 6 months in prison, 5 years probation, and ordered to make $18,632 in restitution. The owner entered into a scheme with the Section 8 Coordinator of a public housing agency (PHA) and received payment for five nonexistent tenants in the Section 8 Program. Half of the proceeds were then kicked back to the Section 8 Coordinator. The Coordinator was sentenced in an earlier reporting period. (United States vs. George Mason, Eastern District of Tennessee.)

Public Housing

- A former staff accountant of the Wayne Metropolitan Housing Authority was sentenced in Cleveland, Ohio, to 3 years in prison (suspended), placed on 3 years probation, and ordered to pay $40,000 in restitution. The accountant pled guilty to embezzling nearly $60,000 in Section 8 rental assistance monies from the Authority between 1980 and 1986. He has been suspended from participating in HUD programs. (United States vs. James E. McGinnis, Northern District of Ohio.)

- The Executive Director of the Annapolis, Maryland Housing Authority was sentenced to 10 years in prison after a jury found him guilty on three counts of wire fraud, six counts of bribery, and one count of racketeering. He was sentenced to 5 years each on nine counts, to run concurrently, and fined $45,000. He received 10 years confinement on the racketeering count to run concurrently with the other counts. The conviction resulted from an investigation concerning a bid rigging scheme at the Authority involving the Executive Director and seven contractors whereby the Executive Director received goods, services, and cash in return for contracts that were awarded. He has also been suspended from participating in HUD programs. The investigation was conducted jointly by the OIG and the FBI. (United States vs. Arthur Strissel, District of Maryland.)

- An accountant of the Hocking, Ohio Metropolitan Housing Authority was placed on 30 days work release and 3 years probation, and was ordered to pay $7,500 to HUD following her conviction on embezzlement charges. The accountant admitted to the theft which took place between 1985 and 1988. (United States vs. Melanie Carter, Southern District of Ohio.)

- An employee of the Pueblo, Colorado Housing Authority was sentenced to 90 days confinement, placed on 5 years probation, and ordered to make full restitution after her conviction for embezzlement. Between 1985 and 1988, the employee received $36,358 in Section 8 rental monies for tenants that did not exist. She has been suspended from participating in HUD programs. (United States vs. Donna Walker, District of Colorado.)

- A Federal Grand Jury in Little Rock, Arkansas, indicted the Executive Director of the Blytheville Housing Authority and the City Superintendent on charges of conspiring to defraud the United States by obtaining payment of false and fraudulent claims for hours the City Superintendent worked as a carpenter at the Housing Authority. In 1987, the City Superintendent was paid $24,510 as an hourly employee of the Housing Authority while he drew a salary of $24,000 as a full-time supervisor for over 70 other City employees. Both individuals have been suspended from participating in HUD programs. (United States vs. Wallace J. Cupples and Dwain H. Painter, Eastern District of Arkansas.)

- The Executive Director of the Kanawha County Housing and Redevelopment Authority (KCHRA), Charleston, West Virginia, was indicted and charged with one count of conspiracy, eight counts of receiving unlawful gratuities, three counts of perjury, and one count of unlawful interception of an oral conversation. In the same indictment, a KCHRA Board Member was indicted on one count of misprison of a felony. The charges stemmed from the official receiving unlawful payments involving the Section 8 Moderate Rehabilitation Program (MRP) between 1983 and 1986. The investigation, conducted jointly by the FBI, local police, and the OIG, also resulted in the indictment of an employee of the Charleston Housing Authority on one count of making false statements and 11 counts of mail fraud for submitting false documents regarding payments to a landlord involved in the MRP. (United States vs. Frank Vinson, Bennett Burgess and Mark Smith, District of West Virginia.)

- The Executive Director of the Llano Housing Authority, Llano, Texas, pled guilty to one count of embezzlement. The guilty plea followed a 5-count indictment charging her with theft of Housing Authority funds. An investigation by the Llano County Sheriff's Department and the OIG revealed that the defendant embezzled $10,588 using bogus receipts and kept cash received as rent payments from tenants. She has been suspended from participating in HUD programs. (United States vs. Betty K. Northam, Western District of Texas.)

- A Federal Grand Jury returned a 5-count indictment charging a former Administrative Officer of the Tlingit-Haida Regional Housing Authority, Juneau, Alaska, with accepting a bribe, conspiracy, converting public money, and filing a false income tax return. Three contractors and a businessman were also charged with conspiracy. The charges stem from a $10,000 payment to the Administrative Officer to gain approval of certain contracts. The investigation was conducted by the OIG, the FBI and the IRS. (United States vs. Felipe J. Tagaban, et al., District of Alaska.)

Multifamily

- The former Director of Housing Management in HUD's Chicago Regional Office was indicted by a Federal Grand Jury in Chicago, Illinois, on conspiracy and mail fraud charges in a scheme to defraud HUD and the United States of approximately $465,000. The indictment also charged another HUD employee, the former Housing Management Director's wife, and two other individuals. The scheme involved the former Director's approving overpriced extermination contracts for a company co-owned by his wife. The former Director is facing a total of 213 years confinement if convicted of all charges. (United States vs. Elmo Turner, et al., Northern District of Illinois.)

- An Oak Brook, Illinois bonding agent/real estate broker pled guilty to two counts of wire fraud resulting from his providing a false performance bond for the construction of a housing project for the elderly in Tell City, Indiana. The agent had been charged with 20 counts of mail fraud, wire fraud, and interstate transportation of stolen property in connection with the scheme he ran throughout the country. In addition, he was charged with falsely promising loans or bonds to a number of individuals in exchange for fees of $10,000 to $20,000. The loss to HUD as a result of having to provide funds to complete the construction and other parties who were not paid for their work is approximately $750,000. The investigation was conducted jointly by the OIG and the FBI. (United States vs. Robert A. Allabastro, Northern District of Illinois.)

Title I Property Improvement Program

- A Title I home improvement contractor was indicted by a Federal Grand Jury in Milwaukee, Wisconsin, on eight counts of submitting false statements to HUD. An investigation of 35 defaulted Title I loans originated between 1984 and 1987 found that the contractor caused homeowners to falsify the loan applications. The applications showed misrepresentations of assets, liabilities and income which allowed the homeowners to qualify for the loans. Losses to HUD are estimated at $175,000. (United States vs. Laurence Wales, Eastern District of Wisconsin.)

Community Development Block Grant Program

- A contractor and his company were indicted by a Federal Grand Jury in Philadelphia, Pennsylvania, and charged with 18 counts of making false statements and two counts of submitting false claims. The contractor, who received HUD funds to rehabilitate two properties, reported false information on payrolls and wages paid to workers. The workers were underpaid by $42,978. (United States vs. Robert K. Wheeler, Eastern District of Pennsylvania.)

- A Federal Grand Jury in Jackson, Mississippi, returned separate indictments charging two individuals with a total of 11 counts of making false declarations before the Grand Jury. The charges were brought against the Executive Director of a local economic development foundation and a representative of an investment firm. The indictments are the result of an ongoing Grand Jury inquiry into a Community Development Block Grant (CDBG) Program in Biloxi, Mississippi. The investigation is being jointly conducted by the FBI and the OIG. See Chapter 1 of this report for information pertaining to OIG audit activities in this area. (United States vs. Reba Capers and Charles Adams, Jr., Southern District of Mississippi.)

- A Milwaukee, Wisconsin contractor was indicted by a Federal Grand Jury for his role in a conspiracy to defraud HUD's CDBG Program as well as extortion and income tax violations. The 45-count indictment cited the contractor, who was the director of a not-for-profit firm, with falsifying repair invoices and converting the money for his personal use. He was also charged with extorting funds from business owners and failing to report his true personal income on tax returns in 1986 and 1987. The indictment was the result of an FBI investigation conducted with OIG and IRS assistance. (United States vs. David L. Reynolds, Eastern District of Wisconsin.)

- A contractor in Little Rock, Arkansas, pled guilty to conspiracy to defraud the United States. The contractor was charged with one count of conspiracy and two counts of bribing the Housing Rehabilitation Officer of the City of North Little Rock. Twelve contracts totaling $21,145 were awarded to the contractor. The contractor was sentenced to 3 years in prison with 30 months suspended, required to make restitution of $24,000, and ordered to serve 30 months active probation upon release from prison. The investigation was conducted by the FBI and coordinated with the OIG. OIG audit assistance was furnished at the request of the U.S. Attorney. (United States vs. Charles William Haney, Eastern District of Arkansas.)

- An investigation by our office and the Maryland State Attorney General's office resulted in an indictment of the Mayor of the Town of Colmar Manor, Maryland, for stealing more than $39,000 from City accounts, including the CDBG account. The Grand Jury indictment charged the Mayor with two counts of aggravated theft and 57 counts of forgery. The Mayor allegedly forged signatures of members of the Town Council and cashed over 50 checks from the City's CDBG account.

  Our office also conducted a limited review of the CDBG Program after we were advised by an independent auditor that CDBG funds had allegedly been misappropriated. The report identified unauthorized payments of over $32,000 and ineligible payments of over $65,000 made from CDBG funds. (State of Maryland vs. Joseph Slaton Anthony; Audit Report No. B-79-HS-24-0004.)

Chapter 3

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: Tenant Fraud Initiatives; Awareness Publications; the President's Council on Integrity and Efficiency; the HUD Hotline; and Monitoring Audit Quality.

Tenant Fraud Initiatives

Our Office has been involved in several initiatives to prevent and detect tenant fraud. These include: supporting income verification legislation; conducting income computer matches; and presenting workshops on a Tenant Integrity Program.

Income Verification Legislation

The passage of the Housing and Community Development Act of 1987 provided authority for HUD to require tenants to disclose their Social Security Numbers as a condition of initial or continuing eligibility for HUD benefits. Since the law was passed, a proposed rule was published and public comments were received. We anticipate a final rule will be published by May 1989. The rule will require the complete and accurate disclosure of all Social Security Numbers by applicants and tenants in housing programs and documentation at the initial disclosure. We believe this requirement will significantly aid in identifying undisclosed income when used in computer matching projects.

Section 904 of the Stewart B. McKinney Homeless Assistance Amendments, as passed in October 1988, requires States to provide wage data information to HUD and public housing agencies (PHA's). It also requires applicants and tenants to sign a consent form permitting HUD and PHA's to obtain wage data from State agencies and to confirm that information with current or past employers. On January 5, 1989, the Department of Labor (DOL) issued Unemployment Insurance Program Letter No. 11-89 to advise State Employment Security Agencies of these changes to the Social Security Act. DOL is currently drafting a proposed rule to implement the part of Section 904 that is within its jurisdiction. HUD has also drafted its proposed rule which is currently in Departmental clearance. The Act is to take effect on September 30, 1989.

Income Computer Matches

Our Office conducted income computer matches with certain PHA's on a demonstration basis. In the past, we were limited to conducting matches in the few States that would voluntarily cooperate in providing us access to their wage data. With the implementation of the Income Verification Legislation, we will soon have access to the data in each State. In the future, matches will be done on a State-wide basis that will allow all PHA's in the selected State to participate at one time. Because of limited resources, we anticipate being able to conduct only five such State-wide matches a year.

We are currently determining which States would permit PHA's to have online access to their data base. This would enable PHA's to do "front-end" matches on applicants. This approach is considered to be the most efficient and effective form of computer matching. Our office would conduct "post-audit" computer matches in those States that are not capable of providing "front-end" access. We have five computer matches in progress at individual locations and one State-wide match just beginning in Florida.

St. Louis Computer Match

In our last Semiannual Report, we discussed a computer match requested by the St. Louis Housing Authority (SLHA). We matched State and local wage data with income reported by the SLHA tenants and identified 778 tenants who failed to report $14.4 million in income from January 1983 through June 1987. The tenants received an estimated $2.9 million in excess rental assistance. Subsequent investigations by our office resulted in indictments of 36 tenants, charging them with 72 counts of making false statements. Twenty-eight tenants have been sentenced to a total of 95 years of probation and ordered to pay restitution of $94,319 and fines of $11,000. Charges were dismissed against eight tenants through plea negotiations. Ten of the tenants convicted were public (Federal, State or local) employees. (Audit Report No. 88-KC-209-1803; United States vs. Various Individuals, Eastern District of Missouri.)

Tenant Integrity Program

Our Office, in cooperation with the Public Housing Authorities Directors Association (PHADA), began a series of 15 workshops across the Nation on a Tenant Integrity Program (TIP). This program is designed to teach PHAs' staffs how to prevent, detect and take action on tenant error and fraud. The TIP emphasizes the importance of quality intake procedures in preventing abuse through the effective use of forms, policies, interviewing, and verification techniques. The goal of the program is to ensure that scarce housing resources are properly provided to only eligible applicants and tenants. The response to these workshops has been enthusiastic. Approximately 125 people from over 50 PHA's attended our first workshop in Tampa, Florida.

A videotape that gives an overview of the TIP was prepared by our office. It is currently being distributed to each PHA by HUD's Office of Public Housing.

Awareness Publications

Awareness publications are intended to increase program participants' and HUD employees' awareness of program vulnerabilities and enhance their ability to detect and prevent fraud, waste and mismanagement.

A major effort this period involved increasing HUD employees' awareness of the Standards of Conduct. Early in his administration, the Secretary emphasized his strong commitment to ensuring honesty and integrity in the Department. In support, we developed a publication entitled *"Integrity in Public Service – A Guide to the Standards of Conduct"* which was distributed to all employees. This booklet summarizes in a question and answer format the laws and regulations governing ethical conduct in public service.

We also translated a Program Integrity Bulletin entitled *"Things You Should Know"* into Vietnamese to make the bulletin available to a larger audience. 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 for Federally assisted housing. The bulletin was previously issued in English and Spanish.

During the period, we transmitted a handbook entitled *"How to Avoid a Substandard Audit: Suggestions for Procuring An Audit"* to PHA Executive Directors and Community Development Block Grant Program Directors. This handbook was prepared by the National Intergovernmental Audit Forum to help public entities which must procure audits to engage a qualified auditor and receive a quality audit. The Inspector General's transmittal emphasized the role effective audits can play in helping program administrators improve management of operations and identify areas of cost savings.

A list of current awareness publications is included in this report as Appendix 3.

President's Council on Integrity and Efficiency

The Inspector General is a member of the President's Council on Integrity and Efficiency (PCIE) and an active participant of the Audit Committee. In this role, he participated in several subcommittee projects such as developing the Audit Project Plan for Fiscal Year 1990, which was presented to PCIE members for consideration. Also, during this period, the HUD-IG initiated the first IG Planning Roundtable which now meets on a periodic basis to discuss planning strategies, practices and procedures. More recently the Inspector General hosted several PCIE meetings in an attempt to address the complex issues involved in meeting the GAO *"Yellow Book"* standards for external quality control reviews.

HUD Hotline

Allegations of abuse in HUD programs continue to be made through the HUD Hotline with 161 new complaints received this reporting period. This brings the total complaints received to 3,561 since inception of the Hotline in 1979.

The 161 new complaints (12 of which were referred to the OIG by the General Accounting Office) represent the largest volume of complaints in the last 3½ years. Of the allegations received, 129 lacked sufficient detail to warrant opening a Hotline case and instead were forwarded to appropriate HUD officials for use in Departmental monitoring. We attribute the increase in activity to our fraud awareness initiatives which advertise the Hotline as a way to report allegations of fraud and/or mismanagement.

One-third of the 147 complaints closed during the period resulted in corrective actions. More than $165,000 in monetary recoveries were received by both the Department and program participants. Other actions taken include: tenants were required to reimburse the Department for ineligible subsidy received, vacate their subsidized units, or have their subsidy reduced;

managers of subsidized housing complexes were required to make repairs, establish proper tenant waiting lists, and fully fund security deposits; and HUD employees were counselled/reprimanded for violations of the Standards of Conduct. Some specific Hotline results follow:

- A grant recipient reimbursed HUD's Community Development Block Grant (CDBG) Program in the amount of $70,396. This action followed substantiation of allegations that CDBG funds were used to pay unauthorized wages and costs for ineligible projects.

- An appraiser was permanently dismissed from the Appraiser Fee Panel. An evaluation disclosed that the appraiser submitted 15 HUD appraisals that were actually performed by his brother. Additionally, the brother witnessed a $100 bribe which was paid to the appraiser.

- A homebuyer received a $60,000 settlement from a real estate agent who was subsequently reprimanded by HUD for unethical practices. At the closing of an FHA-insured loan, the real estate agent presented a termite certification which did not report extensive termite damage. However, another certification, known to the real estate agent, correctly reported such damage.

- A Section 8 homeowner's housing assistance payment contract was cancelled after allegations that the Section 8 housing was not being maintained in accordance with housing quality standards. The homeowner was unresponsive to the tenant's and the Housing Authority's attempts to generate necessary repairs. The tenant was relocated to another subsidized unit.

- A tenant receiving subsidy under HUD'S Section 8 Program was required to reimburse $2,068 to HUD. The tenant falsified her income by intercepting and falsifying employment verification forms sent to her employer.

- As a result of allegations that subsidized housing was not being properly maintained, owners of a project were required to make repairs. This included: repairing a leaking roof; repainting the damaged ceilings; replacing the carpet in the lobby; cleaning and/or replacing the carpet as needed in hallways and units; and creating additional parking spaces.

- A tenant receiving Section 8 housing subsidy was removed from the program following substantiation of allegations that the tenant was falsifying family income and composition. A review disclosed evidence that another person resided in the apartment and was not included on the tenant's lease. The electrical account for the unit was in the name of the undisclosed person. Additionally, the person used the tenant's address as his own.

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 Audits by Non-Federal Auditors for the 6-Month Reporting Period

	Single Audits			Other Audits			
	(Cognizant Assignments and General Oversignt Entitites)			(HUD Program Audits)			
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	Grand Total
Total Reports Issued	2,357	134	2,491	8	0	8	2,499[1]
1. Reports issued without change or with minor changes							
a. Based on desk review	2,164	128	2,292	6	0	6	2,298
b. Based on QCR	39	4	43	0	0	0	43
Total without change or minor changes	2,203	132	2,335	6	0	6	2,341
2. Reports issued with major changes							
a. Based on desk review	109	1	110	2	0	2	112
b. Based on QCR	45	1	46	0	0	0	46
Total with major changes	154	2	156	2	0	2	158
3. Reports with significant inadequacies							
a. Based on desk review	0	0	0	0	0	0	0
b. Based on QCR	0	0	0	5	0	5	5
Total with significant inadequacies	0	0	0	5	0	5	5
4. Total Quality Control Reviews including reports not issued	84	5	89	78	0	78	167[2]
5. Number of auditors referred to State Boards/AICPA	0	0	0	2	0	2	2[3]
6. Number of auditors against which other sanctions were taken	1	0	1	5	0	5	6

[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 QCR's done on reports not included in line 1.

[3]This does not include an additional seven IA's 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. Effective October 1, 1988, the Inspector General was given the authority to suspend or debar non-Federal auditors from participation in Federal programs governmentwide when they fail to materially adhere to the standards.

Frequently Identified Audit Deficiencies

- Independent Auditors (IA's) did not adequately document the study and evaluation of the auditee's existing internal controls in order to determine the extent of audit testing required.

- IA's failed to provide adequate evidence for review of work by staff auditors.

- The IAs' working papers failed to document audit tests on whether the auditee complied with laws and regulations that may have a material effect upon the financial statements.

- IA's failed to obtain written representations from management and the auditee's counsel as part of an examination made in accordance with generally accepted auditing standards.

Examples of Extremely Deficient Audits

- An IA performed audits of HUD housing authorities in 21 States. We conducted quality control reviews (QCR's) of the working papers pertaining to eight of the audits. The QCR's disclosed significant departures from generally accepted government auditing standards. Our review disclosed that the working papers did not indicate the level of testing performed to support the conclusions reached on the questionnaires, confirmations were received after the dates of the audit reports, and there were incomplete, unsigned and undated working papers.

- Another IA performed substandard work in conducting a cost certification audit. We conducted a QCR and found nonadherence to HUD audit guide requirements and General Accounting Office and AICPA auditing standards. We noted that internal controls were not reviewed, sufficient competent evidential matter was not obtained, legal fees were incorrectly reported, and adverse financial information was not adequately pursued or reported.

Results of Referrals to State Boards/ AICPA/HUD

During the reporting period, HUD issued limited denials of participation (LDP's) involving two IA's; four IA's were debarred or suspended. An LDP prohibits a respondent from participation in HUD programs within a specified geographical jurisdiction for a period of 1 year. A suspension is an action which is effective immediately, prohibits the respondent from participation in government programs and is usually limited to 1 year. A debarment action is also a governmentwide exclusion for a specified period of time, generally not to exceed 3 years.

During the reporting period, sanctions were administered against one IA by a State Board. The sanction included a 1-year probation and a $5,000 fine. The AICPA administered two admonishments and required 24 and 80 hours of continuing professional education, respectively. In addition, one of the Certified Public Accountants was required to submit a report on the same entity (which was the subject of the hearing) to the AICPA for review.

Chapter 4

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 regulations on which we commented are described as follows:

Proposed Rule on Part 882, Section 8 Certificate Program, Project-Based Assistance

This interim rule would implement Section 8(d)(2)(B) of the U.S. Housing Act of 1937 that was added by the 1988 Stewart B. McKinney Act. This particular section directs the Department to permit a public housing agency (PHA) to attach Section 8 Certificate Program assistance to any newly constructed unit. The owner must agree to construct the unit with other than assistance under the 1937 Act. The PHA's aggregate assistance to be attached to newly constructed or rehabilitated units may not exceed 15 percent of the Certificate Program assistance provided by the PHA.

We found the definitions of "new construction" and "rehabilitation" barely distinguishable, and it occurred to us that some owners might try to pass off property as undergoing "rehabilitation" in order to obtain exception rents when establishing initial contract rents. Exception rents are not permissible for new construction. We suggested that standards differentiating new construction from rehabilitation be clearly delineated and consistent. For example, the standard for rehabilitation is that a unit must entail at least $1,000 of rehabilitation costs. Property may be considered "new construction" if it involves "extensive gutting and reconstruction," but there was no minimum cost established for such work. The rationale for applying HUD's Housing Quality Standards (HQS) to project-based assistance for new construction was unclear. Such housing must meet HUD's minimum property standards, and therefore would be expected to already be in compliance with the HQS. The regular Section 8 New Construction Program does not specifically require compliance with the HQS, and we believe that requiring project-based assisted housing for new construction to meet both sets of standards is duplicative.

Proposed Rule on Prepayment of a HUD-Insured Mortgage by an Owner of Low-Income Housing

This rule would establish procedures governing prepayment of a multifamily mortgage by an owner (mortgagor) of eligible low-income housing. Congress' intent was to preserve affordable multifamily housing units to the maximum extent practicable for lower-income families, and to minimize displacement of such families, while public and private sectors work together to find long-term responses to the potential loss of affordable housing. The rule required a mortgagor to file a notice of intent to prepay with both the Field Office and Headquarters. We believe this is unnecessary, since notice to either would be adequate, and that office should be responsible for advising the other of receipt of the notice. Regarding notification to tenants, we suggested that tenants be allowed to submit comments to either the Field Office or directly to the Federal Housing Commissioner. Pertinent addresses of HUD offices should be included in the notification to tenants. We also suggested that the basis for HUD's agreeing to approve incentives to extend projects for low-income use should be a cost/benefit analysis prepared by the Department; otherwise, a point may be reached wherein the costs of additional incentives outweigh the benefits obtained. In addition, there should be a limit on increasing the owner's allowable distribution or rate of return.

Proposed Regulatory Notice, Announcement of Fund Availability for FY 1989, Section 202 Loans for Housing the Elderly

HUD announced the availability of Fiscal Year (FY) 1989 loan authority under the Section 202 Housing for the Elderly Direct Loan Program. The loan authority would provide direct Federal loans for a maximum of 40 years to assist private, nonprofit corporations and nonprofit consumer cooperatives in the development of housing and related facilities to serve the elderly. The FY 89 Appropriations Act requires that 25 percent of the direct loan authority for FY 89 shall be used only to provide housing for the handicapped. We stated that the Notice should clarify that in nonmetropolitan areas, the 20-25 percent allocation is dependent upon the extent of approvable applications. The Notice of Fund Availability (NOFA) stated that the Headquarters Reserve (Secretary's discretionary fund) should constitute no more than 15 percent of the total Section 202 FY 89 loan authority. This was inconsistent with Section 213(a)(1) of the Housing and Community Development Act of 1974, which made it 15 percent of the "total available assisted housing authority." The NOFA stated that specific applicable applications might be funded from the Headquarters Reserve. However, Section 213(d)(4) states that the 15 percent holdback "shall be available for subsequent allocation to specific areas and communities. . . ." It appeared to us that the intent of the law is for HUD to allocate the Headquarters Reserve in much the same way it allocates regular Section 202 loan authority. We recommended that the Office of General Counsel review this matter.

Proposed Regulatory Notice of Fund Availability, FY 1989, For the Public Housing Child Care Demonstration Program

HUD announced the availability of funds for FY 89 for the Public Housing Child Care Demonstration Program. The demonstration is intended to provide grants to nonprofit organizations to assist in establishing child care facilities so that parents/guardians of preschool or school-aged children may seek, retain, or train for employment and to determine the extent to which such child care services facilitate employability of parents or guardians of children residing in public housing. The Notice also implements Section 1002 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, providing that the child care facilities under this demonstration may be established not only in lower-income housing projects, but also in facilities located near such projects. We suggested that entities chosen to maintain accounting systems for the grantees be required to maintain systems "in accordance with governmental accounting and financial reporting standards," rather than simply "to comply with generally accepted accounting principles," since those principles were designed for profit-oriented firms. We suggested that single parents who wished to use the child care facilities be required to furnish proof of employment or proof of current enrollment in an employment training program. In fact, this should be required of every parent who wishes to use the facility. We offered our opinion that, in addition to the requirement that the facility be maintained for 3 years after renovation, the grantee be required to maintain a percentage (to be decided) of enrollment availability for very low-income families. We stated that the grantee should be required to demonstrate that certain day-care personnel (managers, teachers, etc.) meet state minimum training/education requirements. Also, the grantee's mechanism for detecting child abuse should be described.

Chapter 5

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 are shown below.

- A former realty specialist was placed on 5 years probation and ordered to perform 300 hours of community service as a result of a guilty plea to two counts of bank fraud. The charges were part of an 80-count indictment returned by a Federal Grand Jury. The employee was indicted on charges that as a former chief executive officer of the failed Riverside National Bank in Houston, Texas, he defrauded the bank and its customers of more than $675,000 in 1983 and 1984. The defendant's HUD employment was terminated after the indictment. The investigation was conducted by the FBI.

- A program operations officer resigned from HUD employment after pleading guilty to a single count of submitting a false statement to the Department. The offense occurred prior to HUD employment while the employee was working as a settlement attorney in a law firm. The attorney prepared closing documents which failed to disclose that a purchaser in a single family mortgage loan transaction was not making the required down payment to properly qualify for mortgage insurance. Sentencing is pending.

- A loan specialist was terminated from HUD employment based on the employee's falsification of government documents, interference in an official investigation, violation of the Standards of Conduct, failure to follow written instructions and absence without leave. The employee compiled a false case binder on a HUD property to cover the illegal sale of the property; lied to investigators and concealed facts pertinent to the investigation; impeded government efficiency by closing down the monitor screen of a fellow employee, refusing him access to computer data; failed to follow instructions on the correct procedures in applying for leave; and was absent from work without proper approval. The employee was previously suspended on two occasions and received an official reprimand.

- A branch chief was suspended for 30 days without pay, reduced in grade, and reassigned to a nonsupervisory position for violation of the Standards of Conduct relative to sexual harassment, giving preferential treatment to certain employees, and using public office for private gain.

- A supervisory construction analyst received an official written reprimand for backdating an official document. The employee admitted backdating the document authorizing permission for a builder's early start on a project.

- A loan management officer was required to pay HUD $6,376 for damages to a government-owned vehicle. The employee took his son on an official business trip in the vehicle without permission. The son used and damaged the vehicle.

- An equal opportunity specialist submitted his resignation during an investigation of false statements on his application for Federal employment. The employee reported an incorrect date of birth and Social Security number and made a false claim of having received a Bachelor of Arts degree.

- An office chief was verbally reprimanded and given a copy of the Standards of Conduct after it was confirmed that he allowed his wife to use the office copy machine for a personal project. The Regional Office of Administration subsequently circulated a memorandum to Regional employees reminding them that no government equipment or property was to be used for personal business.

- A staff assistant was counselled regarding abuse of time and attendance procedures. This action followed an allegation that the employee arrived at work late, took breaks immediately after arrival at work and took long lunch breaks. These abuses were allegedly causing a morale problem for employees who had to do the employee's work.

- A secretary received an official written reprimand for misuse of government franking privileges. The employee admitted mailing a personal item to a friend using a franked envelope.

Chapter 6

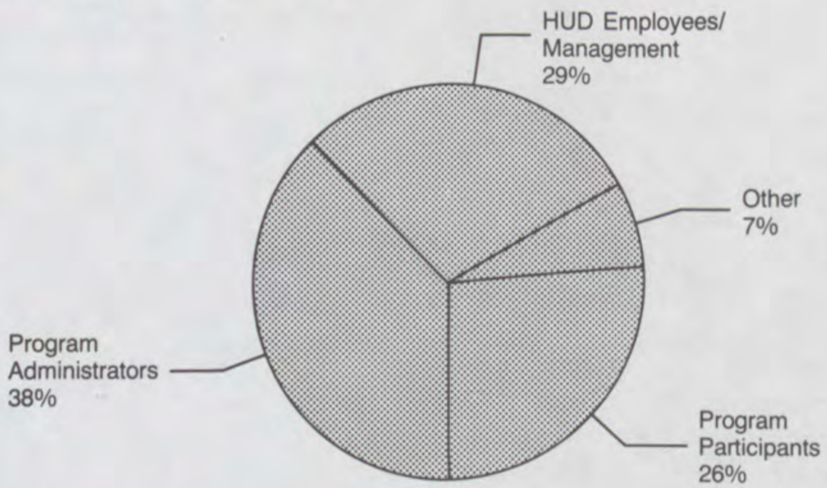
STATISTICAL SUMMARY

Department of Housing and Urban Development
Office of Inspector General

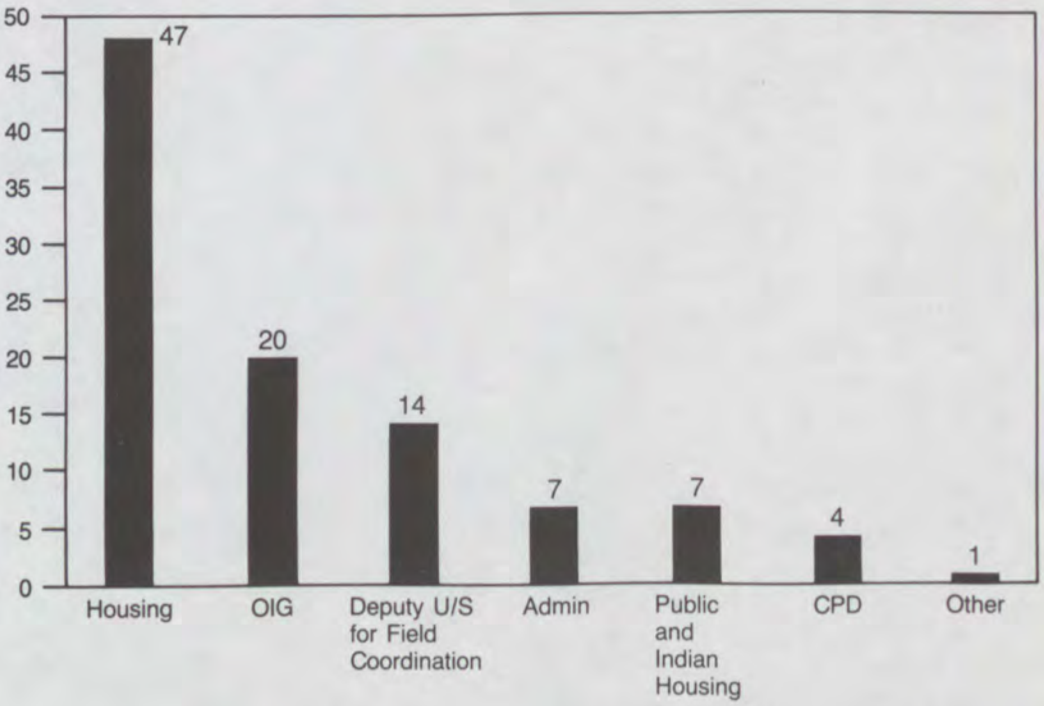
	October 1, 1988, through March 31, 1989
Audit Activities	
• Cash Recoveries/Savings	$11,708,753
• Commitments to Recover Funds	$29,353,397
• Cost Efficiencies	$6,010,370
• Suspensions of Persons/Firms Doing Business with HUD	11
• Debarments of Persons/Firms Doing Business with HUD	50
• Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	2
• Subpoenas Served	128
• Material Weaknesses Reported	7
• Reports Issued	
Internal Audit Reports:	31
External Audit Reports:	111
Audit-Related Memoranda Issued:	28
Non-Federal and Other Agency Reports Accepted:	2,870
Investigation Activities	
• Cash Recoveries/Savings	$7,127,404
• Commitments to Recover Funds	$658,013
• Cost Efficiencies	$314,029
• Total Fines Levied	$485,156
• Indictments	188
• Convictions	152
• Total Years of Prison Sentences	144
• Suspensions of Persons/Firms Doing Business with HUD	60
• Debarments of Persons/Firms Doing Business with HUD	81
• Personnel Actions Initiated Against HUD Employees	22
• Subpoenas Served	75
Fraud Control Activities	
• Fraud Awareness Publications Issued	3
• Hotline Complaints Opened	161
• Proposed Legislation and Regulations Reviewed	81

Hotline Activities The following charts depict the distribution by subject and the offices responsible for evaluation for the 161 hotline complaints received during the past 6 months.

Distribution of Hotline Complaints by Subject
October 1, 1988 Through March 31, 1989



Hotline Complaints — Referral Office Responsible for Evaluation
October 1, 1988 Through March 31, 1989



The following is a summary of actions taken on the 44 of 147 closed complaints found valid during the reporting period:

- Cash Recoveries/Claim Collections = $165,818
- Reprimands = 9 cases
- Procedural Improvements = 12 cases
- Removal from HUD Programs or Subsidy Reduced = 11 instances
- Shoddy Work or Maintenance Repairs Made = 5 instances

Audit Recommendations

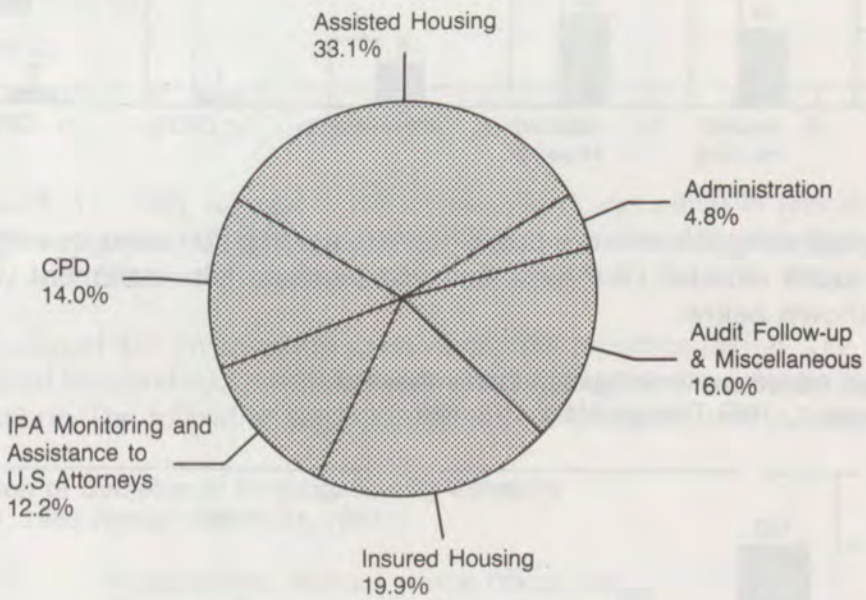
Following are statistics on the inventory of open audit recommendations and the activity during the reporting period:

- Audit recommendations undetermined at 10/1/88 = 2,371
- Audit recommendations issued during the period = 2,152
- Audit recommendations determined during the period = 2,869
- Audit recommendations undetermined at 3/31/89 = 1,654
- Audit recommendations undetermined over 6 months old = 378 ($31,243,825)

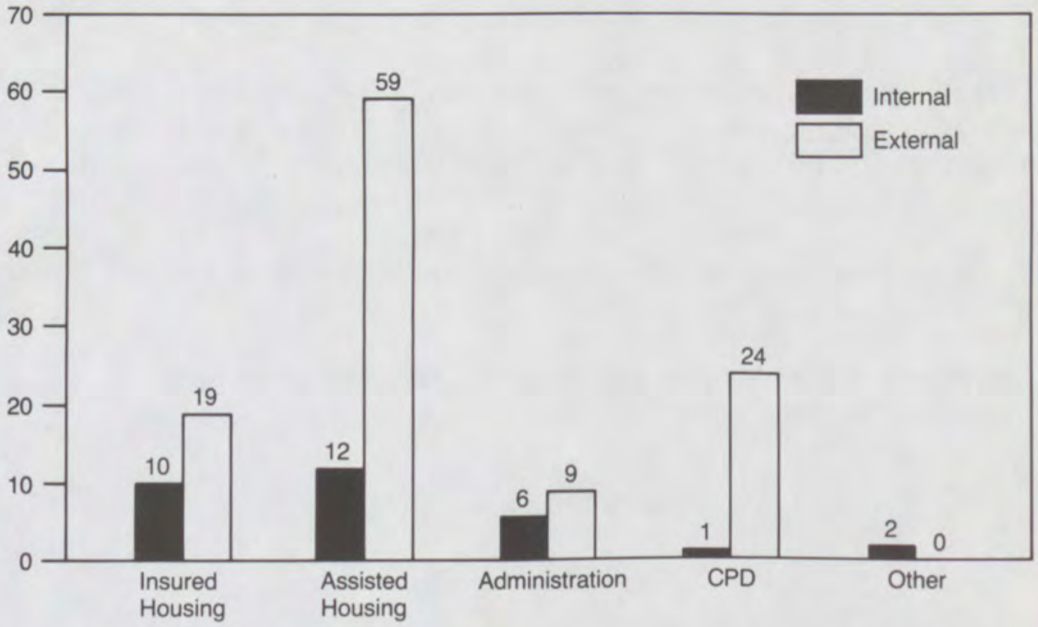
Audit Resources and Results

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

Distribution of Audit Staff Time by Program Area and Type of Audit
October 1, 1988 Through March 31, 1989



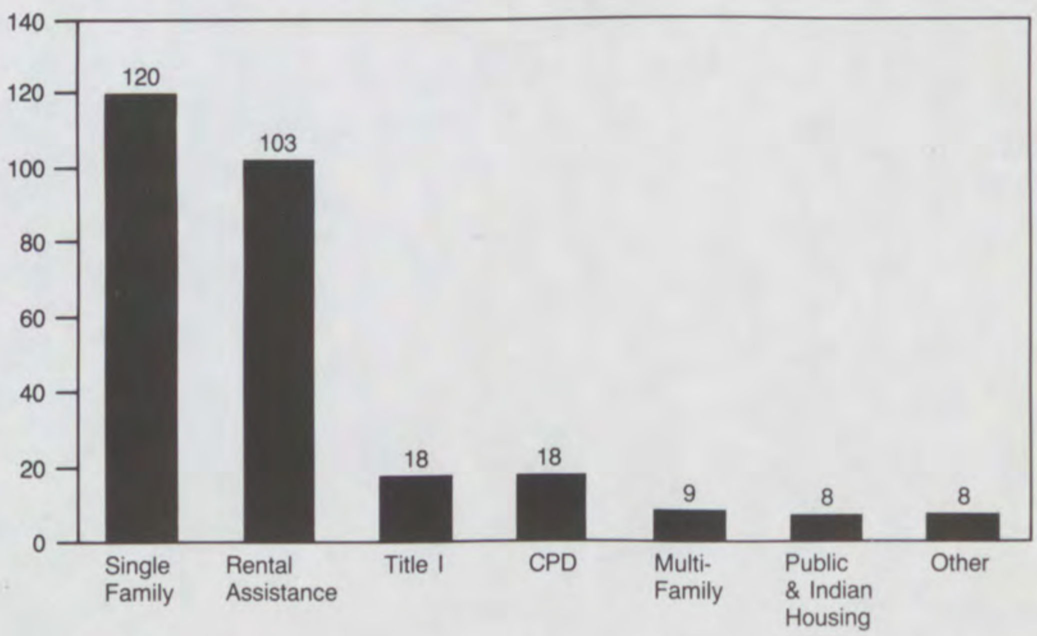
Distribution of Audit Reports Issued by Program Area and Type of Audit
October 1, 1988 Through March 31, 1989



Investigation Cases Opened

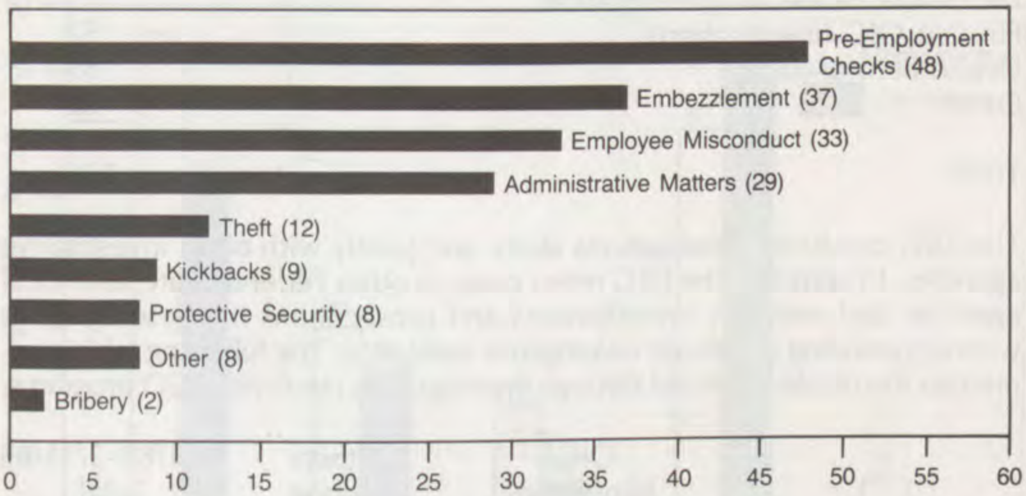
The following tables break down the 470 investigation cases opened during the last 6 months. Of these cases, 284 involved false statement violations as shown below.

False Statement Investigation Cases Opened
October 1, 1988 Through March 31, 1989



The following table depicts the types of alleged violations involved in the remaining 186 cases that were opened.

Other Categories of Investigation
October 1, 1988 Through March 31, 1989



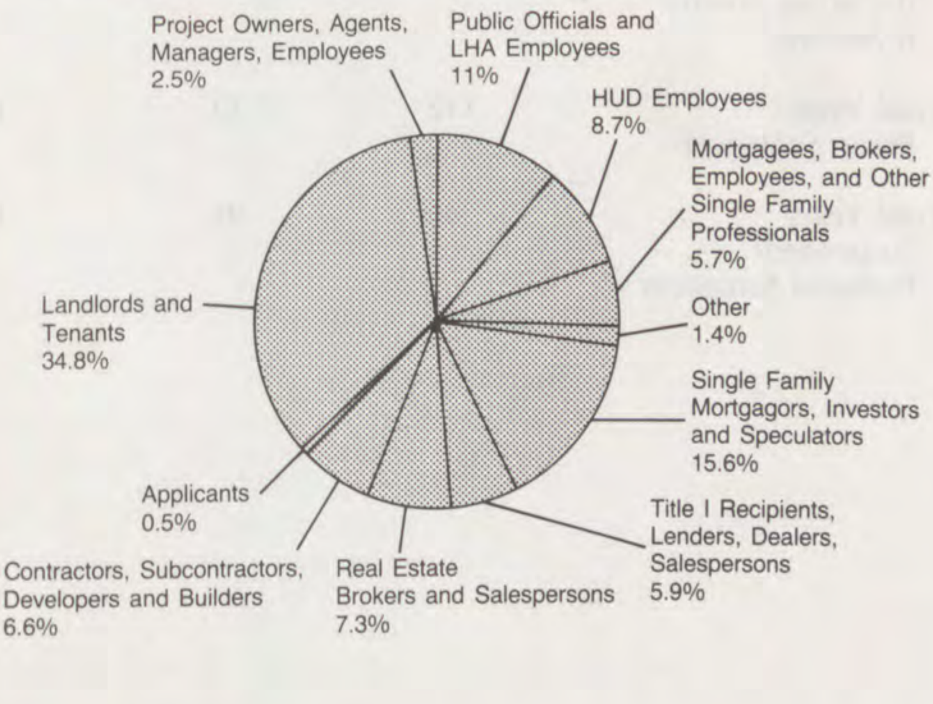
Pending Cases

As of March 31, 1989, we had 1,570 investigation cases either in process or awaiting investigation. Of these, 683 were FBI/other cases, 649 were cases of the OIG, and 238 were completed cases pending with the U.S. Attorney.

Closed Cases

The OIG closed 430 investigation cases during the reporting period. The 430 cases closed involved 437 individuals and firms who were the subjects of the investigations. The following graph represents a breakdown of the subjects.

Distribution of Subjects of Investigation by Category
October 1, 1988 Through March 31, 1989



Investigation Cases Referred for Prosecution

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

Referred by OIG to:	No. of Cases
FBI (Prima Facie-OIG Investigation)	3
FBI (No OIG Investigation)	52
Department of Justice	59
Other	22
Total	136

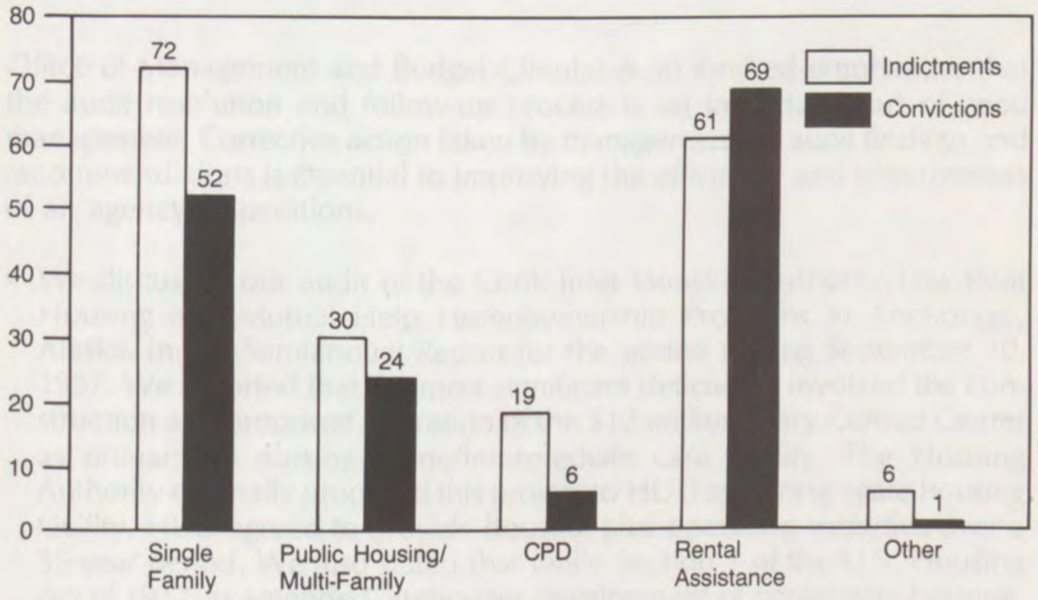
Prosecutions and Recoveries

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	10/1/88–3/31/89 Total
Cash Recoveries	$4,522,772	$2,604,632	$7,127,404
Total Fines	$310,581	$174,575	$485,156
Persons/Firms Indicted	130	58	188
Persons/Firms Convicted (Including pre-trial diversions)	110	42	152
Total Years Prison Sentences	112	32	144
Total Years Suspended/ Probated Sentences	46	91	137

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

Prosecutions
October 1, 1988 Through March 31, 1989



Chapter 7

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.

Previously Reported Items-Corrective Action Not Completed

- We discussed our audit of the Cook Inlet Housing Authority Low-Rent Housing and Mutual Help Homeownership Programs in Anchorage, Alaska, in our Semiannual Report for the period ending September 30, 1987. We reported that the most significant deficiency involved the construction and proposed operation of the $13 million Mary Conrad Center as primarily a nursing home/intermediate care facility. The Housing Authority originally proposed this project to HUD as a congregate housing facility. HUD agreed to provide housing plus operating subsidies over a 35-year period. We also stated that while Section 7 of the U.S. Housing Act of 1937, as amended, authorizes development of congregate housing, it does not provide for development of medical-related facilities like the Mary Conrad Center.

  On March 15, 1988, HUD's Office of General Counsel (OGC) issued an opinion that stated that the housing component of an intermediate care facility is eligible for assistance under the U.S. Housing Act of 1937, but that certain features of the Mary Conrad Center were incompatible with the residential character of the facility and had to be removed. These features include nursing stations, television monitors, medical personnel on-site in residential areas, and various medical equipment in treatment areas. The opinion concluded that "...the Mary Conrad Center would be statutorily eligible for assistance if the Department is properly assured that during any period of HUD assistance the...residential wings...will retain their original, primarily residential character."

  On October 4, 1988, the former Deputy Assistant Secretary for Public and Indian Housing advised the Seattle Regional Administrator that the Mary Conrad Center had been determined to be a nursing home and therefore was ineligible for assistance under the U.S. Housing Act of 1937. This determination, along with several options for resolution, was approved by the former HUD Secretary and communicated to the Regional Administrator with selected and approved options suggested for resolution. Subsequently, on January 13, 1989, the former General Deputy Assistant Secretary reminded the Regional Administrator of his October 4 determination and also directed him to consider other alternative resolutions and to cost out all alternatives considered. The Seattle Regional Administrator, however, has not complied with the former General Deputy Assistant Secretary's instructions. Instead, the Regional Administrator, following advice of his Regional Counsel, refuted the OGC's opinion of March 15, 1988, and filed his own opinion with HUD's Deputy Under Secretary for Field Coordination. We have nonconcurred in this action and are in the process of referring this matter to the Office of the Under Secretary for resolution. (Audit Report No. 87-SE-209-1007.)

- Our February 4, 1988 audit report on the Misuse and Diversion of Assets and Income identified about $19.1 million of misused or diverted assets/income by multifamily project owners and management agents. These violations involved primarily unallowable distributions to principals, unauthorized loans to owners or related parties, ineligible expenditures, misappropriations of operating receipts and assets, and various unsupported costs. While HUD's Office of Housing has generally concurred with our recommended improvements to the program, they have not been responsive in advising our office of the implementation of needed program changes. We plan to elevate this issue to the Office of the Under Secretary for final resolution. (Audit Report No. 88-TS-112-0003.)

- In our last Semiannual Report, we reported that our audit of the Title I Manufactured Home Loan Program revealed serious design flaws that will expose HUD to more than $500 million in losses. Even though HUD's risk is intended to be limited by coinsurance and insurance reserves, most loans are placed in pools guaranteed by the Government National Mortgage Association (GNMA). Defaulted loans totalled $1.4 billion at the time of our audit. GNMA had sustained losses of $100 million and anticipated that losses will exceed $500 million.

  The high default rates were attributed to weaknesses in program design. Most loans are originated by manufactured home dealers who have a direct interest in getting the loan approved. Oversight by lenders was ineffective in detecting irregularities. Of 124 loans reviewed in our audit, 103 had significant deviations from HUD requirements including insufficient down payments; non-delivery of furniture and equipment; unqualified borrowers; unapproved site placement; and unaccounted for manufacturer rebates.

  Because of the design weaknesses, we recommended termination of the program. In a response to our draft report, HUD's former Assistant Secretary for Housing disagreed in general and blamed losses on economic conditions in the oil industry. No response was received on the final report until March 31, 1989, or 7 months after the report was issued. This response is being evaluated. (Audit Report No. 88-TS-122-0012.)

- In previous Semiannual Reports, we highlighted serious problems in HUD's Title I Property Improvement Loan Insurance Program. We estimated that over 5,900 loans valued at $3.5 million were poorly underwritten and recommended that the dealer loan portion of the Title I Program be terminated because of its vulnerability to misuse. HUD's Office of Housing disagreed with our recommendation. The program office asserted that dealer loans provide a service which is needed and that improved Federal monitoring and revised regulations will correct the deficiencies cited in the report. The regulatory changes do not address the basic problem of conflict of interest and lack of controls over dealer-originated loans. This report is being referred to the Office of the Under Secretary for resolution. (Audit Report No. 86-TS-122-0010.)

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.

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	1/
85-BO-201-1004	Public Housing Agency - Section 8 Moderate Rehabilitation Program, Boston, Massachusetts	02/15/85	2/
86-AT-203-1006	Section 8 Moderate Rehabilitation Program, Chattanooga, Tennessee	12/18/85	1/
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	12/31/89
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	4/
86-TS-122-0010	Title I Property Improvement Loan Insurance Program (Dealer Loans)	02/28/86	5/
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	3/
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	3/
86-TS-101-0018	The Development and Management of Indian Housing	06/19/86	2/
86-TS-111-0019	Deposit and Use of Reserve for Replacement and Residual Receipts Funds	06/24/86	2/
86-AT-214-1013	Tenant Income Comparisons, National Coalition for Housing Partnerships	07/02/86	08/01/89

Report Number	Title	Report Issue Date	Target Date
86-SF-201-1019	Section 8 Existing Housing Program, Los Angeles, California	07/11/86	3/
86-AT-214-1014	Tenant Income Comparisons, Metric Property Services, Inc., Atlanta, Georgia	07/17/86	12/30/89
86-AO-145-0006	Review of CPD Technical Assistance Program	08/15/86	4/
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	3/
87-SF-212-1003	Sunnyhills Apartments, Milpitas California	12/01/86	02/15/90
87-AT-214-1003	Paradise Management, Inc., Atlanta, Georgia	12/03/86	12/31/89
87-FW-212-1002	Calvary Arms Apartments, Dallas, Texas	12/12/86	06/30/89
87-PH-203-1002	Section 8 New Construction & Substantial Rehabilitation Program, Maryland Community Development Administration	12/22/86	3/
87-NY-241-1019	CDBG, Bayamon, Puerto Rico	02/13/87	1/
87-CH-241-2293	CDBG Activities, Chicago, Illinois	02/25/87	06/30/89
87-CH-201-1007	Low-Income Housing Program, Detroit, Michigan	03/24/87	09/15/89
87-BO-212-1012	Franklin Park I, Inc. and Franklin Park II, Inc., Boston, Massachusetts	03/31/87	3/
87-CH-103-0002	Special Claims Under the Section 8 Housing Assistance Payments Program	03/31/87	09/30/89
87-SF-214-1009	G and K Management Co., Inc.	06/25/87	04/30/89
87-SF-212-1012	Cedarwood Apartments	07/28/87	3/
87-FW-212-1004	Willow Tree Apartments	09/18/87	1/
87-SE-209-1007	Cook Inlet Housing Authority	09/29/87	5/
88-AO-169-0801	More of HUD's Appropriations Could be Financed from User Fees	12/01/87	4/
88-NY-241-1006	CDBG Activities, Nassau County, New York	12/18/87	6/

Report Number	Title	Report Issue Date	Target Date
88-TS-112-0003	Misuse and Diversion of Assets and Income at HUD-Insured Multifamily Housing Projects	02/04/88	5/
88-FW-249-1004	Rental Rehabilitation Program, North Little Rock, Arkansas	02/08/88	1/
88-NY-241-1009	CDBG Activities, Caguas, Puerto Rico	02/09/88	1/
88-CH-242-1011	UDAG, Toledo, Ohio	03/02/88	09/30/89
88-AO-161-0002	HUD's Distributive Shares, One-time Mortgage Insurance Premium Refund Payment Process	03/03/88	12/31/89
88-TS-113-0005	Repairs and Rent Increases on Multifamily Projects in HUD's Possession	03/15/88	2/
88-CH-249-1012	CDBG Activities, Detroit, Michigan	03/18/88	09/30/89
88-CH-101-0003	Assisted Housing Management Branch, Indianapolis, Indiana Office	03/23/88	06/30/89
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/
88-TS-103-0007	Section 8 New Construction and Substantial Rehabilitation Program, State Housing Finance Agencies	03/29/88	09/30/89
88-NY-241-1011	CDBG Activities, Albany, New York	03/31/88	6/
88-PH-209-1007	Housing Authority, Baltimore, Maryland	03/31/88	3/
88-PH-203-1009	Section 8 Existing Housing Program, Chester County, Pennsylvania	04/27/88	05/31/89
88-FW-101-0003	Assisted Housing Management Branch, New Orleans Office	06/10/88	05/31/89
88-AO-262-1005	Holland Consulting, Inc.	06/17/88	6/
88-TS-123-0009	HUD's Accounting for and Control Over the Acquisition and Sale of Single Family Properties	06/24/88	12/31/89
88-FW-204-1017	Housing Authority, East Baton Rouge Parish, Louisiana	06/29/88	03/14/90

Report Number	Title	Report Issue Date	Target Date
88-BO-209-1024	Comprehensive Improvement Assistance Program, Stamford, Connecticut	06/30/88	05/15/89
88-FW-203-1018	Section 8 Housing Voucher Program, Bexar County, Texas	08/24/88	06/30/89
88-TS-122-0012	Review of the Title I Manufactured Home Loan Program	08/29/88	5/
88-TS-142-0013	National Report on Economic Development and Public Facility Grants in the State CDBG Program	08/29/88	04/29/89
88-AO-169-0005	Anti-Deficiency Act Violation	09/02/88	6/
88-BO-202-1027	Section 8 Housing Voucher Program, Worcester, Massachusetts	09/07/88	05/15/89
88-BO-204-1028	Section 8 Moderate Rehabilitation Program Holyoke, Massachusetts	09/07/88	04/15/89
88-BO-204-1030	Section 8 Moderate Rehabilitation Program, Lynn, Massachusetts	09/09/88	6/
88-FW-202-1019	Housing Authority, San Benito, Texas	09/09/88	1/
88-FW-202-1020	Section 8 Housing Voucher Program, Norman, Oklahoma	09/13/88	6/
88-FW-203-1021	Section 8 Housing Voucher Program North Little Rock, Arkansas	09/15/88	09/30/89
88-SF-242-1013	UDAG, Compton, California	09/19/88	09/29/89
88-NY-204-1803	Housing Authority, Atlantic City, New Jersey	09/28/88	6/
88-SF-203-1014	Section 8 Housing Voucher Program, Sacramento, California	09/28/88	04/20/89
88-CH-203-1022	Lucas County Housing Authority, Toledo, Ohio	09/29/88	05/15/89
88-PH-203-1017	Section 8 Existing and Housing Voucher Programs	09/30/88	6/
88-SF-203-1016	San Diego Housing Commission Section 8 Moderate Rehabilitation Program	09/30/88	4/

Footnotes:

1 / No repayment plan established for sustained monetary amounts.

2 / Promised implementation dates not met.

3 / In Litigation.

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.

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		
89-AO-122-0005	Administration of Performance Incentives, Comprehensive Marketing System, Inc.	03/24/89
89-AO-119-0006	Section 8 Discretionary Loan Management Set-Aside Program	03/31/89
89-AT-182-0001	Limited Review of Field Office Management, Dade County Section 8 Moderate Rehabilitation Program	02/17/89
89-BO-111-0001	Administration of the Flexible Subsidy Program, Boston Field Office	12/13/88
89-BO-182-0002	Monitoring of the Section 8 Moderate Rehabilitation Program – Boston Region	02/17/89
89-CH-119-0001	Mortgage Insurance for Retirement Service Centers	11/04/88
89-CH-182-0002	Monitoring of the Section 8 Moderate Rehabilitation Program – Chicago Region	12/19/88
89-CH-123-0003	Management of HUD's Assigned Single-Family Inventory	12/23/88
89-CH-103-0005	Section 8 Existing Housing Certificate Program, Region V, Columbus, Indiana and Milwaukee Offices	03/17/89
89-CH-101-0006	Grand Rapids Office's Monitoring of Lansing Housing Commission	03/31/89
89-DE-121-0001	Single Family Appraisal Field Review, Denver Region	12/16/88
89-DE-123-0002	Property Disposition Contracting Branch, Denver Region	01/25/89
89-NY-111-0001	Administration of the Flexible Subsidy Program, New York Region	11/15/88
89-NY-182-0002	Monitoring of the Section 8 Moderate Rehabilitation Program – Buffalo Field Office	01/12/89
89-NY-103-0003	Section 8 Existing Fair Market Rents, Caribbean Office	03/30/89

Internal Audit Reports

Report Number	Report Title	Issue Date
89-PH-182-0001	Monitoring of the Section 8 Moderate Rehabilitation Program – Philadelphia Region	02/16/89
89-SE-123-0001	Administration of AMB Contracts and Related Activities, Seattle Region and Anchorage Office	03/23/89
89-SE-103-0002	Section 8 Existing Fair Market Rents, Seattle Regional Office	03/24/89
89-SF-182-0001	Monitoring of the Section 8 Moderate Rehabilitation Program – San Francisco Office	12/15/88
89-SF-182-0002	Monitoring of the Section 8 Moderate Rehabilitation Program – Los Angeles Office	12/15/88
89-TS-103-0001	Nationwide Audit of the Housing Voucher Program Phase I – Compliance With Housing Quality Standards	12/06/88
89-TS-119-0002	Section 223(f) Coinsurance Program	12/09/88
Community Planning and Development		
89-TS-141-0003	Summary – Monitoring of Subgrantee Performance	01/10/89
Administration		
89-AA-166-0001	Controls Over Magnetic Tapes	01/13/89
89-AO-163-0001	Contracting Activities – Office of Small And Disadvantaged Business Utilization	11/01/88
89-AO-161-0002	Administration of Debt Management Collection System	11/18/88
89-AO-163-0003	Administration of Property Management System	12/30/88
89-AO-169-0004	Review of HUD's Implementation Of Federal Managers' Financial Integrity Act of 1982	01/11/89
89-FW-161-0001	Regional Accounting Division and Selected Property Disposition Branches, Fort Worth Region	03/31/89
Fair Housing and Equal Opportunity		
89-CH-174-0004	Fair Housing Assistance Payments Program	12/30/88
89-TS-174-0004	National Audit, Community Housing Resource Board Program	03/31/89

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
Housing			
89-AT-202-1003	Housing Authority, Low-Income Housing Program	Mount Holly NC	10/24/88
89-AT-214-1004	American Diversified Asset Management Corporation	Nashville-Davidson TN	10/26/88
89-AT-203-1006	Housing Authority, Section 8 Housing Assistance Payments Program	DeKalb County GA	11/15/88
89-AT-202-1007	Housing Authority, Low-Income Housing Program	Ayden NC	11/30/88
89-AT-212-1008	Cherry Hill Apartments, Inc.	Conway SC	11/30/88
89-AT-212-1010	Cumberland Cove Apartments	Raleigh NC	01/13/89
89-AT-203-1011	Housing Authority, Section 8 Housing Voucher Program	Tampa FL	01/17/89
89-AT-202-1013	Housing Authority, Low-Income Housing Program	Forest City NC	01/26/89
89-AT-203-1014	Section 8 Moderate Rehabilitation Program – Limited Review	Dade County FL	02/14/89
89-AT-203-1016	Housing Authority, Section 8 Housing Assistance Programs	Jackson MS	03/24/89
89-AT-202-1017	Housing Authority, Low Income Housing and Section 8 Housing Assistance Programs	Fulton County GA	03/31/89
89-BO-202-1002	Housing Authority, Low Income Public Housing Program	Exeter NH	12/07/88
89-BO-203-1003	Housing Authority, Section 8 Housing Voucher Program	New Haven CT	12/14/88
89-BO-203-1004	Rural Housing Improvement, Inc., Section 8 Moderate Rehabilitation Program	Winchendon Town MA	12/15/88
89-BO-212-1005	Housing Innovations, Inc.	Boston MA	12/20/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
89-BO-203-1006	South Shore Housing Development Corporation, Section 8 Housing Programs	Kingston Town MA	12/21/88
89-BO-202-1008	Housing Authority, Internal Controls	Portsmouth NH	12/29/88
89-BO-203-1009	Housing Allowance Project, Inc., Section 8 Moderate Rehabilitation Program	Springfield MA	12/30/88
89-BO-203-1010	Housing Authority, Section 8 Housing Voucher Program	Nashua NH	01/10/89
89-BO-203-1011	Community Teamwork, Inc., Section 8 Housing Program	Lowell MA	01/19/89
89-BO-202-1012	Housing Authority, Internal Controls	Weymouth MA	01/26/89
89-BO-203-1013	Housing Authority, Section 8 Housing Voucher Program	Milton MA	03/10/89
89-BO-204-1014	Office of Intergovernmental Relations, Section 8 Moderate Rehabilitation Program	Providence RI	03/10/89
89-BO-212-1015	Coventry Health Center	Coventry RI	03/15/89
89-BO-203-1016	Housing Authority, Section 8 Moderate Rehabilitation Program	Hartford CT	03/24/89
89-CH-202-1001	Housing Authority, Comprehensive Improvement Assistance Program	Columbus OH	10/21/88
89-CH-209-1002	Housing Authority, Section 8 Moderate Rehabilitation Program	Chicago IL	11/17/88
89-CH-209-1003	Michigan State Housing Development Authority, Section 8 Moderate Rehabilitation Program	Lansing MI	11/17/88
89-CH-222-1004	American Heritage Realty, Inc., Single Family Property Disposition Program	Calumet City IL	11/30/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
89-CH-202-1005	Housing Authority, Comprehensive Improvement Assistance Program	Peoria IL	12/28/88
89-CH-202-1006	Housing Authority, Controls Over Cash and Other Monetary Assets	Elgin IL	01/12/89
89-CH-212-1007	Kennedy Park Apartments, Multifamily Insured Housing Program	Youngstown OH	02/10/89
89-CH-202-1008	Housing Authority, Low-Income Housing Program and Comprehensive Improvement Assistance Program	Clintonville WI	02/24/89
89-CH-203-1009	Housing Commission, Section 8 Existing Certificate and Housing Voucher Program	Flint MI	02/28/89
89-CH-203-1010	Housing Allowance Office of Brown County, Fair Market Rents, Section 8 Existing Housing Certificate Program	Green Bay WI	03/28/89
89-CH-202-1011	Housing Commission, Low Income Housing and Section 8 Housing Assistance Programs	Lansing MI	03/31/89
89-DE-212-1001	Eighth Avenue Care Center	Denver CO	11/15/88
89-DE-229-1002	Hamilton Tilton, Inc.	Denver CO	01/31/89
89-FW-214-1001	Finger Enterprises Management Company, Inc.	Houston TX	12/09/88
89-FW-203-1002	Fairfield Property Management, Section 8 Existing Housing Program	Shreveport LA	12/12/88
89-FW-212-1003	King's Cove Apartments	Moore OK	02/16/89
89-FW-202-1004	Low-Rent Public Housing and Section 8 Existing Programs	Morgan City LA	02/17/89
89-FW-203-1005	Housing Authority, Internal Control	Houston TX	03/22/89

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
89-KC-203-1001	Housing Authority, Section 8 Housing Voucher Program	Kansas City MO	11/04/88
89-KC-203-1002	Project Independence, Inc.	Arkansas City KS	12/14/88
89-KC-201-1003	Housing Authority, Comprehensive Improvement Assistance Program	St. Louis MO	01/20/89
89-KC-202-1004	Housing Authority, Controls Over Cash and Other Monetary Assets	Iola KS	02/07/89
89-KC-209-1005	Housing Authority, Section 8 Moderate Rehabilitation Program	St. Louis County MO	02/21/89
89-KC-202-1006	Housing Authority, Controls Over Cash and Other Monetary Assets	Lawrence KS	03/22/89
89-KC-209-1008	Section 8 Moderate Rehabilitation Program	Omaha NE	03/31/89
89-NY-203-1001	Monmouth County Board of Social Services, Section 8 Housing Voucher Program	Freehold NJ	10/06/88
89-NY-203-1019	Section 8 Moderate Rehabilitation Program	Bayamon Municipio PR	01/12/89
89-NY-222-1020	Bernard A. Brady	Buffalo NY	01/19/89
89-NY-204-1021	Housing Authority, Comprehensive Improvement Assistance Program	Cohoes NY	01/31/89
89-NY-212-1022	Fight Village Apartments	Rochester NY	03/17/89
89-NY-201-1023	Housing Authority, Low Income Housing and Comprehensive Improvement Assistance Programs	Elizabeth NJ	03/23/89
89-PH-201-1001	Housing Authority, Section 8 Housing Voucher Program	Pittsburgh PA	10/21/88
89-PH-204-1002	Richmond Redevelopment & Housing Authority, Section 8 Moderate Rehabilitation Program	Henrico County VA	10/21/88
89-PH-212-1003	Executive House	Philadelphia PA	10/28/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
89-PH-203-1004	Housing Authority, Section 8 Housing Programs	Wayne County PA	12/30/88
89-PH-204-1005	Housing Authority, Assisted Housing Programs	Chester PA	01/20/89
89-PH-202-1006	Housing Authority, Section 8 Existing Housing Voucher Programs	Mingo County WV	01/24/89
89-PH-202-1007	Housing Authority of Northumberland County, Section 8 Housing Programs	Milton PA	01/24/89
89-PH-204-1008	Redevelopment & Housing Authority, Accounting Controls, Procurement and CIAP	Portsmouth VA	02/22/89
89-PH-202-1009	Housing Authority, Assisted Housing Programs	Greene County PA	03/01/89
89-PH-202-1010	Housing Authority, Assisted Housing Programs	Carbondale PA	03/29/89
89-SE-229-1001	Ehrig and Associates, Inc.	Seattle WA	03/28/89
89-SE-222-1002	Continental Ventures Realty, Inc.	Wasilla AK	03/03/89
89-SF-203-1001	Housing Authority, Section 8 Moderate Rehabilitation Program	Las Vegas NV	10/31/88
89-SF-212-1002	Freedom West Homes I And II	San Francisco CA	11/04/88
89-SF-212-1003	Shadowbrook Apartments I And II	Selma CA	12/22/88
89-SF-209-1004	Housing Authority	Las Vegas NV	01/20/89
89-SF-202-1005	Housing Authority	Calexico CA	02/15/89
89-TS-203-1001	Vermont State Housing Authority, Section 8 Moderate Rehabilitation Program	Montpelier VT	11/09/88
89-TS-203-1002	Housing Authority, Section 8 Moderate Rehabilitation Program	Worcester MA	11/09/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
89-TS-203-1003	Prince Georges County Department of Housing and Community Development, Section 8 Moderate Rehabilitation Program	Landover MD	12/23/88
89-TS-203-1004	Housing Authority, Section 8 Moderate Rehabilitation Program	Clark County NV	03/10/89
89-TS-221-1005	Benton Mortgage Company	Knoxville TN	03/20/89
Community Planning and Development			
89-AT-248-1001	Accounting System Evaluation	Oneida TN	10/19/88
89-AT-248-1002	Accounting System Evaluation	Iron City TN	10/24/88
89-AT-248-1005	Accounting System Evaluation	Sunrise FL	11/10/88
89-AT-241-1009	CDBG Activities	Biloxi MS	01/11/89
89-AT-248-1012	Accounting System Evaluation	Florida City FL	01/19/89
89-AT-248-1015	Accounting System Evaluation	Carrabelle FL	03/14/89
89-BO-242-1001	Urban Development Action Grants	Chelsea MA	11/09/88
89-KC-241-1007	Monitoring of Subgrantee Performance	Kansas City and St. Louis MO	03/27/89
89-NY-248-1003	Accounting System Evaluation	Petersburg NY	11/08/88
89-NY-248-1004	Accounting System Evaluation	Columbia County NY	11/08/88
89-NY-248-1005	Accounting System Evaluation	Delhi NY	11/08/88
89-NY-248-1006	Accounting System Evaluation	Pittsfield NY	11/08/88
89-NY-248-1007	Accounting System Evaluation	Worchester NY	11/08/88
89-NY-248-1008	Accounting System Evaluation	St. Armand NY	11/08/88
89-NY-248-1009	Accounting System Evaluation	Johnstown NY	11/10/88
89-NY-248-1010	Accounting System Evaluation	Chesterfield NY	11/10/88
89-NY-248-1011	Accounting System Evaluation	Ausable NY	11/10/88

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
89-NY-248-1012	Accounting System Evaluation	Berlin NY	11/10/88
89-NY-248-1013	Accounting System Evaluation	Schroon NY	11/10/88
89-NY-248-1014	Accounting System Evaluation	Nassau NY	11/10/88
89-NY-248-1015	Accounting System Evaluation	Callicoon NY	11/30/88
89-NY-248-1016	Accounting System Evaluation	Tusten NY	12/06/88
89-NY-248-1017	Accounting System Evaluation	Woodridge NY	12/09/88
89-PH-241-1011	Monitoring of Subgrantee Performance	Washington DC	03/31/89
Administration			
89-AO-261-1001	National Conference of States, Building Codes and Standards, Inc.	Herndon VA	10/12/88
89-AO-261-1002	National Association of Neighborhoods	Washington DC	10/14/88
89-AO-262-1003	Center For Resource Development, Inc.	Washington DC	11/15/88
89-AO-262-1004	Comprehensive Marketing Systems, Inc.	Washington DC	01/26/89
89-BO-262-1007	Council For Economic Action	Boston MA	12/22/88
89-NY-261-1002	Project For Public Spaces	New York NY	10/24/88
89-NY-261-1018	Banana Kelly Community Improvement Association	New York NY	12/15/88
89-NY-261-1024	New York City Partnership, Inc.	New York NY	03/31/89
89-SF-262-1006	Spanish Speaking Unity Council of Alameda County, Inc.	Oakland CA	02/23/89

Appendix 2

AUDIT RECOMMENDATIONS

Schedule of Audit Determination and Resolution Status (as of 3/31/89)	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;	378	378	$7,010,216	N/A	$13,813,489	N/A	N/A
-was made during the reporting period, and for which resolution has not occurred;	533	192	$17,687,207	$12,776,371	$8,850,786	$6,793,718	N/A
-was made during the reporting period, and for which resolution has occurred.	1,463	255	$2,058,080	$1,398,764	$7,052,807	$2,120,264	$3,391,085
B. Audit report completed during the reporting period, and for which an audit determination:							
-was not made by the end of the reporting period;	1,278	—	$16,114,725	N/A	$28,251,595	N/A	N/A
-was made during the reporting period, and for which resolution has not occurred;	237	—	$6,140,370	$2,070,880	$2,420,210	$144,128	N/A
-was made during the reporting period, and for which resolution has occurred.	636	—	$955,006	$951,182	$3,155,068	$434,182	$1,385,364

Appendix 3

FRAUD AWARENESS PUBLICATIONS

Fraud Information Bulletins (FIB's)

81-1 Procurement — Contract Award Process
81-3 Procurement — Contract Administration
81-5 Single Family — Underwriting for Mortgage Insurance
82-2 Single Family Property Disposition Program — Repair and Maintenance Activities
83-1 Accountability Monitoring
83-2 Travel
84-1 Time and Attendance and Leave Abuse
84-2 The HUD Hotline
84-4 Conventional Low-Rent Housing Program
84-5 Tenant Eligibility
84-6 Diversion of Funds From Multifamily Projects
85-2 Computer Matching
87-1 Microcomputer Security

Program Integrity Bulletins (PIB's)

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

Other

Integrity in Public Service — A Guide to the Standards of Conduct

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

HUD-1218-IG(1)
May 1989