



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

For the Period Ending September 30, 1993

30th Report to the Congress

As Required by Public Law 95-452

OIG Mission Statement and Values

The OIG's mission is independent and objective reporting to the Secretary and the Congress for the purpose of bringing about positive change in the integrity, efficiency, and effectiveness of HUD operations.

OIG values are as follows:

- Relationships among OIG components and staff are characterized by teamwork and respect.*
- Diversity is valued and promoted in the workforce.*
- Excellence in its workforce is fostered through continuing concern for professionalism and career development.*
- As a general rule, emphasis is placed on "doing" rather than reviewing by delegating operational authority, responsibility, and accountability to the lowest appropriate level.*
- Identifying and meeting client needs in a timely fashion is a primary concern. Clients are defined as the Secretary, the Congress, HUD managers and employees, and the public.*
- OIG operations are focused on substance rather than process and rely on innovative as well as traditional methods to address issues of significance having potential payback in terms of improved integrity, effectiveness, and efficiency.*

Inspector General's Message

Since my appointment as Inspector General (IG) on August 23, 1993, "reinvention" has been the watchword of the Federal Government, and application of the reinvention concept to the Offices of Inspector General (OIGs) has sparked some spirited debate. The National Performance Review (NPR) Report urges that the OIGs broaden their focus from strict compliance auditing to evaluating management control systems. Others, including Members of the Congress, have expressed concern that the NPR Report could deter the OIGs from aggressively pursuing fraud, waste, and abuse in Government programs and activities.

It is clear to me that these are not mutually exclusive alternatives. By statute, the IGs are mandated both to promote economy and efficiency, and to prevent and detect fraud, waste, and abuse; and the IGs need to use every tool available to them to meet those objectives. Consultation on proposed laws, rules, and regulations is appropriate. Aggressive investigation of wrongdoing is appropriate. Reviews to ensure the wise expenditure of taxpayer dollars are appropriate. Collaboration with program managers to find the best solutions to hard-hitting internal audit findings is appropriate. Evaluating management control systems, as called for in the NPR Report, is appropriate. Full and independent reporting to the Congress and the Secretary is essential.

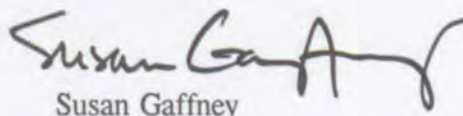
Reinvention doesn't change the IG mission. Instead, it gives us the opportunity to consider whether we are pursuing our mission in a manner that will optimize the positive changes resulting from our work. The HUD OIG's Mission Statement and Values, which are presented on the inside cover of this Report, emphasize this results-oriented focus. We intend to use traditional and innovative techniques for the single-minded purpose of bringing about positive change in the integrity, efficiency, and effectiveness of HUD operations.

This Report to the Congress exemplifies our willingness to use innovative as well as traditional techniques.

- The first part of the Report is an accounting, by HUD management, of its progress in and plans for correcting HUD's top 10 management problems. The OIG invited this accounting, and announced its intention to provide an independent assessment of HUD's progress and plans in the next Report to the Congress — as a means of ensuring continuing Departmental and Congressional attention to these major problems.
- The balance of the Report recounts a wide variety of OIG audit and investigative work. While we do not purport that statistics tell the whole story, the results of OIG work during this 6-month period are worthy of note: \$39.7 million in cash recoveries; \$69.4 million in management commitments to recover funds; 260 indictments; and 185 convictions.

This Report does not focus on the many internal changes the OIG is making to institutionalize our Mission Statement and Values. These include eliminating process- vs. results-oriented activities, transferring to the Department functions that are not integral to the IG mission, and delegating appropriate operational authority and responsibility to our Regional Inspectors General. In a very real sense, we are getting back to the basics of IG work.

Solid IG work will be important to HUD's meeting the many management and program demands that still confront the Department. Organizational restructuring and downsizing, as recommended in the NPR Report, represent a formidable challenge. Previous OIG Reports to the Congress have demonstrated that, while staffing has been reduced, systems have not kept pace, and risks have not been fully considered. We will continue to provide independent and objective reporting on the Department's progress. We urge the Congress to continue its oversight.


Susan Gaffney
Inspector General

Reporting Requirements

The specific reporting requirements as prescribed by the Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988, are listed below.

<i>Source/Requirement</i>	<u>Page</u>
Section 4(a)(2)-review of existing and proposed legislation and regulations.	Pages 38-39
Section 5(a)(1)-description of significant problems, abuses and deficiencies relating to the administration of programs and operations of the Department.	Pages 1-37
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses and deficiencies.	Pages 14-25
Section 5(a)(3)-identification of each significant recommendation described in previous Semiannual Reports on which corrective action has not been completed.	Appendix 3, Table B
Section (5)(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	Pages 27-33
Section 5(a)(5)-summary of reports made on instances where information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No instances
Section 5(a)(6)-listing of each audit report completed during the reporting period, and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 1
Section 5(a)(7)-summary of each particularly significant report.	Pages 14-25
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 3, Table C
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 3, Table D
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 3, Table A
Section 5(a)(11)-description and explanation of the reasons for any significant revised management decision made during the reporting period.	Pages 36-37
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	Page 36

GLOSSARY OF ACRONYMS

CDBG	Community Development Block Grant
CFO	Chief Financial Officer
CFS/TRACS	Control File Subsystem/Tenant Rental Assistance Certification System
CPD	Community Planning and Development
FBI	Federal Bureau of Investigation
FERA	Front End Risk Assessment
FHA	Federal Housing Administration
FHEO	Fair Housing and Equal Opportunity
FMFIA	Federal Managers' Financial Integrity Act of 1982
GNMA	Government National Mortgage Association
GPRA	Government Performance and Results Act of 1993
HOME	Home Investment Partnership Program
HOPE	Housing Ownership for People Everywhere
HQS	Housing Quality Standards
HUD	(Department of) Housing and Urban Development
IG/OIG	Inspector General/Office of Inspector General
IHA	Indian Housing Authority
ISP	Information Strategy Plan
LMI	Low- and Moderate-Income
MIP	Mortgage Insurance Premium
OFA	Office of Finance and Accounting
OGC	Office of General Counsel
OMB	Office of Management and Budget
PFCRA	Program Fraud Civil Remedies Act of 1986
PHA	Public Housing Agency
PHMAP	Public Housing Management Assessment Program
PIH	Public and Indian Housing
UDAG	Urban Development Action Grant

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CHAPTER 1



Departmental Progress Report On HUD's Top 10 Management Problems

Nearly 18 months ago, the Office of Inspector General (OIG) identified 3 systemic and 7 programmatic issues comprising the Department of Housing and Urban Development (HUD) top 10 management problems. In our last Semiannual Report to the Congress, the OIG provided a comprehensive assessment of HUD's progress in correcting those 10 major problems. Our purpose was to establish a benchmark against which the management improvement efforts of the new HUD leadership could be measured.

At this point, 6 months later, we do not anticipate sufficient concrete changes to warrant another comprehensive OIG review. However, during these intervening months, Secretary Cisneros has committed to eliminating management deficiencies. In the report *Creating Communities of Opportunity, Priorities of the U. S. Department of Housing and Urban Development*, Secretary Cisneros outlines his first-year priorities, calling for specific actions to address management and financial issues, particularly data systems, internal controls, and resource management.

We invited the Department to present — in this Report to the Congress — its own accounting of progress in and plans for correcting HUD's top 10 management problems. During the next 6 months, the OIG will review the Department's progress in each of the areas, with the intention of providing a comprehensive OIG assessment in our next Report to the Congress.

*OIG Invites the
Department to
Present Its
Progress Report*

The Department's progress report follows, without OIG comment.

Systemic Problems

Data Systems

***Issue
Statement***

HUD's automated data systems preclude effective control and management of its wide range of large, complex programs. HUD currently has many separate, poorly integrated, often duplicative, and generally unreliable, data systems.

***Departmental
Progress Report***

Although HUD initiated development of a new integrated financial system, the widespread concern in early 1993 was that the effort was not on course. To assure management oversight and commitment, the Secretary created a Systems Integration Steering Committee chaired by the Deputy Secretary. The Committee began an immediate review of two critical projects, the Tenant Rental Assistance Certification System (TRACS) and Core Accounting.

The Secretary also reviewed the functions of the Chief Financial Officer (CFO), including the CFO's role in systems integration. In strengthening the role of the CFO, the Secretary transferred the Core Accounting project to the CFO along with overall responsibility for the operation of the Office of Finance and Accounting (OFA). To assure the proper allocation of resources to accomplish the financial systems integration, that portion of the systems development budget will be allocated by the CFO, subject to the approval of the Steering Committee.

The Steering Committee found the lack of commitment and ownership by the Assistant Secretaries to be a primary problem with the financial systems integration effort. As a result, the TRACS project was restructured into a Housing TRACS project and a Public and Indian Housing (PIH) project, as discussed further under Issue 9 related to Section 8 Budgeting and Accounting. The Core Accounting Project was restructured into an Agency Accounting System and the decision made to implement the Administrative Accounting functional application first. The Administrative Accounting System will be implemented on October 1, 1994, using Federal Financial System software. In addition, Housing is revising its plan for the Federal Housing Administration (FHA) Mortgage Insurance System to reflect the current program priorities and will submit a revised plan and budget for approval early in Fiscal Year 1994.

The financial systems integration plan has been revised to reflect the new strategy which includes:

- Bringing it into conformity with revisions to OMB's A-127.

- Empowering program offices to develop systems integration plans based upon their program strategies and management priorities but holding them accountable to definitive schedules.
- Developing a standardized classification structure for the entire Department.
- Implementing the governmentwide standard general ledger.
- Developing Departmental integration standards.

To guide the program offices in their development initiatives, the Committee has endorsed the use of strategic planning. Both PIH and Community Planning and Development (CPD) are requesting funding for mixed program and financial systems to be developed using information strategy planning. Detailed plans will be presented to the Steering Committee for final approval early in Fiscal Year 1994. After the projects have been approved, funding will be approved based upon the detailed project budget and the availability of systems integration funds.

Resource Management

***Issue
Statement***

HUD does not have sufficient staff to carry out its operations as currently structured. In addition, it does not have a plan for either acquiring additional competent staff or restructuring operations based on the resources it has. Of special concern is the increased risk of fraud and abuse as HUD shifts much of its program delivery functions to others, without the level of monitoring needed to prevent, detect or correct problems.

***Departmental
Progress Report***

The Department has launched a series of initiatives to address resource management and correct staffing deficiencies. Most importantly, these initiatives will begin the long-term effort to redesign HUD's resource management process and develop the analytical tools needed to manage resources, increase productivity and improve performance.

- In July 1993, an interim resource management policy was issued to allow Headquarters and field managers the maximum flexibility that can be afforded, within current limitations, in managing staffing.
- A working group has been convened to develop an action plan for regional and field restructuring. The plan will address the recommendation of the National Performance Review to streamline the field structure and reduce staff and will take place in concert with efforts to streamline Headquarters operations. Inclusive will be a review of major functional work categories in Headquarters.
- A training task force has established a new training strategy for the Department. Among the significant new initiatives are: Individual



Development Plans will be developed for all employees in Fiscal Year 1994; distance learning is being tested with a pilot on Bankruptcy in Multifamily Projects; and plans are underway to establish a HUD Academy in Fiscal Year 1994 to train employees and program participants.

- Housing has developed a workload triage strategy to prioritize workload for the Fiscal Year 1994 Management Plan.

In addressing the need for a responsive and supportive resource management process, the Office of Administration is undertaking a Business Process Redesign of all resources. The Redesign team has been meeting since August and the Resource Management Steering Committee, composed of Principal Staff, held its initial meeting on September 8. The schedule calls for an implementation plan by March 31, 1994. A redesigned resource management process is planned to be available in time for the Fiscal Year 1996 budget formulation process.

By September 30, 1994, HUD will develop and implement a coherent, results-oriented annual planning process anchored and linked to the budget process. Input from the field and program offices is integral to the formulation of management priorities and budget formulation. The annual planning process will unify the direction of the program offices and field to ensure that program implementation is in concert with Departmental objectives and management priorities.

In addition to the work of the Business Process Redesign team, by May 1994, the National Academy of Public Administration study is expected to present an independent assessment of and recommendations for estimating staffing needs and allocating staff resources. Their recommendations will be considered in implementing the new process.

Control Environment

***Issue
Statement***

HUD does not have an effective Management Control Program to raise control consciousness and provide for evaluation, improvement and reporting on internal control and financial management systems. Since 1983, the inception of its Management Control Program, HUD has been unable to report compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

***Departmental
Progress Report***

Establishing an effective Management Control Program is a high priority. The CFO, in coordination with the OIG, has proposed a fundamental restructuring or "reinvention" of the management control process, the objective of which is to design a program that: benefits rather than encumbers management; makes sense for HUD's organizational/operating structure; and serves as a model for the Federal Government.

A reinvention lab will be used to redesign the Management Control Program by developing an integrated management approach to include evaluation, improvement and reporting on HUD's internal control and financial management systems. The laboratory project will demonstrate that this approach, if appropriately designed

and executed, will fulfill FMFIA objectives by integrating the Management Control Program with program design and delivery as well as budget formulation and execution. Monitoring Multifamily Management Agents is the program area selected for the lab. After the approach is designed and implemented, the CFO and OIG will provide technical assistance to the Assistant Secretaries to initiate the program in their areas. This effort should be completed in Fiscal Year 1994.

To establish a process to identify and correct the root causes of material weaknesses and significant audit findings, the CFO is reviewing all existing corrective action plans and recommended changes. The CFO will meet with each Assistant Secretary to review ongoing corrective action plans and discuss draft OIG audits on potential new material weaknesses and develop appropriate corrective action plans. This will be an ongoing process.

To meet the requirements of the Government Performance and Results Act of 1993 (GPRA), the Department has initiated the following efforts:

- The CFO and others are working on a Department Management Plan to link information systems (existing systems and future systems development) with a performance and a resources management plan. The GPRA requires performance measures for all major program areas and determinations of acceptable levels of program performance to be reported to OMB as part of an annual plan, along with the resources needed to meet those levels of performance. What these measures reveal — for example, program areas that are not operating effectively — will help serve as the basis for determining resource allocation.
- Various program areas are working towards developing performance measures for their programs. FHA has completed a study to determine its most relevant performance measures and PIH has developed a business strategy which requires performance measures for its main functions. The CFO is working with PIH to link performance measures to related programs and with the Office of Fair Housing and Equal Opportunity (FHEO) to develop performance measures for their programs using section 504 of the Rehabilitation Act of 1973 as a pilot program.
- The CFO is also working on a database to link program performance measures with the Department's mission. For purposes of this database, the Secretary's values are the mission. An initial prototype of the database should be completed sometime in October 1993. In time, all of HUD's performance measures will be entered into this database, and used to generate periodic reports on performance.

The CFO also plans to convene a cross-cutting group to develop a plan to implement GPRA requirements. The group should have their first meeting early in the Fiscal Year and the draft implementation plan completed and presented to



Principal Staff by January 1994. The final GPRA implementation plan should be completed by March 1, 1994.

Programmatic Problems

Multifamily Housing Loan Servicing

***Issue
Statement***

Multifamily housing project owners and management agents continue to misuse or divert project assets and income, adversely impacting both HUD and low- and moderate-income persons through increased defaults and project deterioration. The problems persist because insufficient staff and poor systems contribute to ineffective monitoring that prolongs corrective actions and because available sanctions are not used effectively.

***Departmental
Progress Report***

HUD is committed to supporting significant changes in the way it does business to better serve its clients. Recognizing that an increase in overall staff resources is not possible, the Department has focused on ways to better use its staff by reviewing how it does business and improving its training and tools, particularly data systems. Housing has initiated a project to develop an integrated system to support the FHA insurance programs and is developing an Information Strategy Plan (ISP) for Multifamily. A project manager is being recruited to establish a budget and schedule for the ISP project.

In the late 1970s, Housing conducted a study which revealed that its technical experts were aging and the junior staff were not being trained to perform the more difficult and sophisticated functions. This trend has continued. As part of the effort to reinvent HUD, a training task force has been created and recommendations made to improve training delivery to all staff. Housing will develop a program training strategy to address the specific training needs of Multifamily technical staff. Because the staff servicing the insured multifamily portfolio is also responsible for assigned notes, the resolution of problems in these areas is inseparable. The action items for both are discussed below under Asset Management. In addition to the items listed, Housing will also evaluate workload distribution as part of the Departmentwide analysis of field structure and, as stated previously, the monitoring of Multifamily Management Agents is being used as the pilot program for restructuring the Management Control Program.

Asset Management and Property Disposition

***Issue
Statement***

Controls over HUD's multi-billion dollar Single Family and Multifamily Property Management and Disposition activities are inadequate to preserve housing and safeguard the financial interests of the government. While HUD has substantially improved its property management systems support and internal controls, problems of staffing and resource management continue to adversely impact this high dollar program area.

***Departmental
Progress Report***

Improving the management of the HUD portfolio is a first-year priority of Housing. To address the multifamily problems, Housing is focusing on three

critical areas: retaining existing staff and improving the resources available to them; reducing the overall workload of the loan management staff; and reducing the focus on HUD held notes to focus instead on preventing insured claims. An Asset Management Work Group was convened to recommend strategies to mitigate the potential losses in the multifamily FHA portfolio. In response to the Group's recommendations, Housing is adopting a National Asset Management Strategy that has been further developed into an Action Plan that targets four specific areas:

1. *Improving organizational and administrative support for the field offices* focuses on the problem of retaining personnel and improving resources. Emphasis will be placed not only on opening the lines of communication between Headquarters and field, but also between field offices. Actions will also be taken to equalize workloads, focus expertise on specific tasks, and improve training. Data systems improvements will include implementation of TRACS to reduce the burden of monitoring subsidy payments and improvements to the Multifamily National System to make it a useful tracking, monitoring, and analytical system for field offices.
2. *Reducing field office workload to allow staff to focus on asset management* means assigning responsibilities to mortgagees, contracting out certain loan management tasks and creating a more flexible servicing method to concentrate on troubled and potentially troubled loans.
3. *Implementing tools for preventing mortgage defaults and to assure financially and physically sound properties* addresses providing resources to the field offices to more effectively manage the portfolio. Specifically, this means refinancing existing insured loans with high interest rates, creating a more useful partial payment of claim procedure, and strengthening and improving HUD's relationship with the industry.
4. *Improving the management of the HUD held portfolio and obtaining enhanced tools through legislation* should free staff to concentrate on the insured portfolio. Specific efforts are underway in the areas of mortgage sales, modification of the workout policy, refinancing, reassignments, and payment of claims in debentures.

Following the significant improvements in single family property disposition activities resulting from the Single Family Property Accounting and Management System, management focus has turned to property disposition methods that contribute to HUD's mission and reduce the cost of managing acquired properties. One of the Reinvention Labs is an initiative to sell properties to nonprofits and local governments for repair and resale to low- and moderate-income buyers. Another area of interest is the single family note function. The single family note portfolio has grown substantially and FHA is having difficulty properly servicing these notes. To address this problem, FHA plans to implement a three pronged strategy to: reduce the staff burden associated with the acquisition of mortgages;



improve the quality and efficiency of servicing by consolidation or restructuring functions; and develop means to remove mortgages from the portfolio.

Community Development Block Grant Program (CDBG) Benefits to Low- and Moderate-Income Residents

***Issue
Statement***

HUD management needs to improve controls for ensuring that CDBG grantees fund eligible activities and provide the required level of activities for the benefit of low- and moderate-income persons.

***Departmental
Progress Report***

CPD is focusing on a comprehensive vision of community development which recognizes the connections between the myriad elements that affect a community. This holistic approach will be achieved by having communities develop strategic plans, combining the Comprehensive Housing Affordability Strategy (CHAS) and Community Development Plan requirements. CPD is working with states, regions and localities to reduce administrative burdens by consolidating and simplifying planning, application, and reporting requirements for the Home Investment Partnership (HOME), CDBG, Emergency Shelter Grants and Housing Opportunities for Persons With AIDS (HOPWA) Programs.

This approach to planning should lead to better understanding of the relationships among different types of housing and community needs, coordinated delivery of government services, and elimination of unnecessary steps in the approval processes. Consolidation and coordination should also allow leveraging of nongovernmental resources for community development and promote better and more informed citizen participation. In support of this effort, better information needs to be collected to improve accountability and to provide a better picture of program output. Information must be standardized to be aggregated nationally and provide indicators of national accomplishments. This coordinated plan will permit greater front-end knowledge by CPD staff of grantees' plans and also foster a customer service approach and a more informal ability to guide grantee choices. This should conserve scarce staff and administrative costs as it will reduce paperwork and duplication of effort. It will free up staff time to work creatively with local governments as partners in addressing problems of cities.

Working Groups have been established to:

- Develop consolidated planning and application requirements for the programs mentioned, targeted for implementation with the Fiscal Year 1995 grantee submissions.
- Develop an integrated disbursement and information system to automate planning and reporting processes and provide real time accomplishments and drawdown information. Funding for the first phase has been requested from Fiscal Year 1994 funds.

- Review requirements for the CDBG Program with a focus toward eliminating unnecessary, burdensome requirements. No target completion date has been established.

Public Housing Agencies

Issue Statement

Significant continuing problems in the management and operation of many public housing agencies (PHAs) continue to frustrate HUD's efforts to achieve its goal of providing decent, safe, and sanitary dwellings for low-income families.

Departmental Progress Report

Improving PHA management and the living environments of the residents of public housing is the continuous focus of the Office of Public and Indian Housing. PIH is moving forward on every front to achieve this goal: management of PHAs, the physical housing stock, safety issues, resident employment opportunities, HUD organization and rules and regulations. Recognizing that substantial changes must be made in the way HUD deals with some PHAs, an Office of Distressed and Troubled Housing, reporting directly to the Assistant Secretary, is being established to provide focused attention to troubled PHAs and severely distressed public housing developments. As the National Performance Review recommendation to reduce the level of regulation of PHAs which have demonstrated the ability to manage effectively is implemented, more staff time will be focused on troubled agencies.

The specific problems of some of the most troubled PHAs are being addressed. For example, the Board of the Philadelphia Housing Authority has been restructured under the Mayor and a HUD staff person assigned to provide oversight and assistance to the PHA in the development and implementation of a plan to improve the major components of its operation. In addition, PIH will be contracting for an independent assessment of every troubled PHA. PIH intends not only to ensure that these assessments are conducted with the appropriate expertise, but also to make available funds for technical assistance to the PHAs in correcting identified deficiencies. These reports will provide a solid baseline as to the problems and set forth a definite plan of action which will be thoroughly monitored. PIH plans to begin executing Memoranda of Agreement with PHAs to carry out these plans by July 1, 1994.

A key responsibility of field office staff is to determine which PHAs require reviews, identify the focus areas and assemble the on-site review teams. In an environment of scarce resources, it is increasingly critical that field personnel have a clear framework within which to make such decisions, and that they fully understand how the review effort can be maximized to ensure the right mix of corrective actions. The revised PHA Monitoring Handbook, which is now in Departmental clearance, provides the basis for the application of risk management techniques in the scheduling of reviews, and reinforces the value of a team approach to the monitoring effort.



It is clear that fundamental changes must occur, and be institutionalized, within HUD field offices. Traditionally, reviews and surveys of PHAs were done on a time-interval basis regardless of how the PHA was actually performing. Although a more limited version of risk management is contained in the current monitoring handbook, it still allows for considerable latitude in review scheduling. Moreover, the interrelationships between generalists and technical staff and specific techniques to facilitate a team approach were not sufficiently emphasized. As the problems confronting PHAs grow in complexity and budgetary impact, it is imperative that field staff be fully equipped to ensure that the necessary type and level of technical assistance are provided.

The new handbook will provide a more concentrated focus on the problems of troubled PHAs. Coupled with courses scheduled for Fiscal Year 1994, including training on problem solving techniques, this new approach will better equip the Department to identify the underlying problems at these PHAs and to facilitate the provision of necessary technical assistance to see that they are addressed.

Finally, PIH has conducted a pilot demonstration in the Chicago Region of a new oversight approach for a more efficient and effective use of HUD field staff resources in improving PHA and Indian Housing Authorities (IHA) operations. The new approach emphasizes risk management strategies, problem analysis/solving, and technical assistance through a functional alignment of staff resources consistent with operations of a typical housing authority. The new approach is being implemented nationally and will provide a focus on PHAs/IHAs with the greatest need for assistance, rather than performing on-site reviews based on numerical targets and narrowly defined checklists.

Government National Mortgage Association (GNMA) Contract Monitoring

***Issue
Statement***

With a limited staff, GNMA relies heavily on contractors to carry out the asset management and program responsibilities associated with its Mortgage-Backed Securities Program. GNMA has limited assurance that its extensive contract services are properly performed and claims for services are reasonable or valid.

***Departmental
Progress Report***

GNMA is continuing to improve its contract management. All aspects of each contract are being reviewed, policies and procedures updated, and controls established to assure proper performance and that costs are reasonable and valid.

GNMA hired an audit contractor on September 30, 1991, to perform on-site reviews to monitor the activities and contract compliance of its master subservicers and two other contractors, the issuer monitoring and analysis agent and its central paying and transfer agent. These reviews verify financial information reported to GNMA and ascertain the degree of compliance with contractual terms. As part of each master subservicer's review, the timeliness of accounting reporting package submissions was being addressed. GNMA completed the review of the master subservicers in Fiscal Year 1993. In Fiscal Year 1992-93, GNMA worked with its

audit contractor and their subcontractor to ensure that master subservicers appropriately corrected any deficiencies noted during these reviews.

GNMA also established a Follow-up Monitoring Plan in Fiscal Year 1993 to provide information for the follow-up and monitoring of the master subservicers and other major contractors. The monitoring plan is being used for the follow-up process to continue to appropriately correct any deficiencies noted during the reviews. In Fiscal Year 1993, GNMA amended the master subservicer contract to include a requirement that master subservicers fully comply with the monthly financial reporting requirements for the Single Family Program. The Manufactured Housing and Multifamily Programs contracts will be amended in Fiscal Year 1994. Master subservicers who still do not comply will be subject to appropriate disciplinary action.

In Fiscal Year 1993, GNMA completed the review of its central paying and transfer agent. In Fiscal Year 1994, GNMA plans to complete the review of its issuer monitoring and analysis agent.

In August and September 1993, GNMA advertised for a Contract Specialist to serve in the Office of the Executive Vice President, GNMA. The position is expected to be filled in November 1993. The filling of this position will assist GNMA in the coordination of all activities related to contracts with outside parties. Such activities include coordinating procurement actions, conducting reviews or overseeing contract compliance reviews and assisting in the execution, modification or extension of new or existing contracts. The Contract Specialist will be responsible for providing independent advice on ways to improve the activities of GNMA in the field of contract management.

Section 8 Budgeting and Accounting

Issue Statement

HUD does not have an adequate system for tracking and controlling billions of dollars of long-term Section 8 subsidy commitments, resulting in millions of dollars of incorrect or misdirected subsidy payments and difficulty in establishing program funding needs.

Departmental Progress Report

The development of a system to track and control Section 8 subsidies remains one of HJD's top priorities. The Control Files Subsystem/Tenant Rental Assistance Certification System (CFS/TRACS) project was recently reorganized to provide for clear program direction from the Assistant Secretaries for Housing and Public and Indian Housing. Both program areas will continue to use CFS as the data collection system for Section 8 contract data. Housing will continue development of the TRACS system to collect and certify tenant data, prepare budget estimates, process voucher reviews and tenant subsidy payments and control funding. PIH will expand an existing tenant processing system to support the collection and certification of Section 8 tenant data. PIH will utilize the Federal Financial System to support the budget formulation and subsidy payments for the tenant-based



programs. Housing's TRACS project has been refocused to accelerate implementation of the budget forecasting process, which is intended to achieve Housing's goal of improving the accuracy of Section 8 funding estimates. The plan also provides for including full voucher processing capability to enhance the control of subsidy disbursements, as well as other functions to meet the needs of field offices.

During Fiscal 1993, Housing completed installation of tenant data collection software in all regions and processed over 100,000 individual certifications using the software. Final procedures have been developed for reconciling CFS and accounting data to provide accurate information for budget forecasting and conversion to an integrated accounting system. The design document for the budget forecasting module is nearing completion and implementation of the module is projected for spring 1994. Housing has also prepared a rule requiring owners to submit tenant data in an automated format which will reduce the cost of the system; the rule is expected to be published in November 1993.

In PIH, the differing methods of payment of subsidies and processing of certifications have resulted in a Section 8 System Project which will make use of the Department's purchased integrated financial management system. In Fiscal Year 1993, PIH completed the collection and verification of CFS data and developed a plan to implement, in October 1994, the first phase of the Section 8 System, fund control and budget execution and payments to PHAs. A second phase will address applications and contracts, and the PHA processing of certifications and budget formulation. Budget estimates for Fiscal Year 1995 have already been substantially improved by using the data available in CFS.

New Program Implementation

***Issue
Statement***

New programs pose a major challenge to HUD management to develop and implement, in a timely manner, plans, procedures, systems, staffing and other tools necessary for efficient and effective program implementation.

***Departmental
Progress Report***

The Department is taking several steps to deal with these problems:

- A budget/legislative review process has been established under the direction of the Chief of Staff and the Assistant Secretary for Policy Development and Research to assure that as the Department formulates its budget and new legislative initiatives, implementation issues are discussed, and the impact of these proposals on the salaries and expense budget is calculated.
- Legislative proposals concentrating on the Housing and Urban Development Act of 1994, designed to consolidate many HUD programs, are being formulated by program Assistant Secretaries. These consolidations are intended to streamline program administration by HUD staff to reduce potential risks as well as to simplify the application process.

- The Top Twenty-Five rules have been identified by the Deputy Secretary to assure timely processing of new or revised rules that are high priority. Major criteria for developing a rule include reducing the administrative complexity and cutting down on potential risk in the program. Those rules with the highest program priority and greatest risk potential are selected for the top 25.
- Pursuant to the President's Executive Order, the Deputy Secretary has initiated a major review of all regulations and a streamlining of the regulatory review process. The Office of the General Counsel has worked closely with OMB to develop protocols to speed revision of regulations as well as implementation of regulations for new programs.
- HUD is aggressively implementing a Front-End Risk Assessment (FERA) requirement to ensure that adequate internal controls are built into all new or substantially revised programs. The FERA process is designed to be used prospectively to: define the proposed control environment; identify control risks; describe the major controls or systems needing additional controls; and document the actions required to reduce these control risks to a tolerable or acceptable level. Although improved requirements and guidance were issued in September 1992, implementation has been sporadic. To ensure that these concepts are embodied into all new legislative and Departmental initiatives, we will be emphasizing the FERA concepts in the restructured management control program being formulated in concert with the OIG, as discussed previously in this report.

This concludes the Department's accounting of its progress in and plans for correcting HUD's top 10 management problems. The OIG's next Semiannual Report to the Congress will provide the OIG's assessment of the adequacy of the corrective actions taken and planned.



CHAPTER 2

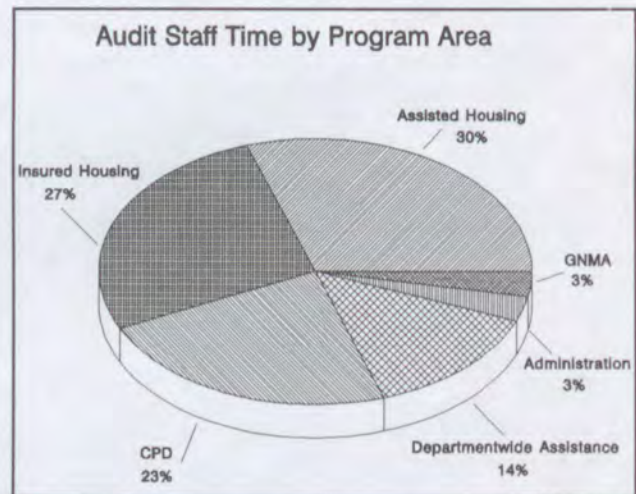


Audit

This Chapter highlights significant audits issued over the past 6 months. In cases where corrective actions have been initiated or completed on our audit recommendations, we have noted those actions.

During this reporting period, we issued 21 reports on internal HUD operations and 89 external reports on grantees and program participants. As shown on the following chart, 86 percent of our resources were directed to audits of major HUD programs. The remaining 14 percent went to Departmentwide assistance which includes such functions as follow-up on audit findings and recommendations, quality control and monitoring of independent auditors, and program integrity activities.

The Office of Audit Performs Financial, Compliance and Performance Audits of HUD Programs and Operations



Multifamily Housing

HUD administers several programs that provide insurance or subsidies to multifamily projects. In addition to projects with HUD held or HUD insured mortgages, the Department directly owns a number of multifamily projects acquired through its insurance and loan programs. HUD also subsidizes the rents for eligible low-income households

through Section 8, Rent Supplement, and Rental Assistance Payments Programs. During this reporting period, we reviewed HUD servicing and property disposition/asset management functions, the Delegated Processing Program, and owner and management agent operations.

Servicing Multifamily Projects

Issue: ALTHOUGH HUD HAS IMPROVED ITS LOAN SERVICING OVER THE YEARS, OUR AUDITS CONTINUE TO DISCLOSE ASSET DIVERSION AND PROPERTY DETERIORATION.

Discussion: Last spring, there was considerable Congressional and media attention on HUD's weaknesses in servicing multifamily insured loans and managing acquired properties. This attention stemmed largely from the issuance of several OIG audit reports including the audit of FHA's financial statements. During this reporting period, our office issued additional reports citing similar weaknesses at other field locations.

The **Atlanta, GA and Jacksonville, FL Offices** (Report No. 93-AT-111-0003) need to improve their servicing by expeditiously resolving physical deficiencies, obtaining legal reviews, and scheduling and performing timely inspections. Seven projects with mortgages totaling \$8.8 million were not properly classified as troubled or potentially troubled. Mortgagee physical inspection reports were not adequately reviewed, and deficiencies existed in identifying and following up on financial report deficiencies and reviewing financial statements in a timely manner.

The **St. Louis, MO Office** (Report No. 93-KC-111-0002) needs to reduce unnecessary insurance claims by improving its insured multifamily project servicing. Staff inadequately trained to identify equity skimming indicators and a lack of appropriate referral procedures contributed to the failure to detect over \$813,000 in equity skimming violations and take appropriate action. In

addition, mortgagee inspections were not adequately monitored and inspection reports were not used to augment monitoring efforts. The Office also did not adequately monitor the physical condition or complete comprehensive management reviews of troubled projects.

The **Kansas City, KS Office Loan Management Branch** (Report No. 93-KC-111-0003) needs to improve the timeliness of its financial statement reviews of troubled projects and better monitor projects' physical conditions. Specifically, the Office did not assure adequate inspections, corrective action plans, or documented review and reliability determinations of physical inspections.

We made a number of recommendations to correct these problems, including taking action against project owners who did not comply with their Regulatory Agreement, establishing or revising policies to address identified deficiencies, and periodically reviewing the servicing function. Atlanta and Jacksonville staff disagreed with certain of our conclusions, and indicated that a number of steps have already been taken to correct the deficiencies. St. Louis and Kansas City staff agreed with our findings and recommendations, but cautioned that carrying out some corrective actions was contingent on staffing availability.

Property Disposition - Asset Management

Issue: THE BOSTON, MA AND FORT WORTH, TX OFFICES NEED TO IMPROVE THE MANAGEMENT OF THEIR MULTIFAMILY PROPERTY INVENTORIES.

Discussion: HUD's objectives, when it takes possession of abandoned or defaulted multifamily properties, are to maintain occupied housing in decent, safe and sanitary condition in a cost-effective manner, maintain vacant buildings and land without health and safety hazards, and ensure occupancy consistent with the type and size of units. In our last Semiannual Report, we reported the results of our multiregional audit of HUD's management of multifamily projects. We concluded



that while HUD had developed and initiated several management control improvements including better defined guidance and procedures and upgraded data systems to track financial operations, new procedures were not fully implemented, properties were not properly repaired and the risk of insurance losses was increased. During this period, we reviewed the property disposition function at the Boston and Ft. Worth Offices.

The **Boston Office** (Report No. 93-BO-113-0003) lacks the staffing necessary to perform at an acceptable level. The Office has 3 staff to manage 14 projects with 1,878 units. The severe staffing constraints, coupled with the increasing inventory, created an immediate need to address accountability and control problems. HUD is exploring the use of Public Sector Asset Managers to improve day-to-day management, and plans to contract with the Massachusetts Housing Finance Agency to act as such a manager. To assist HUD and the Finance Agency in this endeavor, our audit identifies several problem areas that need to be addressed, including broker authorizations, lead based paint, unit condition, repair surveys, tenant accounts, and vacancies. We are also recommending that HUD establish a method to oversee the Finance Agency's Property Disposition Program.

In managing its inventory, the **Ft. Worth Office** (Report No. 93-FW-113-0001) did not follow procedures to negotiate prices for contract modifications; stay within its contracting authority; maintain adequate records; and ensure compliance with the Davis-Bacon Act. In addition, the repair program was not effective. We also found that the Ft. Worth Regional Office did not adequately monitor the field offices.

We recommended specific management controls and procedures to ensure effective administration of property management activities and effective implementation of HUD's repair policy. We also recommended that the Regional Office of Housing implement an effective monitoring system and review field office repair plans. The Boston Office generally agreed with the conditions described in

our report. Ft. Worth has advised us of actions already completed or underway that should substantially improve the management of properties in the inventory.

Delegated Processing

Issue: ALTHOUGH PROGRAM CONTROLS ARE GENERALLY ADEQUATE, ALREADY LIMITED STAFF RESOURCES ARE SPENT REDOING THE UNACCEPTABLE WORK OF DELEGATED PROCESSORS, AND THE COSTLY PROGRAM HAS YET TO IMPROVE PROCESSING TIMELINESS.

Discussion: The Delegated Processing Program, which delegates certain functions to selected approved mortgagees, was designed to enhance HUD's ability to process insurance applications; reduce processing time; control processing and underwriting decisions; increase affordable housing opportunities; and provide a steady supply of rental housing.

We audited the **Delegated Processing Program** (Report No. 93-HQ-115-0018) at nine field offices in the Boston, Philadelphia, Chicago and Seattle Regions. While controls were generally adequate, we did find weaknesses that impact on HUD's ability to improve the delivery of programs, provide timely processing and maximize field office capacity. Interviews with delegated processors, originating mortgagees/sponsors, regional contracting officers and field office staff indicated that the program is costly and has not improved processing timeliness. In addition, the field offices expended considerable time and effort reviewing or reprocessing deliverables, and did not consistently apply sanctions for late deliverables, poor quality work, or work not performed. We also found lack of consistency in field office review standards and poor communication among program users.

The Office of Housing recently changed the delivery system for mortgage insurance processing. Delegated Processing 2 allows both HUD approved and non-HUD approved mortgagees to be delegated processors and employs a delivery order

process where contractors bid on a firm fixed price. Technical Disciplines Contracts augment field office staff in times of temporary shortages. While these changes should improve timeliness, more needs to be done. In addition to recommending an evaluation of the cost efficiency of the program, we recommended a performance measurement system, mechanisms for obtaining suggestions from program users, procedures for evaluating and communicating the results of processor performance, and guidelines for taking actions against deficient processors. The Office of Housing agreed that the program needs to be improved and has agreed to augment instructions to field offices.

Project Owner and Management Agent Operations

Issue: OWNERS AND AGENTS CONTINUE TO EXPEND PROJECT FUNDS FOR UNREASONABLE AND UNNECESSARY ITEMS AND FAIL TO OPERATE IN ACCORDANCE WITH REGULATIONS.

Discussion: The following audits provide examples of owner and agent violations that contribute to both the physical and financial deterioration of multifamily projects.

VMS Realty Management, Inc., Chicago, IL (Report No. 93-HQ-214-1005), disbursed \$6.3 million from at least six projects for partnership expenses while two were in default and the others were in a non-surplus cash position.

The owner of the **Tucson, AZ Health Care Limited Partnership** (Report No. 93-SF-212-1014), used \$4.9 million of project funds for ineligible purposes, including repayments, advances or payments on secondary financing while the project was in default, and could not support an additional \$212,000 for recorded expenses.

Professional Properties, Inc., Santa Monica, CA (Report Nos. 93-SF-214-1010 and 93-HQ-214-1004), improperly charged \$2.2 million in

ineligible and unsupported corporate salaries and related expenses to 21 HUD insured projects. These charges led HUD to approve rent increases based on inflated expenses, and caused a subsequent loss of revenues.

Anthony & Associates, Albuquerque, NM (Report No. 93-FW-214-1016), disbursed about \$1.2 million of project funds when the owners were in default on the mortgages. About \$547,000 of project funds were used for non-operating expenses, excessive management fees, and management agent expenses, and about \$425,000 of expenditures were not documented. Since HUD had not approved the owner/agent to manage the properties, the propriety of \$208,000 in management fees is also in question.

Retirement Housing Foundation, Inc., Long Beach, CA (Report No. 93-HQ-214-1006), generally operated its projects according to HUD requirements but, without approval, withdrew \$1.8 million from 35 projects to repay owner advances at a time when most of the projects had no surplus cash, and charged the projects \$488,400 in unsupported or unprorated salaries.

Community Realty Management, Inc., Pleasantville, NJ (Report No. 93-HQ-214-1002), incorrectly charged over \$368,000 in staff salary and fringe benefit costs to the projects as well as over \$200,000 in non-project expenses, disbursed owner distributions in excess of available surplus cash for five projects, and failed to escrow over \$1 million of project funds with the mortgagees.

Our audit of the identity-of-interest management agent for **Casa Sandoval Apartments, Hayward, CA** (Report No. 93-SF-212-1011), identified \$664,000 of non-project expenses and repayment of owner advances and other loans; \$815,000 in inadequately supported disbursements, mainly for unapproved management agent fees and contracts with relatives, business associates and acquaintances; and excessive staffing and



compensation that increased project operating costs by at least \$500,000 per year.

The owner of **Lambert Apartments, Bath, ME** (Report No. 93-BO-212-1009), diverted over \$224,000 from the project, potentially diverted an additional \$300,000 obtained through secondary financing, and used the project as collateral to obtain \$1.3 million in unauthorized loans, all of which were removed from the project books when a secondary lien holder foreclosed on the project.

The owner of **Heritage Village**, a retirement service center in **Ft. Worth, TX** (Report No. 93-FW-212-1014), used over \$841,000 in project funds for unauthorized distributions, owner related expenses and other unsupported costs.

Over \$745,000 in ineligible or unsupported costs were charged to projects by **Konover Residential Corporation, West Hartford, CT** (Report No. 93-BO-214-1008).

Ben Lomond, Inc., Anchorage and Fairbanks, AK (Report No. 93-SE-214-1003), charged unreasonable and unsupported costs based, in some cases, on predetermined rates (rather than actual costs) that exceeded local market rates, resulting in over \$562,000 in excess operating expenses as well as excessive compensation.

Noncompliance with Section 8 Program requirements at the **Cooperative of Charlesnewtown Housing, Inc., Boston, MA** (Report No. 93-BO-212-1005), resulted in \$366,000 in unauthorized subsidies and \$147,000 in annual excess subsidies, in addition to the U.S. Attorney's charge that 22 tenants falsified their incomes to receive excess subsidies.

Paradigm Management Group, Inc. (Report No. 93-CH-212-1022), which managed The Meadows, a retirement service center in **Marion, OH**, repaid advances of \$491,000 while the project was in default, \$224,000 of which was paid after the owner was notified that the repayment violated the Regulatory Agreement.

Over \$429,000 of project assets were not under the control of L.E. Smith Management Company, agent for **Roxse Homes in Boston, MA** (Report No. 93-BO-212-1007).

In addition to disbursing \$327,000 of project funds without adequate documentation, **Yellowbird Limited in Xenia, OH** (Report No. 93-CH-214-1026), violated a 1984 court order when it spent over \$60,000 of project funds for excessive management fees and did not remit specific cash assets to HUD.

The owners of **Hudson Arms Apartments I and II, Auburn, AL** (Report No. 93-AT-212-1020), improperly disbursed \$238,000 in project funds and, after borrowing \$133,000 pledging Hudson Arms assets as collateral, apparently disbursed the loan proceeds to the general partners.

The owner of **Winddrift Apartments, Lakewood, CO** (Report No. 93-DE-212-1005), diverted nearly \$300,000 of project funds to himself and related entities, paid himself unapproved management and maintenance fees and charged personal expenses to the project.

We recommended repayment/recovery of ineligible costs and diverted or misused funds, documentation of unsupported costs, and, where appropriate, administrative sanctions, legal action or imposition of civil money penalties and/or foreclosure.

Public and Indian Housing

HUD's Public Housing Program provides funds for operating subsidies and developing and modernizing projects for housing lower-income families and correcting unsafe and unsanitary conditions. Indian Housing Programs provide similar aid to IHAs to develop and operate rental and homeownership opportunity projects. HUD also provides technical assistance to PHAs and resident organizations to assist in planning, developing and managing projects.

During this period, we focused on HUD's monitoring of large troubled PHAs and various PHAs' management of projects.

Public Housing Agencies

Issue: WITHOUT AN EFFECTIVE STRATEGY TO ADDRESS THE DECLINING QUALITY AND ESCALATING COSTS OF PUBLIC HOUSING, TROUBLED PHAs WILL CONTINUE TO REQUIRE LARGER AND LARGER FEDERAL SUBSIDIES.

Discussion: We reviewed HUD's monitoring of large troubled PHAs (Report No. 93-HQ-101-0015), focusing on 11 PHAs audited by the OIG as of December 31, 1992. There were 23 HUD-designated large troubled PHAs as of November 19, 1992. We found that, overall, monitoring has not produced a positive impact on the inadequate operating and financial conditions at PHAs, caused primarily by the lack of strategies and monitoring procedures and insufficient staff and travel funds. We believe HUD's most economic and efficient alternative is to support changes in the administration of the Public Housing Program.

Many PHAs remained on the troubled list for over 10 years. While this prolonged status can be attributed to poor management practices, various administrative, regulatory and statutory requirements are also at fault. Specifically, HUD regulations on rent, funding, admissions and replacement housing can act as barriers to effective management and can make it difficult for some large troubled PHAs to reduce their need for Federal operating subsidy or improve housing conditions.

The decline in the quality of public housing is caused by frequent management turnover, ineffective and inefficient policies and procedures, mismanagement, poor maintenance and crime. Many of the PHAs have also experienced problems with financial management, housing quality

standards, vacancies, rent collections, procurement, personnel, and cash and accounting controls.

We discuss three ways to attack the problems in the Public Housing Program: improve large troubled PHA management, change Federal policies and procedures, and develop a comprehensive action plan to systematically address conditions on a case-by-case basis. The action plan should address legislative and regulatory changes, more aggressive sanctions against waste and abuse, technical assistance teams, funding leverage on local governments and comprehensive on-site monitoring. In our opinion, a major multi-level strategy and commitment of resources are necessary. Simply providing more funding and rewarding inefficiency will not prevent further program waste and abuse. The current HUD funding level for all PHAs is approximately \$6 billion a year. We project a funding need of about \$9 billion a year for the foreseeable future.

The Assistant Secretary for Public and Indian Housing generally agreed with our assessment of HUD monitoring and the need for change. PIH is establishing an Office of Distressed and Troubled Housing to focus attention on troubled PHAs and severely distressed public housing developments. An example of PIH's more proactive involvement is the assignment of a staff person to the Philadelphia Housing Authority to provide oversight and assistance. In addition, PIH plans to obtain an independent assessment of every troubled PHA. We believe PIH's planned actions and our additional proposals, if implemented, should have a positive impact on correcting the problems and issues relating to PHAs.

Issue: POOR MAINTENANCE AND HOUSING QUALITY STANDARDS VIOLATIONS CONTINUE TO CREATE VACANCIES DESPITE LONG WAITING LISTS, THUS HINDERING HUD'S EFFORTS TO PROVIDE LOW-INCOME FAMILIES DECENT, SAFE AND SANITARY HOUSING.



Discussion: Audits of eight PHAs demonstrate problems in administering the Public Housing Program.

The **New York City Housing Authority** (Report No. 93-NY-201-1008) is doing many things right. It has effective maintenance procedures that assure rapid repair of vacated units, a preventive maintenance program that continues to upgrade the condition of occupied units, and improved data processing and reporting systems. However, although these amounts are relatively insignificant in light of total funding, we did note several financial management issues that should be addressed. For example, over \$2.5 million in unnecessary interest expenses for pension liability were charged to the Low-Rent Housing Program and understated estimated income caused the Authority to receive over \$3 million in excess subsidy for that year. In addition, at least five management improvement program activities with \$5.3 million in unobligated funds did not appear to fully meet HUD's eligibility criteria and the validity of a \$5.5 million payable, unchanged since 1982, needed to be supported.

The **Housing Authority of the City of Charlotte, NC** (Report No. 93-AT-204-1021), advanced over \$4 million of public housing funds to other programs without HUD approval. The advances reduced the funds available for the payment of operating expenses or investment. We estimate lost investment income exceeded \$600,000. Because the Authority did not properly allocate administrative costs, the Public Housing Program was overcharged by about \$2 million for administrative overhead costs. In addition, 23 of the 24 Section 8 units we inspected did not meet HQS.

The **Richmond, CA Housing Authority** (Report No. 93-SF-202-1017), did not have a financial system to properly account for \$15 million in Comprehensive Improvement Assistance Program funds. Nearly \$800,000 of costs incurred for landscaping and salaries were ineligible or unsupported, and contract

costs totaling \$572,000 may have been excessive. In addition, the Authority allowed units to remain vacant prior to contracting for physical improvements, resulting in decreased rental income.

The **Housing and Community Development Department of Maricopa County, AZ** (Report No. 93-SF-202-1016), was declared troubled in August 1991, and in February 1992, Maricopa County took over its management. However, the team which took over had no previous experience in managing a PHA and conditions have failed to improve or have further deteriorated. Deficiencies were found in the areas of procurement, maintenance, allocating costs, and determining rent reasonableness.

The former executive director and board of commissioners of the **Philadelphia, PA Housing Authority** (Report No. 93-PH-201-1809), violated and/or circumvented procurement requirements on 42 percent of 66 contracts, totaling more than \$460,000.

At the **Pontiac, MI Housing Commission** (Report No. 93-CH-202-1020), a troubled PHA, 69 percent of the 75 units inspected did not comply with HQS, primarily because of weaknesses in the inspection and repair program, and the 23 percent vacancy rate at the end of 1992 resulted in an annual loss of more than \$215,000 in rental income.

Despite improvements in its program administration, 64 percent of the 75 units inspected at another troubled PHA, the **Peoria, IL Housing Authority** (Report No. 93-CH-202-1020), failed to meet HQS.

Vacant units were not reoccupied within 30 days at the **Aurora, IL Housing Authority** (Report No. 93-CH-202-1021), and 77 percent of the 70 units inspected did not meet HQS.

To resolve these specific problems and work toward improving the condition of public housing, we recommended closer oversight and greater technical assistance, correction of HQS and procedural violations and improved maintenance operations.

Community Planning and Development

Issue: MISMANAGEMENT OF CDBG ENTITLEMENT FUNDS LED TO NEARLY \$18 MILLION IN UNSUPPORTED COSTS AND \$4 MILLION IN INELIGIBLE COSTS, AS WELL AS A VARIETY OF OTHER DEFICIENCIES.

Discussion: CDBG entitlement funds are to be used to aid eligible communities in the prevention or elimination of slums and blight or to address other community development needs that present a serious and immediate threat to the health or welfare of the community. Our audits disclosed that the funds were not always properly used.

The Municipality of **Aguadilla, PR** (Report No. 93-AT-241-1018), mismanaged its Section 108 Loan Guarantee Assistance activities, resulting in over \$1.9 million of ineligible and \$1.2 million of unsupported costs. In addition, benefits to low- and moderate-income persons from expenditures of over \$2.9 million were unduly delayed, not realized or not evident. We found that nearly \$1 million of CDBG funds were improperly used or loaned to other Federal programs and another \$280,000 was used for improperly allocated salaries, questionable security services, and unnecessary phone and auto expenses.

The City of **Newport News, VA** (Report No. 93-PH-241-1006), provided \$1.1 million in Special Economic Development loans to four ineligible borrowers and did not provide necessary management oversight to ensure that rehabilitation work for the Home Loan/Grant and Urban Homesteading Programs was performed.

In **Syracuse, NY** (Report No. 93-NY-241-1005), the weak processing and servicing of CDBG loans and control over subrecipients resulted in over \$3 million in unsupported and \$142,000 in ineligible costs.

The **Denver, CO** Community Development Corporation (Report No. 93-DE-241-1006) used \$350,000 in CDBG funds from the City and County of Denver to pay administrative costs of other activities carried out by the Corporation and its subsidiaries. In addition, proper accounting records were not established, the independent audit was not completed and the City and County did not adequately monitor the activities of the Corporation.

Although the City of **Los Angeles, CA** (Report No. 93-SF-241-1012), generally complied with CDBG requirements, it needed to more fully document how the program met national objectives. The City did not adequately show that \$12 million disbursed for housing rehabilitation projects addressed the prevention or elimination of slums or blight. The City also needed to accelerate program implementation. In May 1993, the City held \$9.3 million more in undisbursed funds than HUD's prescribed amount. In addition, it expended \$1.2 million for job creation activities but did not fully document that jobs were created for low/moderate income persons; prematurely drew down at least \$2.8 million for its residential rehabilitation program and held the funds for over 5 months before making disbursements; and overstated its claimed low/moderate income benefit costs by at least \$744,000.

The City of **San Antonio, TX** (Report No. 93-FW-241-1015), generally administered its CDBG Program according to regulations; however, for the past 4 years it has not met the requirement for timely expenditure of CDBG funds. At March 31, 1993, the letter-of-credit balance was \$38 million, or 2.4 times its current entitlement grant compared to the standard of not more than 1.5 times the latest grant award. In addition, the City did not have a qualified nonprofit organization carrying out its homeownership assistance activity and did not restrict the activity to neighborhoods undergoing revitalization.



The effectiveness of the **Albany, NY** Local Development Corporation (Report No. 93-NY-241-1004) economic development program may have been jeopardized by imprudent loan decisions and unsupported obligations and disbursements. Ineligible loans totalled \$470,000 and unsupported loans another \$566,000. In addition, program income was improperly recorded, Section 108 loan repayments used to make payments for three defaulted borrowers, and nearly \$430,000 was expended on 11 uncompleted Housing Trust Fund projects.

We recommended repayment of all ineligible costs, either repayment or documentation of unsupported costs and payment of all interest earned on the ineligible loans. We also recommended that the Municipality of Aguadilla be placed on a reimbursable basis until it properly administers its CDBG and Loan Guarantee Assistance activities and that San Antonio correct its expenditure problem and suspend the homeownership assistance activity until it meets HUD requirements.

Financial Management Issues and Material Weaknesses

This section reports on the audit of HUD's consolidated financial statements for the year ended September 30, 1992, and discusses the OIG's assessment of actions taken by HUD management to correct previously identified material weaknesses.

Financial Statement Audit

Issue: AN OPINION COULD NOT BE EXPRESSED ON HUD'S FINANCIAL STATEMENTS AND CONTINUED SYSTEMIC WEAKNESSES IN HUD'S INTERNAL CONTROLS WERE REPORTED.

Discussion: The Chief Financial Officers Act of 1990 provides for improved financial management at Federal agencies. The Act requires that HUD

prepare Departmentwide financial statements, audited in accordance with Government Auditing Standards. HUD's activities can be grouped into three components: grant, subsidy and direct loan programs; FHA; and GNMA.

The Price Waterhouse audit of HUD's **consolidated financial statements** for the year ended September 30, 1992 (Report No. 93-FO-177-0004), reports that the most serious internal control weaknesses pertain to the grant and subsidy programs, notably Section 8 subsidy payments. The report also discusses loss reserves on FHA insured multifamily mortgages and the extent of contractual commitments, both funded and unfunded, to provide housing and community assistance in the future. The reportable conditions relating to internal controls that could adversely impact financial data include issues previously reported in the FY 1992 financial statement audits of FHA and GNMA (reported in our last Semiannual Report), such as resource shortages, inadequate financial systems, ineffective monitoring of program recipients, weak controls over Section 8 payments, and the need for early warning and loss prevention in FHA monitoring activities. In addition, the audit notes that HUD is not in compliance with FMFIA, which requires that an agency's internal controls provide reasonable assurance that obligations and costs are in compliance with applicable laws; funds, property and assets are adequately safeguarded; revenues and expenditures are properly accounted for and reported; and accounting systems conform to principles and standards mandated by the Comptroller General. Because of the Department's lack of compliance with FMFIA, Price Waterhouse was unable to express an opinion on HUD's consolidated financial statements.

Our report on Price Waterhouse's audit contains 30 new recommendations in addition to 10 particularly significant recommendations, repeated from the prior year's audit, on which corrective action has not been completed.

Material Weaknesses

Issue: WHILE THE DEPARTMENT HAS MADE SOME PROGRESS IN CORRECTING PREVIOUSLY IDENTIFIED MATERIAL WEAKNESSES, MORE NEEDS TO BE DONE, AND MANY WEAKNESSES STILL EXIST.

Discussion: The FMFIA requires the head of each agency to establish and maintain internal control and financial management systems, and to report annually to the President and the Congress on any material weaknesses or noncompliances in that agency's control systems. HUD's most recent report, transmitted to the President and the Congress in December 1992, stated that the Department could not yet provide reasonable assurance that FMFIA's objectives for internal control and financial management systems were being fully met. In the Secretary's Report on Management Controls dated June 30, 1993, the Department identified 37 material weaknesses in need of correction or independent verification. Most of these material weaknesses relate to HUD's top 10 management problems, which are discussed in Chapter 1.

HUD policy is to require independent verification of program managers' reports that material weaknesses have been corrected. During this period, we reviewed steps taken by the Office of Housing to correct control weaknesses in three areas: (1) single family and multifamily property disposition (PD) - **procurement** (Report No. 93-HQ-131-0807); (2) single family PD - **management of area management brokers** (Report No. 93-HQ-123-0806); and (3) single family PD - **control over area management brokers and related service contractor activities** (Report No. 93-HQ-123-0805). The Office of Housing did take some promised or alternate actions, such as revising instructions, hiring contracting professionals, limiting the role of contractors who manage single family properties, setting a nationwide standard for contracts, implementing a system to give HUD greater control over the PD process, providing necessary training, setting forth the responsibilities of PD

staff, and creating incentives for contractor performance. However, implementation of these controls has not been effective for a variety of reasons, including staff resource constraints, and we concluded that the material weaknesses continue to exist.

Single Family Housing Programs

Issue: HUD PAID INSURANCE CLAIMS OF \$235,000 ON FOUR LOANS AND LOST \$130,700 ON THE OF FIVE FORECLOSED LOANS.

Discussion: Our audit of **Independence Mortgage Corporation of America, Inc., Winter Park, FL** (Report No. 93-HQ-221-1008), disclosed that Independence did not comply with either HUD requirements or prudent lending practices when originating HUD insured loans under the Direct Endorsement Program. Of 15 loans reviewed, 13 should not have been approved. In addition, Independence relied on false information submitted by sellers in approving five other deficient loans and operating deficiencies were recognized at a branch office which originated five of the deficient loans. We recommended that the Mortgagee Review Board take appropriate administrative action against Independence.

Mortgagee Review Board Activity

The Department reached a settlement agreement with **Tri Capital Corporation, San Francisco, CA** (Report No. 92-TS-219-1016), which provides for the refinancing of two ineligible projects with coinsured loans totaling \$4.9 million. A third ineligible project with a \$4.4 million coinsured loan has already been refinanced. The settlement stipulates that Tri Capital must indemnify HUD in the amount of \$4.1 million for nine over mortgaged projects. These actions resulted from our August 1992 audit report in which we questioned the quality of the underwriting of 13 coinsured loans totaling \$41.9 million.



Section 8 Programs

Section 8 Programs assist low- and very low-income families in obtaining decent, safe, and sanitary housing through subsidies to owners. During this reporting period, we reviewed contract administration and general compliance with laws and regulations at selected PHAs.

Issue: INEFFECTIVELY ADMINISTERED SECTION 8 PROGRAMS RESULT IN IMPROPERLY USED FUNDS AND ELIGIBLE AND NEEDY FAMILIES BEING DENIED ASSISTANCE.

Discussion: Problems in administering the Section 8 Program are illustrated in the following audits.

We estimate that there will be \$14.9 million of unspent funds from the current Section 8 Voucher contract of the Housing Authority of the **County of Santa Clara, CA** (Report No. 93-SF-203-1013), enough to support an additional 365 families for 5 years. The Authority failed to adequately assure that assistance to participants met program requirements; Federal preferences were given to families without proper verification; errors were made in calculating assistance amounts; and rents were not properly set. Further, corrections of HQS violations were not properly verified.

The **Brockton, MA** Housing Authority (Report No. 93-BO-203-1006), was owed over \$300,000 from other PHAs for assistance payments made to owners on behalf of tenants. The PHA lacked an adequate system to age, reconcile or collect monies due from other PHAs, and control weaknesses were found in the areas of rent reasonableness determinations, rent abatement practices, utility allowance schedules, and quality control reviews of unit inspections.

Sixty-five of 84 units we inspected administered by the **State of Indiana** (Report No. 93-CH-203-1031) did not comply with HQS. The State did not adequately control and collect accounts receivable and thus needs to reimburse the Section 8 Program over

\$260,000. The State also improperly denied applicants with Federal preferences, and did not analyze payment standards for the Voucher Program, assure the reasonableness of rents and utility allowances or properly control the application process.

We recommended implementation of policies to maximize use of voucher funds; improvement of safeguards for computerized data systems; reconciliation of receivables; implementation of procedures for the accounting of payments; collection of all monies due; monitoring of owners' compliance with timeframes to repair substandard housing; adjustment and documentation of cost allocation plans; and updated utility allowances.

Issue: THE DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY MISSPENT OR DID NOT ADEQUATELY DOCUMENT THE EXPENDITURE OF OVER \$1 MILLION.

Discussion: Our audit disclosed that the District of Columbia Housing Finance Agency (Report No. 93-PH-217-1008) followed regulations in administering the Section 8 Program and carrying out bond refunding issues. However, the Agency made ineligible and unsupported disbursements of \$184,000 and \$370,000 for contributions, entertainment and other unnecessary costs and engaged in \$470,000 of questionable real estate transactions. The Agency also did not inspect completed repairs or verify that projects benefitted low- and moderate-income people, comply with procurement standards, or have adequate controls. We recommended that the Agency reimburse all ineligible costs, document unsupported costs and implement administrative improvements regarding cost principles, procurement and controls.

Homeless Programs

Issue: ONLY TWO-THIRDS OF THE INVENTORY SET ASIDE TO HOUSE HOMELESS FAMILIES WAS UTILIZED.

Discussion: Through the **Single Family Homeless Initiative** (Report No. 93-HQ-151-0017), the

Department made up to 10 percent of the single family property inventory available to private nonprofit providers and local governments to house the homeless. However, only two-thirds of this inventory was leased as envisioned in the regulations. Properties left vacant deteriorated, safety hazards were not eliminated, and homeless families were denied the opportunity to become self-sufficient. We questioned the ultimate effectiveness of the Initiative, as currently administered, in solving the long-term housing needs of the homeless.

The Assistant Secretaries for CPD and Housing agreed that the Initiative's mission needs Departmental review and proposed a task force for that purpose. OIG will participate in the task force, which will focus on the Initiative's effectiveness and program delivery, and determine how the program can be run more efficiently.

Issue: PROGRAM MISMANAGEMENT LED TO \$414,368 IN UNSUPPORTED COSTS AND \$124,900 IN INELIGIBLE COSTS.

Discussion: **The Emergency Shelter Grants Program** provides funds for shelter and essential social services for homeless individuals. Our audits disclosed the need for improvements in the management of the program.

The City of **Philadelphia, PA**, Office of Services to the Homeless and Adults (Report No. 93-PH-251-1010), generally complied with program requirements, but the financial management system did not provide for accountability of funds or separation of duties. As a result, \$307,198 in unsupported costs were incurred, \$222,117 of which were for undocumented services including utilities.

Jersey City, NJ (Report No. 93-NY-251-1006), complied with the matching funds requirement, but failed to monitor the subrecipient to ensure funds were used for eligible activities, accurate performance reports were submitted timely, and audit requirements were met. Of the \$262,000

reimbursed to the subrecipient, \$124,900 were ineligible operating costs, and \$107,170 were unsupported. Additionally, the City did not provide timely and accurate performance reports to HUD and failed to ensure that the audits of its subrecipient covered this program.

We recommended that HUD be reimbursed for all ineligible costs and be provided documentation to support the eligibility of unsupported costs. We also recommended that providers be required to submit activity and financial reports on a timely basis, and develop and implement written control procedures that will minimize the risk of noncompliance with program requirements.



AUDIT STATISTICS

	04/01/93- 09/30/93	Fiscal Year 1993
Cash Recoveries ¹	\$23,442,996	\$62,333,531
Cost Efficiencies Realized ¹	\$10,083,243	\$19,738,160
Commitments to Recover Funds ¹	\$68,561,686	\$120,802,005
Cost Efficiencies Sustained ¹	\$8,614,199	\$19,561,589
Suspensions of Persons/Firms Doing Business with HUD	5	14
Debarments of Persons/Firms Doing Business with HUD	6	24
Voluntary Exclusions of Persons/Firms Doing Business with HUD	--	2
Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	2	4
Subpoenas Served	16	18
Material Weaknesses Reported	7	12
Reports Issued:		
• Internal Audit Reports	21	42
• External Audit Reports	89	149
• Audit Related Memoranda Issued	41	76
• Non-Federal and other Agency Reports Accepted	2,845	5,458

¹ Includes amounts due to HUD program participants.

CHAPTER 3

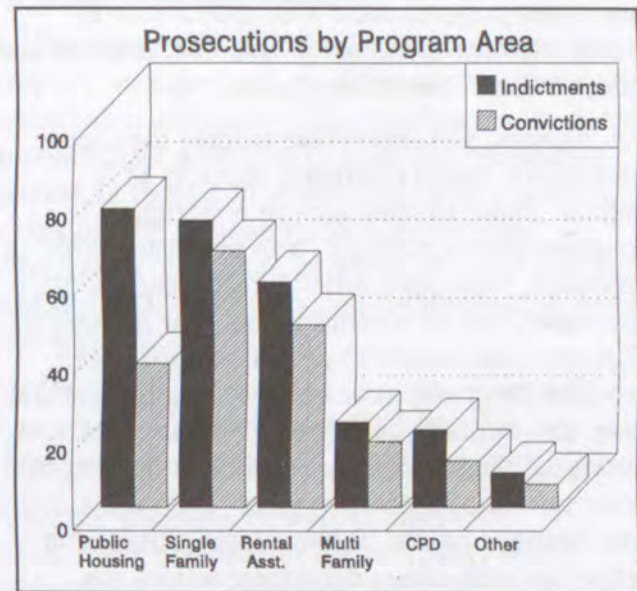


INVESTIGATION

The Office of Investigation is responsible for pursuing allegations of irregularities or abuses in HUD's programs and activities, as well as violations of law or misconduct on the part of HUD participants and beneficiaries. During this reporting period, in addition to pursuing and resolving cases through the judicial system, HUD initiated administrative actions under the Program Fraud Civil Remedies Act (PFCRA). This Chapter highlights the types of casework that occurred during the past 6 months.

The following chart depicts the results of our efforts by program area:

The Office of Investigation Investigates Violations of Criminal and Civil Statutes and Regulations, as well as Program Mismanagement and Employee Misconduct



Single Family Programs

HUD, by insuring mortgage lenders against loss, encourages the investment of capital in the home mortgage market. Loans are made by private financial institutions for up to 97 percent of the property value and for terms up to 30 years. The three most common instances of fraud in the Single

Family Programs are loan origination, strawbuying, and equity skimming.

For this 6-month reporting period, results include 74 persons indicted, 66 convicted and cash recoveries, including court ordered restitution, amounting to approximately \$10.5 million.

Loan Origination

Loan origination fraud usually involves false statements about borrowers' qualifying information such as income, down payment, and owner occupancy. When the borrowers default and the loans are foreclosed, HUD must pay the claim. Examples of these cases include:

A **Colorado** bank, sued under the False Claims Act, agreed to pay \$6.9 million in a settlement agreement with the Department of Justice (DOJ). A joint investigation with the Department of Veterans Affairs (DVA) determined that the bank underwrote 146 bad loans, 10 of which were insured by HUD and resulted in a HUD loss in excess of \$160,000. It was revealed that bank employees prepared false loan applications by misrepresenting mortgagors' income and debts, and failed to obtain credit information.

Ten **Atlanta, GA** individuals worked together to fraudulently obtain mortgages totalling \$1.2 million. Those indicted include a mortgage company branch manager, loan originator, loan processor, mortgagee official, real estate speculator, and an accountant and four mortgagors. They recruited people to appear as borrowers; provided them with false income, employment and asset documents to qualify for the mortgages; and overstated the purchase price of the properties in order to obtain larger mortgages. The excess funds were retained by the 10 individuals. Suspension action has been taken; debarment actions are pending.

An **Atlanta, GA** mortgagor was convicted for using aliases and false documents, including social security numbers, employment, assets, real estate purchases and credit histories, to obtain four HUD insured mortgages totaling over \$400,000. Sentencing and Departmental administrative actions are pending.

Strawbuying

Strawbuying is a scheme in which a real estate agent or speculator pays an individual to act as the buyer of a property in order to obtain a HUD insured mortgage. After loan approval, the strawbuyer, who never intended to own or occupy the property, transfers it to the agent/speculator who eventually defaults on the mortgage. When the mortgage is foreclosed, HUD must pay off the insured loan. Examples of strawbuying schemes include the following.

A **St. Louis, MO** real estate speculator, barred in 1990 from obtaining HUD insured loans, pled guilty to fraudulently obtaining 28 HUD mortgages totalling over \$1.2 million through the use of strawbuyers. The scheme included the use of 16 individuals posing as borrowers, as well as false tax returns, W-2's, verifications of employment, and other documents which enabled the strawbuyers to qualify for the loans. HUD's loss exceeded \$825,000 for the loans that went into foreclosure. The speculator is now debarred indefinitely from obtaining HUD insured loans.

In **Chicago, IL**, four individuals were named in a 23-count indictment of mail fraud and conspiracy for participating in a strawbuyer scheme involving the routine falsification of mortgage application documents. The key participant has been convicted on three previous felony matters including fraud against HUD. Suspension/debarment actions are pending.

A **Mesa, AZ** real estate salesman was sentenced to 46 months imprisonment and 36 months probation and ordered to pay \$278,175 in restitution for his participation in a strawbuying scheme and a scheme to use a church, of which he was an official, as a means of managing real estate for personal profit. Losses to HUD and the Internal Revenue Service (IRS) approximated \$215,000. Suspension action has been taken; debarment action is pending. This is an update of a case reported in our Semiannual Report to the Congress for the period ending September 30, 1992.

Equity Skimming

Equity skimming occurs when rent receipts are taken or *skimmed* by an investor/owner who then fails to make the mortgage payments.

A **Colorado Springs, CO** developer sold approximately 60 homes by accepting fraudulent promissory notes as buyer down payments. He then falsified the buyers' employment and credit histories in order to receive HUD insured mortgages. A civil suit was filed under the False Claims Act seeking \$12 million in damages.

A former **Dallas, TX** real estate agent and his wife were indicted for equity skimming on at least 31 properties with potential losses to HUD in excess of \$1 million. The couple assumed mortgages advertised by homeowners trying to sell their single family homes, rented the properties and failed to make their mortgage payments. Both have been debarred from obtaining HUD insured loans. This was a joint investigation with the Federal Bureau of Investigation (FBI).

A **Peoria, IL** property investor was sentenced to 2 years in prison for skimming \$500,000 from HUD and DVA properties. Fifty properties were identified in the scheme.

Other Single Family Activities

In **Chicago, IL**, multiple defendants in a scheme involving the theft of U.S. Treasury checks, identified with both HUD and DVA loans, were sentenced to over 9 years in prison and restitution of more than \$1 million. A multiagency investigation led by HUD found that a group of 10 individuals stole and negotiated mortgage foreclosure claim checks payable to various mortgage lenders and then laundered the funds for their personal use.

A **Dallas-Ft. Worth, TX** HUD contracted escrow agent and a co-conspirator embezzled over \$800,000 from HUD escrow accounts and invested the funds in their car racing business. The escrow agent pled guilty in 1989 and was sentenced to 78 months in prison. During this reporting period, a Federal Court awarded a \$1.1 million civil

judgment against the co-conspirator. The award includes the amount embezzled, interest from 1989 and a surcharge to cover the litigation process and handling.

Multifamily Housing

HUD insures mortgages to finance construction or rehabilitation of multifamily developments. Prevalent areas of fraud and mismanagement include embezzlement and equity skimming.

During this reporting period, 22 individuals or firms were indicted and 17 were convicted for illegal activities involving these programs. The total amount of monetary recoveries or court ordered restitution was \$3,487,962.

In **Miami, FL**, a developer was sentenced to 6 years imprisonment and 3 years probation and fined \$100,000 for misrepresenting land value to obtain a \$17 million FHA insured mortgage. The development went into default and HUD paid the claim. Suspension action has been taken; debarment action is pending.

A **Cleveland, OH** multifamily housing owner, a property manager, and an office manager were convicted of submitting false certifications in order to obtain over \$100,000 in subsidies. Sentencing totalled 33 months in prison (the owner), 4 years probation (the managers), \$90,247 in fines, \$268,475 in restitution, of which \$95,000 is to be paid to HUD, and suspension from obtaining HUD insured loans.

An **Omaha, NE** apartment complex owner was indicted for skimming over \$550,000 in rents, assets, and other income derived from the project.

A former employee of a HUD contracted management company in **Allston, MA**, was convicted of embezzling over \$130,000 of tenant rent payments from a HUD subsidized project. She was ordered to pay full restitution, fined \$20,000, and sentenced to 200 hours of community service and 2 years probation.



Public Housing

Local public housing agencies and Indian housing authorities develop, own and operate public housing developments. HUD furnishes technical assistance in planning, developing and managing these developments and provides financial assistance for development costs, operating subsidies, and modernization.

During this reporting period, 77 persons were indicted and 37 convicted and monetary recoveries or court ordered restitution totalled \$904,471.

In a joint FBI/IRS investigation into public corruption at the **Philadelphia, PA** Housing Authority, 15 individuals, including 9 former employees and 6 contractors, were indicted for receiving and/or making over \$530,000 in illegal payments and bid rigging. To date, 13 of the individuals have been convicted and court ordered restitution exceeds \$450,000.

A former **Irvington, NJ** Housing Authority employee and two co-conspirators were indicted for misappropriating \$420,000 in Section 8 funds. They laundered the money through various schemes such as issuing payments to nonexistent landlords or for nonexistent properties. One of the defendants has pled guilty.

After a 6-month trial, a **Newark, NJ** contractor was found guilty of illegally obtaining contracts with the Newark Housing Authority. Just 3 months after being debarred from participation in all Federally funded contracts, the contractor began bidding on HUD funded contracts and falsifying his certification of eligibility. When he was discovered, he created a shell company and began bidding again. Immediately upon his conviction, an indictment was unsealed charging him with conspiracy to hide assets to avoid paying taxes. The contractor has been suspended and debarred by HUD.

After a joint investigation with the FBI and the **New York City** Housing Authority, the former chairperson of the Authority's Tenants Advisory Council pled guilty to embezzling over \$36,000. She was sentenced to 3 months in prison, 3 months home detention, 5 years probation, and full

restitution. In addition, HUD suspended her following her indictment and has initiated debarment proceedings.

The maintenance director of the **Johnstown, PA** Housing Authority pled guilty to theft of materials and supplies and was ordered to make restitution of \$20,000 for submitting fictitious purchase orders to reimburse companies from which he had made personal purchases. Suspension action has been taken; debarment action is pending.

The former Section 8 rental assistance coordinator for the Municipality of **Yubcoa, PR**, was indicted for embezzling \$31,000 by writing and cashing checks from the Yubcoa Section 8 Program. The indictment was the result of a joint investigation with the FBI and local officials.

The owner of a **New York City** firm and his wife, who obtained \$23 million in 26 HUD funded contracts with the New York City Housing Authority, were sentenced to a total of 8 years and 2 months in prison, 200 hours of community service and 3 years probation and fined \$22,000. In addition, they agreed to forfeit the Florida horse farm that they purchased with the money. Suspension action has also been taken. The company, a shell company formed immediately after its predecessor was debarred, inflated costs, skimmed funds as consultant fees and rerouted Comprehensive Improvement Assistance Program funds. This is an update of a case reported in our Semiannual Report for the period ending March 31, 1993.

Rental Assistance

In an effort to assist low- and moderate-income families in obtaining housing, HUD makes up the difference between what the family can afford and the fair market rent for the housing. The most repetitive crime in the Rental Assistance Programs is falsifying income and employment information on both the original application and the recertification forms.

During this reporting period, 58 persons were indicted, 47 convicted, and monetary recoveries or court ordered restitution totalled \$519,547.

In a joint investigation with the **Broward County, FL** Housing Authority and with assistance from the Secret Service, Border Patrol, and the Postal Inspection Service, 20 separate indictments were filed against 35 tenants. The indictments charged the tenants with submitting false statements to fraudulently obtain over \$300,000 in Section 8 Rental Assistance subsidies to which they were not entitled. Some of the tenants were in this country illegally or had questionable status. Twelve were employees of the Florida Department of Human Rehabilitative Services. To date, nine of the defendants have pled guilty.

An employee of the **New York State** Department for Youth pled guilty to falsifying subsidy applications by failing to provide her State employment status and receiving over \$35,000 in rental assistance to which she was not entitled.

A **Cheyenne, WY** rental assistance recipient misused a social security number and provided false income information in order to obtain rental assistance and welfare benefits. After an investigation conducted jointly with the Department of Health and Human Services and the State of Wyoming, the recipient was found guilty and sentenced to 2 years probation and ordered to pay \$58,857 in restitution.

Community Planning and Development

Community Development Block Grants are used to carry out a wide range of community development activities directed toward neighborhood revitalization, economic development, and improved community facilities and services. Falsified claims by contractors, embezzlement, and misconduct by employees are the most common areas of concern in this program.

During this reporting period, 20 persons were indicted, 12 convicted and monetary recoveries and court ordered restitution totalled \$22,783.

A **Houma, LA** developer was indicted for fraudulently receiving a \$300,000 block grant and

a \$2 million State loan to construct a commercial enterprise. In concert with several of his associates, the developer falsified invoices and bank records to reflect that equipment already owned by him was being purchased with the grant funds.

A former Assistant Controller of a maintenance company and two **New York City** employees were charged with embezzling \$32,000 from the City's Department of Housing Preservation and Development. They intercepted and/or generated payroll checks, cashed them and used the money for drug purchases.

As a result of a joint investigation with the FBI, a **Bluefield, WV** landlord was indicted for the theft of approximately \$50,000 in rental rehabilitation funds. The funds were obtained to repair at least 15 dilapidated homes; however, little, if any, repair was ever performed.

In **Toledo, OH**, the director of a subgrantee firm and a local businessman were convicted of bribery and conspiracy. During an investigation with the FBI, it was discovered that funds were misused and improper payments were made to subgrantee officials.

Task Force Activities

As indicated by several of the cases cited above, the HUD-OIG works very closely with other law enforcement agencies. Task force operations have been successfully used to combine the talents, skills and resources of the FBI, IRS, United States Postal Service, and the DVA as well as state and local agencies. Federal and local prosecutors also play an important role in the detection of illegal activities and the subsequent prosecution of cases. The activities of several task forces, such as the **Springfield, IL** Weed and Seed Program and the **Long Island, NY** project were reported in our Semiannual Report for the period ending March 31, 1993. Examples of activities during this reporting period are as follows.



Tampa, FL

The Tampa Task Force continues to investigate FHA, DVA, and bank fraud. The task force consists of Special Agents from the HUD and DVA OIGs, the FBI and the IRS and, to date, is responsible for 29 indictments, 29 convictions and \$3,840,403 in court ordered restitution. The following actions occurred in the last 6 months:

A husband and wife, who falsely certified that they made down payments on several properties in the Tampa area, were each sentenced to 2 years probation, fined \$2,500, and ordered to pay \$86,794 in restitution.

An investor was sentenced to 15 months supervised release and ordered to pay \$136,398 in restitution. The defendant conspired with other defendants to purchase overvalued properties without making the required down payment.

A real estate broker and mortgage broker were convicted of conspiring to fraudulently obtain government insured loans. The real estate broker was sentenced to 36 months imprisonment and the mortgage broker was sentenced to 24 months. Each was ordered to pay \$680,827 in restitution.

An investor, indicted for conspiracy and three counts of bank fraud, was sentenced to 4 months house arrest and 24 months supervised probation, and ordered to pay \$61,611 in restitution. The defendant conspired with two other individuals to fraudulently obtain two FHA insured loans.

Washington, D.C.

In collaboration with the FBI, the HUD-OIG is investigating FHA fraud in the Washington, D.C. area. During this reporting period, the following actions occurred.

Two speculators and two purchasers, who fraudulently obtained FHA insured owner/occupant mortgage loans to purchase investment properties, were convicted and sentenced to a total of 12 months in prison, 7 years probation and 500 hours of community

service, fined \$30,000, and ordered to pay \$60,620 in restitution.

Two settlement attorneys pled guilty to making false statements by falsifying down payments and/or closing costs on settlement statements, thus enabling purchasers to obtain owner/occupant loans to purchase investment properties.

Long Island, NY

Since the inception of this task force in 1991, activities have resulted in 33 persons indicted for criminal conduct and 30 convicted, with an additional 20 under active investigation. Prison sentences have exceeded 15 years; restitutions, fines, recoveries and forfeitures have totalled over \$26.4 million; and 72 debarments, suspensions and limited denials of participation have been issued to both persons and firms doing business with HUD. The following represents a sampling of some judicial actions occurring during the reporting period.

A real estate agent pled guilty after arranging for a strawbuyer to receive mortgage financing and failing to report income in excess of \$53,000 to the IRS.

A former title company employee pled guilty after submitting multiple fraudulent mortgage applications, both in her name and the names of others, and failing to document the existing liens against the properties.

PFCRA

PFCRA gives agencies an avenue to initiate administrative actions for false claims and false statements. PFCRA authorizes investigations by HUD's investigating official, who is the Inspector General. Cases are reviewed by the Office of General Counsel (OGC) and, if there is adequate evidence, they are referred to DOJ for approval. If a case is approved, DOJ will notify the agency and return the case to HUD to schedule a hearing. A person found liable may be penalized up to \$5,000 per claim or statement and may also be required to pay double the amount falsely claimed. The government may recover not more than twice the

amount of a false claim, a civil penalty of not more than \$5,000 per claim, or a penalty of up to \$5,000 for each false certification made to HUD. Settlement may be reached at any time during the process.

Assessments, civil penalties and settlement agreements totalled \$518,826 for this reporting period and \$559,917 for the year. The following represents a sampling of some of the actions taken during this reporting period.

An Administrative Law Judge issued a decision imposing \$155,000 in civil penalties and \$26,806 in assessments against a **Gloucester, MA** landlord and her daughter. The mother entered into a Housing Assistance Payments contract with the Gloucester Housing Authority which specified that a unit at the property owned by the mother would be leased to the daughter. However, neither mother nor daughter reported the subsequent transfer of an ownership interest to the daughter, making the daughter ineligible for rental assistance.

An Administrative Law Judge issued a decision imposing an assessment of \$200,000 and a civil penalty of \$10,000 against an **Englewood, CO** attorney/mortgagor. During an FHA insured loan refinancing process, the attorney falsified employment data and failed to disclose lien information pertaining to the properties. The mortgages subsequently went into default and, as a result, HUD paid mortgage insurance claims of \$100,000. A co-conspirator (a real estate broker) who concealed information reached a \$10,000 settlement agreement with HUD.

A contractor and an architect for the **Passaic, NJ** Housing Authority submitted false claims and certifications to HUD reflecting construction of steam pipe enclosures in housing units although the enclosures were not built. A settlement agreement was executed with the contractor in the amount of \$104,520.

An individual who acted as a strawbuyer to purchase seven properties in **Colorado Springs, CO**, used bogus promissory notes for the down payment and closing costs. A settlement agreement

was executed with the strawbuyer in the amount of \$7,000.

HUD Employees

Although the investigation of allegations of wrongdoing by program participants, contractors and others outside HUD is our major emphasis in maintaining HUD program integrity, allegations made against HUD employees also are investigated. Such allegations involve violations of criminal statutes as well as HUD's Standards of Conduct. They are received from various sources, including other HUD employees, the OIG Hotline, complaints from public citizens, referrals from the Office of Audit, or anonymous or confidential complaints.

This period, as a result of OIG investigations, 18 actions were taken against HUD employees. The violations investigated included a conflict of interest, theft of HUD property, and false statements on travel vouchers and Federal employment applications. The actions in these cases included suspensions of various durations.

The OIG participates in briefings intended to inform employees about the role of the OIG and to assist employees in making the proper decisions with regard to the Standards of Conduct and other ethics guidelines. These briefings are presented annually with the OGC and the Office of Administration.



Results of Investigations

	OIG/Joint Cases	HUD Monitored Cases ¹	Total 04/01/93- 09/30/93	Fiscal Year 1993
Cash Recoveries/Savings to HUD	\$2,796,575	-0-	\$2,796,575	\$7,469,607
Other	\$3,251,119	\$10,608	\$3,261,727	\$3,965,343
Court Ordered Restitution	\$10,090,074	\$131,472	\$10,221,546	\$14,943,123
Total Cash Recoveries/Savings	\$16,137,768	\$142,080	\$16,279,848	\$26,378,073
Commitments to Recover Funds	\$862,974	-0-	\$862,974	\$923,303
Total Fines Levied	\$237,032	\$133,661	\$370,693	\$1,109,676
Indictments	244	16	260	487
Convictions	172	13	185	375
Investigations Closed	405	44	449	892
Total Years Suspended Sentences/Probations	19/487	7/26	26/513	58/976
Total Years of Prison Sentences	183	10	193	406
Suspensions of Persons/Firms Doing Business with HUD	41	7	48	74
Debarments of Persons/Firms Doing Business with HUD	77	10	87	122
Personnel Actions Initiated Against HUD Employees			18	34
Subpoenas Served			93	188
Limited Denials of Participation Issued			74	166

¹ Cases where HUD-OIG is monitoring the investigation but has no active participation.

Investigations Pending as of 9/30/93

OIG	556
Joint Investigations	66
HUD Monitored	301
U.S. Attorney	257
Total Investigations Pending	1180
HUD Action Officials	121

CHAPTER 4

AUDIT FOLLOW-UP



The Department's progress in implementing corrective actions stemming from significant OIG audits is reported in this Chapter, as well as audit follow-up data required by the Inspector General Act Amendments of 1988.

Management decisions on recommendations were not always reached within the 6-month period established by OMB Circular A-50. At the end of the period there were 105 recommendations that missed the prescribed target dates. Another 170 recommendations reached management decisions after the 6-month target date during the reporting period. In addition, significantly revised management decisions were received on four audits.

Many of the significant audits reported in previous Semiannual Reports address the management issues discussed in Chapter 1 and many of the actions taken to address those problems originated from our recommendations. Specifically, the actions proposed for the three systemic problems — resource management, data systems, and control environment — relate to recommendations in our audits of the Department's management and control of staff resources, financial statements and the FMFIA Program. Additionally, we agree with the actions taken by the Office of Housing and GNMA to address programmatic issues reported in the FHA and GNMA financial statement audits related to multifamily insured project servicing, asset management/property disposition and GNMA contract monitoring.

Significant audits for which management decisions have not been reached include two Section 8 Bond Refunding audits and five audits of the CDBG Program.

*The Office of Audit
Tracks Corrective Actions
Planned and Taken by
Departmental Officials*

Bond Refunding of Section 8 Projects

Our bond refunding audits contained 18 recommendations, 14 of which received management decisions during this period. Of those 14, final action was completed on 7. The four recommendations that had not reached management decision relate to the use of the Trustee Sweep method to recover savings and application of the Annual Adjustment Factor to contract rents. These unresolved issues allow million of dollars of excessive Section 8 subsidies annually.

The Assistant Secretary for Housing has agreed to form a task force to assess the implications of and procedures necessary to implement changes to the rent adjustment method for Section 8 projects and changes in the application of the Annual Adjustment Factor. It is anticipated that a decision and action plan will be developed by January 1994. (Report Nos. 93-HQ-119-0004 and 93-HQ-119-0013)

CDBG Program

Over the last 3 years, we performed several multiregional internal audits of the CDBG Program. The audits, conducted at different times, each covered a specific program area: benefits to LMI persons; grantee performance reports; special economic development activities; interim financing; and program income. The audits have consistently shown that regulations are vague and ambiguous, program monitoring is inadequate, sanction mechanisms and enforcement are ineffective and program staffing is insufficient.

Management decisions have been reached on 28 of 32 recommendations reported in previous Semiannual Reports. Three of the four remaining recommendations without a management decision are major issues revolving around the need to develop a comprehensive action plan to address systemic problems in the program as a whole.

The Assistant Secretary for Community Planning and Development does not agree that controls over the CDBG Program are materially weak. Rather, the Assistant Secretary has advised that corrective action plans to address the material weakness will be developed to address the audit recommendations contained in individual reports. (Report Nos. 93-HQ-141-0008; 93-HQ-141-0804; 92-TS-145-0009; 92-TS-141-0014; and 91-TS-141-0006)

Disagreed Significant Management Decisions

Section 5(a)(12) of the Inspector General Act, as amended, requires disclosure of significant management decisions with which the IG disagrees. During the current reporting period, there were no such incidents.

Significant Revised Management Decisions

Section 5(a)(11) of the Inspector General Act, as amended, requires a description and explanation of the reasons for any significant revised management decisions made during the reporting period. During the current period, management decisions were revised on four audits. The revised actions were agreed to by the OIG.

City of Los Angeles Housing Authority

The Department offset approximately \$1.9 million in Section 8 billings claimed by the Housing Authority for units that did not meet HQS. The matter was reviewed and it was determined that it was inappropriate to require the repayment of Housing Assistance Payments for the deficiencies cited. Instead the agreed sanction was repayment of about \$825,000 in administrative fees. Accordingly, approximately \$1 million previously repaid to the Department was returned to the Housing Authority. (Report No. 86-SF-201-1019)

Fiscal Year 1990 Resident Management Technical Assistance Grant Awards

The former Assistant Secretary for Public and Indian Housing agreed to develop an automated system to monitor alternative funding sources for duplicative funding. In April 1993, the current Assistant Secretary requested instead that grantees, as part of their application, certify to other funding received. Development of an automated system was not considered cost beneficial. (Report No. 92-TS-109-0002)

Interim Financing, San Francisco Regional Office

The former Assistant Secretary for Community Planning and Development declared three loans ineligible because the loans were made to grantees outside the entitlement grantee's jurisdiction. Unclear regulations were subsequently revised to allow loans to other entitlement grantees. Accordingly, the loans are no longer considered ineligible. (Report No. 90-SF-141-0006)

Review of HUD's Fiscal Year 1992 and 1993 Budget Estimating Processes for Section 8 Contract Renewals and Amendments

The former Assistant Secretary for Housing agreed to use field surveys for estimating Section 8 contract renewals and amendments for Fiscal Years 1994 and 1995. Surveys were not used to estimate budget requirements because the Section 8 Allocation and Budget Estimate Review System was not completed. Instead the Assistant Secretary developed estimates on renewals and amendments using data maintained in various databases along with data already loaded in TRACS. (Report No. 92-TS-103-0008)

CHAPTER 5



PROACTIVE ACTIVITIES

In addition to audits and investigations, the OIG engages in proactive activities to improve the economy and efficiency of and deter fraud, waste and abuse in HUD programs and operations. These efforts include reviews of proposed legislation, regulations and policy directives and prevention activities such as various management control initiatives and maintaining the HUD Hotline.

Section 4(a) of the Inspector General Act requires the review of existing or proposed legislation and regulations to assure the economy and efficiency of the Department's programs and the prevention of fraud and abuse. During this reporting period, we processed 286 documents, including 68 proposed or final regulations, 96 legislative proposals, and 122 policy directives.

Regulations

We regularly review and submit comments on regulations that are being processed through the Department. Among the most significant rules that were developed and submitted for OIG review and clearance were the following.

Demonstration Program Interim Rule on the Housing Finance Agency Risk Sharing Program for Insured Affordable Multifamily Project Loans — We initially nonconcurred on the rule but reconsidered with the understanding that the Assistant Secretary for Housing would examine certain factors at the conclusion of the demonstration. Those factors are: approval of other than "top tier" or "A" rated agencies and the additional risks and oversight associated with agencies absent such designations; processing loans in this program if the existing financing is already provided by the agency; refinancing loans already subsidized through the Section 8 Program; and the

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Support Unit for the
Entire OIG*

advisability of no limitations on maximum eligible loan amounts.

Final Rule on the Restriction on Use of Assisted Housing by Aliens — We recommended the rule contain the requirement that suspected violation of citizenship requirements be reported to the OIG and we questioned the protection provided to project owners and state and local government officials who erred in their eligibility determinations. Our concern was that such protection would keep the OIG from seeking remedies for failure to design and implement a successful verification program. We recommended the rule clarify that disciplinary action would not be taken provided due diligence is exercised. The Office of General Counsel advised that the protection afforded was in accordance with the statute, but that an effort would be made to clarify this point. This rule has not yet been published pending a final decision by the Secretary.

Policy Directives

The OIG also reviews policy directives that provide formal communication for program participants and HUD staff conveying policy, instructions, procedures and guidance. This communication includes notices, handbooks, mortgagee letters, and staff bulletins. Among the most significant that we reviewed during this reporting period were the following.

CPD Notice—Field Office Monitoring of the HOME Investment Partnerships Program — We nonconcurred on the directive because it lacked clarity and did not adequately describe the monitoring process. We recommended CPD develop an overall monitoring strategy which includes risk management concepts. CPD incorporated a number of our comments and we subsequently lifted the nonconcurrency on the assurance that a HOME monitoring handbook would be issued.

HUD Handbook 1840.1, Chapter 11 - Reviews of Financial Management Systems — We nonconcurred on the chapter because the policy

and procedural guidance was inadequate and because it did not call for a minimum documentation requirement for determinations such as the efficiency and cost effectiveness of a financial system or the appropriate system of internal control. Our nonconcurrency remains pending receipt of a revised chapter.

Modified Sales Procedures - Single Family Property Disposition — We nonconcurred on this proposed notice because major risks were not considered in the design of the new procedures. While the stated goal to expand affordable housing opportunities, revitalize neighborhoods, and reduce HUD's inventory of foreclosed properties is desirable, there are considerable market and implementation risks that are not fully considered. HUD continues to function under stringent staff and fiscal conditions and we recommended that the notice discuss the utilization of a risk management approach to program implementation as the most beneficial means of carrying out the program. After being assured by the Office of Housing that the notice would apply this approach, we agreed to lift our nonconcurrency.

Management Control Initiative

Earlier this year OIG and the Office of Finance and Accounting (OFA) began an initiative to develop a model management control review guide to be used by OFA for regular periodic self-assessment. OFA currently does not have any regular self-review process of their accounting operations which annually disburse approximately \$1.6 billion in both administrative and non-FHA program funds.

The guide drafted covers an accounts payable process which includes internal control matrices for six pertinent steps with tests to verify that respective controls are in place and working. In addition, a Control Environment Questionnaire and worksheets were created to support the analysis.

Implementing a program of regular self-assessment of the management controls over this operation will represent a significant step towards meeting the



requirements of both the FMFIA and OMB Circular A-123. See Chapter 1 for additional actions underway to redesign and improve management control activities.

HUD Hotline

The hotline operation receives inquiries and complaints from the public, program participants, and Federal employees concerning HUD programs and operations. Inquiries are referred to the appropriate program area while complaints are either looked at by the OIG or referred to the appropriate program official for resolution.

The volume of complaints, 1,150, remained high due, at least in part, to the publicity surrounding the National Performance Review. Complaints taken during this period are nearly double the same period last year. Approximately 20 percent of the calls were suggestions to improve Federal programs. Those have been provided to the National Performance Review and HUD's own reinventing team.

During this period, 289 cases were closed. Actions included \$87,800 in monetary recoveries, numerous improvements benefiting program participants, staff reprimands and procedural changes. The following actions illustrate the corrective actions taken as a result of hotline complaints.

Internal Controls Established to Correct Problems

Two nonprofit organizations, operated by the executive director of a PHA, were required to reimburse the PHA over \$39,000 in misused funds. The organizations were operated using HUD funds in violation of HUD regulations. Internal control systems are being established to prevent a recurrence.

After agreeing to repay over \$7,800 to HUD for a defaulted loan, a mortgage company also agreed to provide adequate internal controls and to correct their tier pricing practices.

Housing Quality Standards Not Met

A limited denial of participation was issued against a Section 8 landlord after allegations were substantiated that 47 of the 55 accessible units did not meet HQS.

Fair Treatment for Tenants

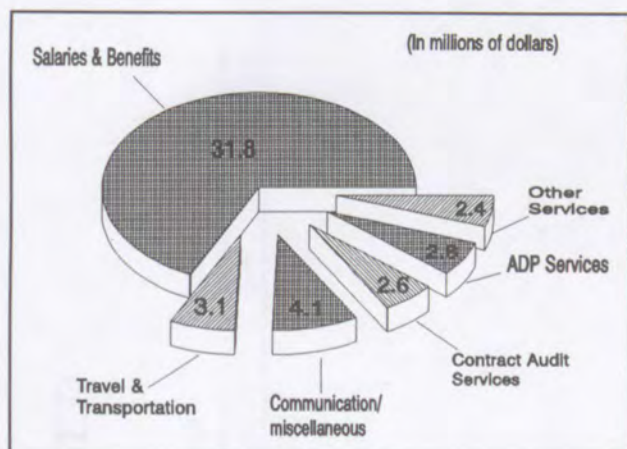
A manager of a HUD subsidized complex was dismissed after tenants complained of harassment and mismanagement. Assurance was given by the owner that the management operations will be closely monitored to ensure fair treatment of all tenants.

Standards of Conduct Violation

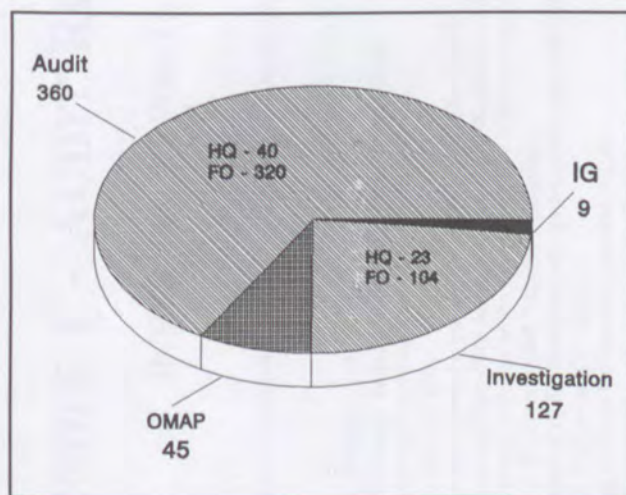
A HUD supervisor was demoted one grade level for violating the Standards of Conduct. The violations included the appearance of preferential treatment, the loss of impartiality, decision making outside of official channels, and the use of public office for personal gain.

OIG Budget for FY 1994

Our Fiscal Year 1994 appropriation covers Headquarters and field operations, as well as general management and administration expenses. Because of the staff intensive nature of the OIG function, 67 percent of the resources provided are for salaries and benefits. Contract audit services consist of contracts and interagency agreements, primarily with the Department of Health and Human Services and the Defense Contract Audit Agency, who have cognizance to conduct audits of certain organizations and universities with whom HUD has business. Travel and transportation funds allow personnel to accomplish our audit and investigative responsibilities. The following chart provides a breakout of the \$46.8 million by categories:



The requested staffing level of 541 full-time equivalents is an 11 percent decrease from last year's level. The following chart displays the distribution between the four major organizational elements and Headquarters (HQ) and field offices (FO):



APPENDIX 1 - AUDIT REPORTS ISSUED

INTERNAL REPORTS ISSUED

Report Number	Issue Date	Report Title	Total Questioned Costs	Total Unsupported Costs	Funds Put to Better Use
HOUSING					
93-AO-115-0004	09/29/93	Delegated Processing Program, Washington DC Office			
93-AT-111-0003	09/02/93	HUD's Servicing of Insured Multifamily Projects, Atlanta and Jacksonville Offices			
93-BO-113-0003	09/30/93	Management of Multifamily Property Disposition Inventory, Boston Office			
93-CH-115-0003	08/16/93	Delegated Processing Program, Detroit Office			
93-FO-131-0003	04/30/93	Audit of the Federal Housing Administration's Fiscal Year 1992 Financial Statements			
93-FW-113-0001	04/15/93	Management of Multifamily Property Disposition Inventory, Fort Worth Regional and Selected Field Offices			
93-HQ-107-0009	04/30/93	Multiregion Audit of the Monitoring Activities of the Regional Offices of Indian Housing			
93-HQ-114-0010	04/27/93	Multiregion Audit of the Title II Preservation and Prepayment Program			
93-HQ-113-0011	04/30/93	Multiregion Audit of Management of HUD-Owned and Mortgagee-in-Possession Multifamily Properties			
93-HQ-121-0012	04/30/93	Multiregion Audit of the Direct Endorsement Program			
93-HQ-119-0013	04/30/93	Multiregion Audit of Refunding of Bonds for Section 8 Assisted Projects			
93-HQ-111-0014	04/30/93	Multiregion Audit of HUD's Servicing of Insured Multifamily Projects			
93-HQ-101-0015	09/24/93	Multiregion Audit of Large Troubled Public Housing Authorities, Their Performance and Status			
93-HQ-115-0018	09/30/93	Multiregion Audit of Delegated Processing Program			
93-KC-111-0002	05/12/93	HUD's Servicing of Insured Multifamily Projects, St. Louis Office	\$108,036		
93-KC-111-0003	09/13/93	HUD's Servicing of Insured Multifamily Projects, Kansas City Office			
93-SF-103-0003	09/02/93	Section 8 Post Payment Reviews, Los Angeles Office 8 Audit Related Memoranda			
COMMUNITY PLANNING AND DEVELOPMENT					
93-HQ-141-0008	04/27/93	Multiregion Audit of CDBG Program Benefits to Low and Moderate Income Persons			
93-HQ-151-0017	09/30/93	Single Family Homeless Initiative			
93-SF-152-0002	07/16/93	Review of HOPE 3 Award Process, San Francisco Regional and Selected Field Offices			
ADMINISTRATION					
		7 Audit Related Memoranda			
MISCELLANEOUS					
93-FO-177-0004	06/30/93	Audit of HUD's Fiscal Year 1992 Consolidated Financial Statements			

APPENDIX 1 - AUDIT REPORTS ISSUED

EXTERNAL REPORTS ISSUED

Report Number	Issue Date	Report Title	Total Questioned Costs	Total Unsupported Costs	Funds Put to Better Use
HOUSING					
93-AO-219-1004	04/08/93	St. Mary's Association for Retarded Citizens, Congregate Housing Services Program, Leonardtown MD			
93-AT-203-1013	04/07/93	Spartanburg SC Housing Authority, Section 8 Existing and Voucher Programs			
93-AT-204-1014	05/07/93	Louisville KY Housing Authority, PHDEP	\$370,519	\$99,519	\$203,463
93-AT-202-1015	05/19/93	Oxford NC Housing Authority, Low Income Housing Program	\$1,427		
93-AT-202-1019	07/09/93	Ocala FL Housing Authority, CIAP	\$87,312		
93-AT-212-1020	08/18/93	Hudson Arms Apartments Phases I and II, Multifamily Mortgagor Operations, Auburn AL	\$568,134	\$339,320	\$48,815
93-AT-204-1021	09/30/93	Charlotte NC Housing Authority, Low Income Housing and Section 8 Programs	\$6,659,068		\$18,000
93-BO-212-1005	04/07/93	Cooperative of Charlesnewtown Inc., Section 8 Program, Boston MA	\$366,865		\$546,120
93-BO-203-1006	05/28/93	Brockton MA Housing Authority, Section 8 Program	\$8,853		\$256,387
93-BO-212-1007	06/30/93	Roxse Homes, Multifamily Mortgagor Operations, Boston MA	\$461,653	\$429,006	
93-BO-214-1008	07/13/93	Konover Residential Corporation, Multifamily Management Agent, West Hartford CT	\$745,167	\$136,231	
93-BO-212-1009	09/22/93	Lambert Park Apartments, Multifamily Mortgagor Operations, Bath ME	\$524,349	\$300,000	
93-BO-203-1010	09/30/93	Executive Office of Communities and Development/Metropolitan Boston Housing Partnership, Section 8 Program, Boston MA			
93-CH-204-1016	04/01/93	Springfield OH Metropolitan Housing Authority, Low Income Housing Program	\$8,558		
93-CH-202-1018	04/14/93	Bay City MI Housing Commission, Low Income Housing Program			
93-CH-204-1019	05/04/93	Peoria IL Housing Authority, Low Income Housing Program	\$48,884		
93-CH-202-1020	05/14/93	Pontiac MI Housing Commission, Low Income Housing Program			
93-CH-202-1021	05/26/93	Aurora IL Housing Authority, Low Income Housing Program			
93-CH-212-1022	05/27/93	The Meadows, Retirement Service Center, Marion OH	\$323,245		
93-CH-202-1025	06/14/93	Geauga Metropolitan Housing Authority, Safeguarding Monetary Assets and Inventory, Chardon OH	\$316,771	\$221,066	
93-CH-214-1026	08/05/93	Yellowbird Limited, Multifamily Mortgagor Operations, Chicago IL	\$415,836	\$327,110	
93-CH-201-1028	08/20/93	Minneapolis MN Public Housing Authority, CIAP	\$40,848		
93-CH-202-1029	09/08/93	Ann Arbor MI Housing Commission, Low Income Housing Program	\$6,292		
93-CH-202-1030	09/24/93	Inkster MI Housing Commission, Low Income Housing Program			
93-CH-203-1031	09/30/93	Indiana Family and Social Services Administration, Section 8 Existing and Housing Voucher Programs, Indianapolis IN	\$263,014		
93-DE-212-1005	07/26/93	Winddrift Apartments, Multifamily Mortgagor Operations, Lakewood CO	\$295,245	\$290,757	
93-FW-201-1008	04/27/93	New Orleans LA Housing Authority, PHDEP	\$81,869	\$81,869	
93-FW-202-1009	04/27/93	San Marcos TX Housing Authority, PHDEP			
93-FW-212-1010	05/21/93	Gulf Royale Apartments, Limited Review Multifamily Mortgagor Operations, Texas City TX	\$146,927		
93-FW-202-1011	06/03/93	Oklahoma City OK Housing Authority, PHDEP			
93-FW-212-1012	07/13/93	Meadowbrook Gardens Apartments, Multifamily Mortgagor Operations, Fort Worth TX	\$224,815	\$134,408	
93-FW-212-1014	08/13/93	Heritage Village, Retirement Service Center, Fort Worth TX	\$841,106	\$49,582	
93-FW-214-1016	09/28/93	Anthony & Associates, Inc., Multifamily Management Agent, Albuquerque NM	\$1,180,328	\$633,322	
93-HQ-214-1002	05/25/93	Community Realty Management Inc., Multifamily Management Agent, Pleasantville, NJ	\$569,350	\$51,840	
93-HQ-229-1003	05/19/93	Westside Isaiah Plan, Nehemiah Housing Opportunity Grant, Chicago IL	\$75,000		
93-HQ-214-1004	06/03/93	Professional Properties Inc., Multifamily Management Agent, Santa Monica CA	\$2,290,592	\$836,289	
93-HQ-214-1005	07/30/93	VMS Realty Management Inc., Multifamily Management Agent, Chicago IL	\$6,366,180		
93-HQ-214-1006	08/17/93	Retirement Housing Foundation Inc., Multifamily Management Agent, Long Beach CA	\$2,006,144	\$488,404	
93-HQ-221-1008	09/24/93	Independence Mortgage Corporation of America Inc., Supervised Mortgagee, Winter Park FL			
93-KC-203-1002	06/30/93	St. Louis County MO Housing Authority, Section 8 Certificate and Voucher Programs	\$143,488	\$83,000	

Report Number	Issue Date	Report Title	Total Questioned Costs	Total Unsupported Costs	Funds Put to Better Use
93-NY-201-1008	09/30/93	New York NY Housing Authority, Low Income Housing Program and CIAP			
93-PH-203-1005	04/27/93	West Virginia Housing Development Fund, Section 8 Contract Administrator, Charleston WV	\$41,579		
93-PH-217-1008	07/19/93	District of Columbia Housing Finance Agency	\$141,619	\$118,435	
93-PH-222-1012	09/30/93	Robert Jones, HUD Closing Agent, Virginia Beach VA	\$20,000	\$20,000	
93-PH-222-1013	09/30/93	Lawyers Advantage Title Group, HUD Closing Agent, Burtonsville MD			
93-SE-214-1003	05/19/93	Ben Lomond Inc., Multifamily Management Agent, Anchorage and Fairbanks AK	\$268,480	\$28,886	
93-SE-204-1004	05/28/93	Alaska Housing Finance Corporation, Public Housing Division, Low Income Housing Program, Anchorage AK			
93-SE-207-1005	05/28/93	Southern Puget Sound Inter-Tribal Housing Authority, Mutual Help Homeownership Opportunity Program, Shelton WA			
93-SE-212-1007	09/16/93	Everett Country Club Apartments, Multifamily Mortgagor Operations, Everett WA			
93-SF-214-1008	04/08/93	Gateway Property Management, Multifamily Management Agent, San Francisco CA			
93-SF-214-1010	05/05/93	Professional Properties Inc., Multifamily Management Agent, Santa Monica CA	\$465,014	\$455,996	
93-SF-212-1011	07/02/93	Casa Sandoval Apartments, HUD-held Multifamily Project, Hayward CA	\$1,479,669	\$815,392	\$500,000
93-SF-203-1013	09/22/93	Santa Clara County Housing Authority, Section 8 Housing Program, San Jose CA			
93-SF-212-1014	09/23/93	Tucson Health Care Limited Partnership, Multifamily Mortgagor Operations, Tucson AZ	\$5,162,442	\$212,286	
93-SF-202-1016	09/24/93	Maricopa County Department of Housing and Community Development, Low Income Housing and Section 8 Programs, Phoenix AZ	\$314,423	\$84,970	
93-SF-202-1017	09/28/93	Richmond CA Housing Authority, CIAP	\$935,000	\$608,009	\$104,710
		7 Audit Related Memoranda	\$330,697		
		2,187 Audits prepared by Independent Auditors and other Federal Agencies	\$1,737,441	\$1,145,877	
COMMUNITY PLANNING AND DEVELOPMENT					
93-AT-241-1016	05/25/93	Charlotte NC, CDBG Program	\$113,737		
93-AT-251-1017	06/01/93	Broward County FL, Emergency Shelter Grants Program			
93-AT-241-1018	06/08/93	Aguadilla PR, CDBG Program	\$5,317,644	\$2,724,351	\$297,222
93-CH-245-1017	04/05/93	Flint MI, Rental Rehabilitation Program	\$86,451	\$86,451	
93-CH-251-1023	06/09/93	Columbus OH, Emergency Shelter Grants Program	\$65,371		
93-CH-251-1024	06/09/93	Travelers and Immigrants Aid, Supportive Housing Demonstration Program, Chicago IL	\$40,598		
93-CH-251-1027	08/18/93	Detroit MI, Emergency Shelter Grants Program			
93-DE-251-1003	04/12/93	Denver CO Department of Social Services, Emergency Shelter Grants Program			
93-DE-251-1004	07/23/93	Casper WY Housing Authority, Section 8 Moderate Rehabilitation Program for Single Room Occupancy			\$188,160
93-DE-241-1006	08/10/93	Denver Community Development Corporation, CDBG Program, Denver CO			
93-DE-241-1007	09/10/93	Salt Lake City Corporation, CDBG Program, Salt Lake City UT			
93-FW-241-1013	07/29/93	Choctaw Nation of Oklahoma, CDBG Program, Durant OK	\$10,673		
93-FW-241-1015	08/27/93	San Antonio TX, CDBG Program	\$170,665	\$170,665	
93-FW-241-1017	09/30/93	Fort Worth TX, CDBG Program	\$72,939	\$40,109	
93-HQ-243-1007	08/23/93	Natick MA, Executive Office of Communities and Development, Urgent Needs Grant, CDBG Program			\$1,000,000
93-KC-251-1001	06/17/93	Hawkeye Area Community Action Program Inc., Supportive Housing Demonstration Program, Cedar Rapids IA			
93-KC-251-1003	09/27/93	St. Louis MO, Emergency Shelter Grants Program	\$47,397		
93-NY-241-1004	04/28/93	Albany NY, CDBG Program	\$1,712,400	\$1,011,682	\$181,958
93-NY-241-1005	06/30/93	Syracuse NY, CDBG Program	\$3,709,023	\$3,478,700	
93-NY-251-1006	07/23/93	Jersey City NJ, Emergency Shelter Grants Program	\$232,069	\$107,169	
93-NY-241-1007	09/27/93	Buffalo NY, CDBG Program	\$811,783	\$596,647	
93-PH-241-1006	05/28/93	Newport News VA, CDBG Program	\$1,150,605		
93-PH-241-1007	07/12/93	Allegheny County, CDBG Program, Pittsburgh PA	\$1,070,309	\$977,000	
93-PH-251-1009	07/19/93	Washington County, Emergency Shelter Grants Program, Washington PA	\$2,110	\$865	
93-PH-251-1010	09/28/93	Philadelphia PA Office of Services to the Homeless and Adults, Emergency Shelter Grants Program	\$307,198	\$307,198	

Report Number	Issue Date	Report Title	Total Questioned Costs	Total Unsupported Costs	Funds Put to Better Use
93-PH-245-1011	09/30/93	Virginia Housing Development Authority, Rental Rehabilitation Program for Suffolk VA	\$225,505	\$170,742	
93-SE-241-1006	07/28/93	Spokane WA Department of Community Development, Procurement of Rehabilitation Management Services			
93-SE-251-1008	09/17/93	United Indians of All Tribes Foundation, Supportive Housing Demonstration Program, Seattle WA			
93-SF-251-1009	04/23/93	San Francisco CA, Emergency Shelter Grants Program	\$844,000	\$844,000	
93-SF-241-1012	09/17/93	Los Angeles CA, CDBG Program	\$14,212,597	\$14,201,303	
93-SF-251-1015	09/24/93	Los Angeles CA Housing Authority, Section 8 Moderate Rehabilitation, Single Room Occupancy Programs	\$11,447		\$165,720
93-SF-251-1018	09/29/93	San Francisco CA, Transitional Housing Program	\$60,396	\$43,500	
93-SF-251-1019	09/30/93	Saint Vincent de Paul Society, Transitional Housing Program, San Francisco CA	\$42,158		
		12 Audit Related Memoranda			
		631 Audits Prepared by Independent Auditors and Other Federal Agencies	\$898,192	\$898,192	
		ADMINISTRATION			
		7 Audit Related Memoranda			\$11,807
		25 Audits Prepared by Independent Auditors and Other Federal Agencies	\$67,561	\$67,561	
		MISCELLANEOUS			
		2 Audits Prepared by Independent Auditors and Other Federal Agencies			

APPENDIX 2 - PROFILE OF PERFORMANCE

Audit and Investigation Activities	4/1/93- 9/30/93	Fiscal Year 1993
Cash Recoveries/Savings ^{1, 2}	\$39,722,844	\$88,711,604
Cost Efficiencies Realized ¹	\$10,083,243	\$19,738,160
Commitments to Recover Funds ¹	\$69,424,660	\$121,725,308
Cost Efficiencies Sustained ¹	\$8,614,199	\$19,561,589
Total Fines Levied	\$370,693	\$1,109,676
Indictments	260	487
Convictions	185	375
Suspensions of Persons/Firms Doing Business with HUD	53	88
Debarments of Persons/Firms Doing Business with HUD	93	146
Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	2	4
Limited Denials of Participation Issued	74	166
Voluntary Exclusions of Persons/Firms Doing Business with HUD	--	2
Subpoenas Served	109	206
Material Weaknesses Reported	7	12
Personnel Actions Initiated Against HUD Employees	18	34
Program Integrity Activities		
Awareness Publications Issued	--	2
Hotline Complaints Received	1,150	2,251
Proposed Legislation/Regulations Reviewed	164	233

¹ Includes amounts due to HUD program participants.

² Includes \$10.2 million in court ordered restitution.

TABLE A

AUDIT REPORTS ISSUED PRIOR TO START OF PERIOD WITH NO MANAGEMENT DECISION AT 9/30/93

APPENDIX 3

REPORT NUMBER	REPORT TITLE	ISSUE DATE	REASON FOR LACK OF MANAGEMENT DECISION	TARGET FOR MANAGEMENT DECISION
* 92KC1002	Kansas City MO Department of Housing and Community Development, Section 108 Loan Guarantee Program	01/10/92	The Office of Community Planning and Development has not been responsive to the one recommendation contained in this report that requires the City to repay a \$1.2 million loan.	11/30/93
* 92CH1010	Detroit MI Housing Department, Section 8 Existing, Certificate, Voucher and Moderate Rehabilitation Programs	01/30/92	Management decisions on 15 recommendations have been deferred because the Assistant Secretary for Public and Indian Housing has not decided the appropriate sanctions to be taken.	11/30/93
* 92TS0009	Multiregion Audit of Special Economic Development Assistance, CDBG Program	04/29/92	A management decision has not been reached on one recommendation contained in the report. The Office of Community Planning and Development has not finalized a corrective action plan for this material weakness.	11/30/93
* 92TS0011	Audit of HUD's Fiscal Year 1991 Consolidated Financial Statements	06/30/92	Management decisions have not been reached on 14 of the 26 recommendations contained in the report. The Chief Financial Officer has not been able to coordinate responses from the Offices of Administration, Housing, Public and Indian Housing and Community Planning and Development.	11/30/93
* 92TS0014	Multiregion Review of Controls Over the Preparation and Use of Grantee Performance Reports	07/30/92	Management decisions have not been reached on 4 of the 9 recommendations contained in the report, because the Office of Community Planning and Development has not been responsive to our recommendations during the current semiannual period.	11/30/93
* 92TS1017	Commonwealth Mortgage Company Nonsupervised Mortgagee, Philadelphia PA	09/11/92	Management decision was not reached on one recommendation because mortgagee's parent company was taken over by the Resolution Trust Corporation (RTC). The matter was referred to RTC for legal review but they have not determined whether HUD may file a claim.	11/30/93
* 93HQ0004	Interim Audit of Bond Refundings of Section 8 Projects	10/30/92	Management decisions have not been reached on 2 of the 18 recommendations contained in the report. The Office of Housing will be forming task forces to determine what actions are appropriate for the 2 recommendations.	01/30/94
93NR2863	Municipality of Bayamon PR	12/16/92	CPD had not responded to the 4 applicable recommendations although an initial response was received in October 1993 that resulted in management decisions on the 4 recommendations.	10/30/93
93NR3501	Municipality of Guayama PR	02/02/93	CPD had not been responsive to the 4 recommendations although an initial response was received in October 1993 and resulted in management decisions on 3 of the 4 recommendations.	10/30/93
93HQ0804	Material Weakness Verification, Reporting CDBG Program Income and Miscellaneous Revenue	3/26/93	The Chief Financial Officer has been working with the Office of CPD but has not been able to reach a management decision.	11/30/93
* 93FO0002	GNMA Fiscal Year 1992 Financial Statements	3/29/93	The Government National Mortgage Association had not been responsive to the 13 recommendations contained in the report. The initial response was received in October 1993 and resulted in management decisions being reached.	10/30/93
* 93HQ1001	Scranton PA, UDAG and CDBG Programs	3/31/93	The Office of Community Planning and Development has not been responsive to the 42 recommendations contained in the report.	11/30/93

Note to Table A: * Significant audit reports described in previous Semiannual Reports

TABLE B

**SIGNIFICANT AUDIT REPORTS DESCRIBED IN PREVIOUS SEMIANNUAL
REPORTS WHERE FINAL ACTION HAS NOT BEEN COMPLETED AS OF 9/30/93**

Report Number	Report Title	Issue Date	Decision Date	Final Action Target Date
83CH1051	Detroit MI Housing Department, Public Housing Agency Activities	08/26/83	11/15/84	03/01/94
89SF1004	Las Vegas NV Housing Authority, Low-Income Housing Program	01/20/89	07/18/89	Note 1
89PH1013	Philadelphia PA CDBG Program, Subrecipient Monitoring	07/17/89	01/12/90	Note 1
90CH1006	New Center Hospital, Multifamily Mortgagor Operations, Detroit MI	01/22/90	06/19/90	Note 1
90AT1008	Atlanta GA CDBG Program, Use of Program Income	03/09/90	03/30/93	12/31/93
90TS0012	Multiregion Audit of CDBG Rehabilitation at Entitlement Grantees	04/26/90	09/21/90	Note 1
90TS0015	Multiregion Audit of Housing Development Grants	04/30/90	08/06/90	Note 1
90PH1014	Delaware County, Partnership for Economic Development and Other Selected Areas, Media PA	06/12/90	11/01/90	Note 1
90BO1012	Lisbon Falls ME, Farwell Mill Housing Development Grant	07/23/90	02/01/91	Note 1
90TS1803	Interim Report Housing Resources Management Inc., Multifamily Management Agent, Santa Monica CA	09/14/90	09/30/91	02/27/94
91TS0001	Limited Review of HUD's Process for Determining Undue Concentration of Assisted Persons	10/19/90	10/01/91	Note 1
91PH1002	Chester PA CDBG Program	12/27/90	07/22/91	Note 1
91AO0001	Multiregion Audit of the Emergency Shelter Grants Program	12/28/90	07/05/91	Note 1
91TS0006	Multiregion Audit of Interim Financing Activities, CDBG Program	01/17/91	06/07/91	Note 1
91TS1004	Waterford Associates, Coinsured Retirement Service Center, Melbourne FL	02/20/91	03/30/92	Note 1
91PH1005	Pittsburgh PA Housing Authority, CIAP	03/21/91	09/20/91	Note 1
91SF1003	Mundy Realty, Area Management Broker, Phoenix AZ	03/28/91	07/12/91	06/12/97
91TS0012	Major Reconstruction of Obsolete Projects Program	04/29/91	10/25/91	Note 1
91TS0014	Multiregion Audit of the Approval and Monitoring of Management Agents of Multifamily Projects	04/30/91	11/06/92	Note 2
91NY1008	Burton Towers, Multifamily Mortgagor Operations, Newburgh NY	05/31/91	10/01/91	Note 1
91NY1009	Varick Homes, Multifamily Mortgagor Operations, Newburgh NY	05/31/91	10/01/91	Note 1
91KC1008	Sunjay and Company, Multifamily Management Agent, Kansas City MO	06/12/91	11/13/91	Note 1
91SF1007	Royce Enterprises Limited, Multifamily Management Agent, Campbell CA	08/23/91	11/26/91	01/15/94
91PH1014	Pittsburgh PA Urban Redevelopment Authority, Davison Square Apartments, Housing Development Grant	09/19/91	01/13/92	06/30/94
92TS0001	Multiregion Audit of PHA Compliance with Rent Reasonableness Requirements for the Section 8 Existing Housing Program	10/10/91	06/08/92	Note 1
92KC1801	St. Louis MO Community Development Agency, Purchase of Land in St. Louis Place Neighborhood	10/22/91	03/12/92	Note 1
92CH1003	Chicago Mental Health Foundation, Inc., Supportive Housing Demonstration Program, Chicago IL	11/07/91	01/10/92	Note 1
92TS0804	Material Weakness Verification, Hospital Insurance Program	11/15/91	09/01/92	Note 1
92KC1002	Kansas City MO Department of Housing and Community Development, CDBG Program, Section 108 Loan Guarantee	01/10/92	Note 4	Note 4
92CH1010	Detroit MI Housing Department, Section 8 Existing, Certificate, Voucher, and Moderate Rehabilitation Programs	01/30/92	Note 4	Note 4
92TS0005	HUD's Implementation of the Federal Managers' Financial Integrity Act of 1982	02/28/92	09/23/92	Note 1
92TS1005	J & B Management Company, Multifamily Management Agent, Woodlands TX	03/03/92	09/30/92	10/29/93
92PH1003	Baltimore MD CDBG Program	03/04/92	06/23/92	Note 1
92TS0006	Audit of Fiscal Year 1991 Financial Statements - Government National Mortgage Association	03/25/92	07/15/92	Note 1
92TS0007	Audit of Fiscal Year 1991 Financial Statements - Federal Housing Administration	03/27/92	09/29/92	09/30/98
92BO1008	Boston Financial Property Management, Multifamily Management Agent, Boston MA	03/31/92	07/22/92	Note 1
92TS0008	HUD's Fiscal Year 1992 and 1993 Budget Estimating Processes for Section 8 Contract Renewals & Amendments	04/21/92	07/09/93	12/31/94
92TS0009	Multiregion Audit of Special Economic Development Activities	04/29/92	Note 4	Note 4
92TS0010	Multiregion Audit of Post Implementation Review of Single Family Accounting and Management System	04/30/92	11/12/92	Note 2

Report Number	Report Title	Issue Date	Decision Date	Final Action Target Date
92AT1014	Jacksonville FL Department of Housing and Urban Development, Low-Income Housing Program	06/12/92	10/06/92	12/31/94
92TS0011	Audit of Fiscal Year 1991 HUD Consolidated Financial Statements	06/30/92	Note 4	Note 4
92PH1009	Huntington WV CDBG Program	07/10/92	11/07/92	Note 2
92AT1016	Heritage Pointe Apartments, HUD Held Multifamily Coinsured Project, Smyrna GA	07/14/92	11/05/92	10/25/93
92TS0014	Multiregion Review of Controls Over the Preparation and Use of Grantee Performance Reports	07/30/92	Note 4	Note 4
92AT1018	Bayamon City PR Country Club Project, Housing Development Grant & Multifamily Mortgage Insurance Program	08/06/92	01/04/93	12/31/93
92TS1015	Interstate Realty Management, Inc., Multifamily Management Agent, Marlton NJ	08/11/92	03/31/93	Note 2
92BO1011	New Haven CT Housing Authority, Low-Income Housing Program	08/14/92	12/10/92	Note 2
92KC1003	Kansas City MO Housing Authority, Low-Income Housing Program	08/18/92	03/16/93	10/31/93
92SF0006	Administration of the Direct Endorsement Program's Mortgage Credit Function	08/24/92	11/25/92	11/25/93
92PH0802	Philadelphia PA Housing Authority, Consolidation of Unresolved Audit Recommendations	08/27/92	08/27/92	Note 6
92SF1009	San Francisco CA Housing Authority, Low-Income Housing Program	09/10/92	01/08/93	11/30/93
92TS1017	Commonwealth Mortgage Company, Nonsupervised Mortgagee, Philadelphia PA	09/11/92	Note 4	Note 4
92FW1008	Lakes at Renaissance Park Apartments, Multifamily Mortgagor Operations, Austin TX	09/23/92	12/14/92	12/07/93
92NY1009	Newark NJ Housing Authority, Low-Income Housing Program	09/24/92	03/23/93	03/15/94
92TS0015	Contractor Incentive Payments for the Section 202 Elderly Housing Program, Atlanta Region	09/24/92	06/15/93	07/20/94
92SF1012	Los Angeles CA Housing Authority, Low-Income Housing Program	09/25/92	01/20/93	12/31/93
92PH1015	District of Columbia Department of Public and Assisted Housing, Management and Selected Development Operations	09/30/92	03/29/93	12/31/93
92SE1008	Municipality of Anchorage, Section 312, Rental Rehabilitation and CDBG, Anchorage City and Boro, AK	09/30/92	03/29/93	11/15/93
93HQ0002	Multiregion Audit of PHAs' Internal Controls Over the Handling of Cash and Other Monetary Assets	10/16/92	09/23/93	07/29/94
93CH1001	Highland Park MI Housing Commission, Safeguarding Monetary Assets and Inventory, Low-Income Housing Program	10/23/92	02/11/93	12/30/93
93HQ0003	Multiregion Audit of HUD's Servicing of Direct Loans for Section 202 Elderly Housing Projects	10/29/92	09/14/93	01/30/94
93HQ0004	Interim Audit of Bond Refundings of Section 8 Projects	10/30/92	Note 5	Note 5
93HQ0802	Material Weakness Verification, Housing Development Grants	10/30/92	09/23/93	12/31/93
93CH1003	Cuyahoga Metropolitan Housing Authority, Low-Income Housing Program, Cleveland OH	11/17/92	04/05/93	12/31/98
93CH1004	Traverse City MI Housing Commission, Safeguarding Monetary Assets and Inventory, Low-Income Housing Program	11/20/92	03/16/93	03/01/94
93AO1001	Fellowship Square Foundation Inc., Multifamily Management Agent, Herndon VA	11/24/92	07/27/93	07/31/94
93AT1004	St. Petersburg FL Housing Authority, Low-Income Housing Program	12/09/92	09/27/93	09/21/94
93CH1006	North Chicago IL Housing Authority, Safeguarding Monetary Assets and Inventory, Low-Income Housing Program	12/10/92	06/02/93	04/15/94
93CH1007	Lucas Metropolitan Housing Authority, Low-Income Housing Program, Toledo OH	12/29/92	04/05/93	04/02/94
93SF1004	Asan Community Redevelopment Project, CDBG Program, Sinajana Guam	12/31/92	05/07/93	04/01/94
93FO0001	HUD's Implementation of the Federal Managers' Financial Integrity Act of 1982	01/11/93	09/20/93	12/31/93
93CH1008	Columbus OH, CDBG Program, Benefits to Low- and Moderate-Income Persons	01/15/93	06/01/93	05/14/94
93SE1001	King County CDBG Program, Seattle WA	01/15/93	05/05/93	12/20/93
93AT1006	Turabo Medical Center, Multifamily Mortgagor Operations, Caguas PR	01/29/93	08/26/93	06/30/94
93BO1002	Lorenzo Pitts Inc., Multifamily Project Manager and Management Agent, Boston MA	01/29/93	09/29/93	11/30/97
93NY1002	New York NY Department of Housing Preservation and Development, Limited Review of CDBG Program	01/29/93	07/06/93	07/06/94
93HQ0006	Multiregion Limited Review of the Public Housing Management Assessment Program (PHMAP)	02/04/93	09/24/93	06/30/94
93FW1006	Houston TX Housing Authority, Low-Income Housing Program	02/05/93	06/10/93	04/30/94
93CH1013	Youngstown OH Metropolitan Housing Authority, Section 8 Existing and Housing Voucher Programs	02/26/93	06/09/93	06/01/94
93AO1003	District of Columbia Department of Human Services, Single Family Homeless Initiative	03/03/93	07/26/93	01/31/95
93BO1003	Carabetta Management Company, Multifamily Management Agent, Meriden CT	03/05/93	09/29/93	09/20/94
93HQ0005	Limited Review of HUD's Management and Control of Staff Resources	03/08/93	09/30/93	09/30/94
93CH1015	The Belmont, Multifamily Mortgagor Operations, Chicago IL	03/12/93	07/21/93	08/31/96

Report Number	Report Title	Issue Date	Decision Date	Final Action Target Date
93SE1002	Alaska Housing Finance Corp., Section 8 Multifamily New Construction Program, Anchorage AK	03/12/93	08/09/93	08/31/96
93DE1001	Denver CO Housing Authority, Special Review of Procurement and Contracting, Low-Income Housing Program	03/16/93	08/23/93	07/31/94
93BO0002	Single Family Property Disposition Program, Boston Office	03/19/93	09/29/93	08/31/94
93PH1004	Annapolis MD Housing Authority, Low-Income Housing Program	03/23/93	09/10/93	02/01/94
93FO0002	Audit of Fiscal Year 1992 Financial Statements - Government National Mortgage Association	03/29/93	Note 3	Note 3
93AO0002	Limited Review of the Single Family Homeless Initiative, Richmond Office	03/31/93	06/29/93	12/31/93
93HQ1001	Scranton PA UDAG and CDBG Programs	03/31/93	Note 4	Note 4
93SF1007	Guam Housing and Urban Renewal Authority, Related Aspects of Financial and Administrative Controls, Low-Income Housing Program, Sinajana Guam	03/31/93	07/26/93	12/31/93
93CH1016	Springfield OH Metropolitan Housing Authority, Low-Income Housing Program	04/01/93	08/02/93	04/15/94
93HQ0008	Multiregion Audit of CDBG Program Benefits to Low- and Moderate-Income Persons	04/27/93	Note 7	Note 7
93FO0003	Audit of Fiscal Year 1992 Financial Statements - Federal Housing Administration	04/30/93	Note 7	Note 7
93HQ0009	Multiregion Audit of the Monitoring Activities of the Regional Offices of Indian Housing	04/30/93	09/02/93	05/31/94
93HQ0011	Multiregion Audit of Management of HUD Owned and Mortgagee-In-Possession Multifamily Properties	04/30/93	Note 7	Note 7
93HQ0012	Multiregion Audit of the Direct Endorsement Program	04/30/93	09/17/93	12/31/94
93HQ0013	Multiregion Audit of Refunding of Bonds for Section 8 Assisted Projects	04/30/93	Note 7	Note 7
93HQ0014	Multiregion Audit of HUD's Servicing of Insured Multifamily Projects	04/30/93	Note 7	Note 7

Audits Excluded:

21 audits under repayment plans

47 audits under formal judicial review, investigation, or legislative solution

Notes:

¹ Management did not meet target date. Management decision is over 1 year old.

² Management did not meet target date. Management decision is under 1 year old.

³ No Management Decision. Decision expected by October 1993.

⁴ No Management Decision. Decision expected by November 1993.

⁵ No Management Decision. Decision expected by January 1994.

⁶ Report consolidates recommendations from four prior audit reports (87PH2240, 88PH1006, 91PH2018, and 91PH0004); two of the reports (88PH1006 and 91PH0004) were described in previous Semiannual Reports. When the consolidation report was issued the previous recommendations were closed. The three recommendations in this report address long outstanding systemic problems. Correction of the problems was to be made on a systemic approach by May 1993. Management did not meet their target completion date.

⁷ Under 6 months old. No Management Decision due.

Table C

**INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED AND UNSUPPORTED COSTS
AT 9/30/93**

(Dollars in Thousands)

REPORTS . . .		Number of Audit Reports	Questioned Costs	Unsupported Costs
A1.	For which no management decision had been made by the commencement of the reporting period	55	\$246,698	\$43,606
A2.	For which litigation, legislation or investigation was pending at the commencement of the reporting period	20	31,222	\$19,072
A3.	For which additional costs were added to reports in beginning inventory	0	12,775	1,842
A4.	For which costs were added to non-cost reports	5	566	443
B1.	Which were issued during the reporting period	82	67,725	33,718
B2.	Which were reopened during the reporting period	1 ⁴	0	0
Subtotals (A + B)		163	\$358,986	\$98,681
C.	For which a management decision was made during the reporting period	83 ¹	\$192,059	\$40,813
(1)	Dollar value of disallowed costs:			
	• Due HUD	25 ^{2,4}	15,215	3,734
	• Due Program Participants	54	150,398	29,226
(2)	Dollar value of costs not disallowed	37 ³	26,446	7,853
D.	For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	19	35,271	21,994
E.	For which no management decision had been made by the end of the reporting period	61 (159) ⁵	\$131,656 (\$70,977)	\$35,874 (\$35,109)

¹ 12 audit reports also contain recommendations that funds be put to better use.² 8 audit reports also contain recommendations with funds due program participants.³ 25 audit reports also contain recommendations with funds agreed to by management.⁴ Revised management decision reversed \$1,090,000 previously disallowed. Accordingly, the report was reopened with no costs associated and disallowed costs were reduced.⁵ The figures in brackets represent data at the recommendation level as compared to the report level. See Table D for an explanation.

Table D

**INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE
AT 9/30/93**

(Dollars in Thousands)

REPORTS . . .	Number of Audit Reports	Dollar Value
A1. For which no management decision had been made by the commencement of the reporting period	16	\$58,747
A2. For which litigation, legislation or investigation was pending at the commencement of the reporting period	5	774
A3. For which additional costs were added to reports in beginning inventory	0	0
A4. For which costs were added to non-cost reports	3	299
B1. Which were issued during the reporting period	13	3,522
B2. Which were reopened during the reporting period	0	0
Subtotals (A + B)	37	63,342
C. For which a management decision was made during the reporting period	21 ¹	53,748
(1) Dollar value of recommendations that were agreed to by management	11	5,807
• Due HUD	7	3,469
• Due Program Participants		
(2) Dollar value of recommendations that were not agreed to by management	4 ²	44,472
D. For which management decision had been made not to determine costs until completion of litigation, legislation or investigation	5	952
E. For which no management decision had been made by the end of the reporting period	11 (12) ³	\$8,642 (\$3,039)

¹ 12 audit reports also contain recommendations with questioned costs.

² 1 audit report also contains recommendations with funds agreed to by management.

³ The figures in brackets represent data at the recommendation level as compared to the report level. See explanation below.

Explanation of Tables C and D

The Inspector General (IG) Amendments of 1988 require Inspectors General and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the "report" level rather than at the individual audit "recommendation" level results in misleading reporting of cost data. Under the Act, an audit "report" does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the "report" based rather than the "recommendation" based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management's decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current "all or nothing" reporting format does not take recognition of their efforts.

The closing inventory for items with no management decision on Tables C and D (Line E) reflects figures at the report level as well as the recommendation level.

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

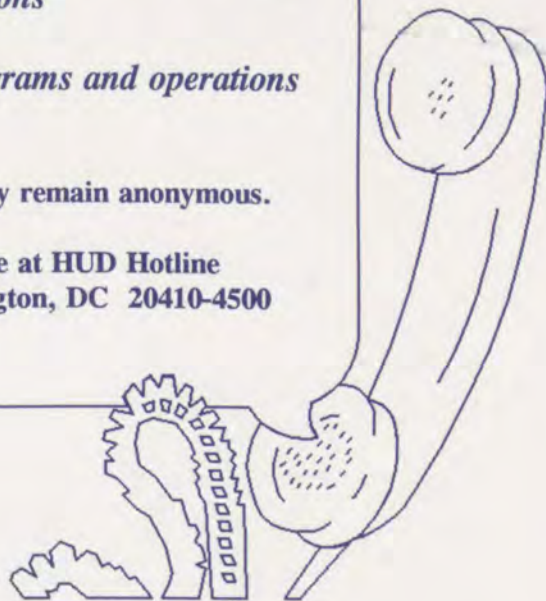
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U.S. Department of Housing and Urban Development
Office of Inspector General
Washington, D.C. 20410-0000

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