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# Office of Inspector General Report to The Congress for the Six Month Period

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April 1, 1980 to September 30, 1980

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Pursuant to Public Law 95-452

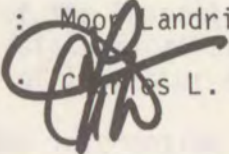
**Number 4**



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20410

October 31, 1980

IN REPLY REFER TO:

TO : Moor Landrieu, Secretary, S  
FROM :  Charles L. Dempsey, Inspector General, Z

SUBJECT: Semiannual Report on Activities of Office of Inspector General

Pursuant to section 5(b) of the Inspector General Act of 1978, I respectfully submit our semiannual report on the activities of the Office of Inspector General for the period April 1, 1980 to September 30, 1980.

Section 5(b) requires that you transmit this report to the appropriate committees or subcommittees of the Congress within thirty days after its receipt, together with your own report containing any comments you believe are appropriate.

## FOREWORD

This report, consisting of two parts, is the HUD Office of Inspector General's fourth semiannual report to Congress pursuant to section 5 of the Inspector General Act of 1978 (Public Law 95-452).

The purpose of this report is to not only address the individual reporting requirements of the Inspector General Act of 1978, but also to provide narrative and statistical summaries of the significant activities and events of the Office of Inspector General for the completed fiscal year 1980.

Part 1 provides information on Office of Inspector General activities for the six-month period April 1, 1980 to September 30, 1980 and is furnished in direct response to each of the specific reporting requirements of section 5 of the Inspector General Act of 1978.

Part 2, beginning on page 53, provides information on Office of Inspector General activities and special efforts for the entire fiscal year 1980 (October 1, 1979 to September 30, 1980).

Appropriate Appendices are included at the end of the report in order to provide additional background and lend further perspective to the matters disclosed in the body of the report.

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## SUMMARY

### PART 1: INFORMATION FURNISHED IN RESPONSE TO THE REPORTING PROVISIONS OF THE INSPECTOR GENERAL ACT FOR THE PERIOD APRIL 1, 1980 TO SEPTEMBER 30, 1980

#### I. SIGNIFICANT PROBLEMS, ABUSES, DEFICIENCIES AND RECOMMENDATIONS (page 1)

Of the significant matters reported to HUD management during the period April 1, 1980 to September 30, 1980, the following matters are particularly worthy of mention to the Congress.

#### Serious Property Disposition Contracting Deficiencies (page 1)

Our reviews disclosed serious deficiencies in HUD's property disposition contracting activities (such activities involve annual expenditures of about \$100 million). The deficiencies indicate a breakdown in basic contract administration and include such problems as: (1) splitting of work to avoid formal advertising and contracting; (2) improper execution of contracts; (3) improper or questionable amendments to contracts; and (4) inadequate fiscal controls over contracts. These deficiencies resulted in excessive costs to HUD; increased opportunities for fraud, waste and abuse; and the appearance of contractor favoritism.

In response to our reports, recommendations and briefings, the Secretary has directed, and HUD top management has initiated, aggressive and positive measures to curb the adverse conditions and abuses in the Department's property disposition contracting activities.

#### Administration of Section 236 and Section 8 Programs by the New Jersey Housing Finance Agency (NJHFA) (page 3)

The report on our audit of the NJHFA, issued on August 29, 1980, disclosed serious problems pertaining to the computation of Federal subsidies to NJHFA projects under both the Section 236 Multifamily Housing Program and Section 8 New and Substantial Rehabilitation Programs. The NJHFA failed to reduce subsidy requests based on: reduced mortgages for converted projects; unused mortgage proceeds for completed projects; and unsupported expenses and/or development costs at certain Section 8 projects. The failure to reflect such savings will result in annual excess subsidies of about \$1.45 million, and over the life of the projects, these annual excess subsidies will equal about \$44.9 million. When an annual adjustment factor of 5 percent is applied, the excess subsidies will amount to about \$84.5 million.

Since our report had national impact, it was addressed to the Assistant Secretary for Housing-Federal Housing Commissioner and was brought to the attention of the Secretary. The Assistant Secretary's response to our report is due November 7, 1980. In addition to recommending actions to correct the adverse conditions at the NJHFA, we recommended that regulations be developed to prohibit similar problems from occurring. We also requested that HUD's General Counsel determine the need for legislative proposals to deter these conditions.



Widespread Deficiencies in Community Development  
Block Grant Rehabilitation Activities (page 4)

Our special operational survey report, issued in draft to the Assistant Secretary for Community Planning and Development on September 10, 1980, disclosed indications of irregularities, abuses and administrative deficiencies among grantees operating rehabilitation programs. Over \$106 million, or one-third of the total costs contracted by entitlement grantees nationwide, was spent to rehabilitate properties. Yet, after completion of the rehabilitation work, such properties were found to have at least one serious violation of HUD's housing quality standards which affected the health and safety of the occupants and/or the livability of the dwelling.

Additionally, grantees failed to follow good administrative practices in that property inspections were not always performed or were inadequately performed and documented; and sound contracting procedures were not followed. Because of these deficiencies, we reported that: \$85 million was spent on rehabilitating properties by grantees, yet 70 percent of the grantees failed to meet their rehabilitation goals; \$4.5 million was paid for contracted work which was not done (18 percent of properties); \$4.1 million was paid for contracted work which was poorly done (19 percent of properties); and over \$19 million in excessive repair costs were incurred by 45 percent of the grantees.

We also reported that nearly \$17 million was spent on unneeded repairs. Also, 42 percent of the properties receiving unneeded repairs still had at least one violation of the housing quality standards after completion of the rehabilitation work. Moreover, we reported that data used by HUD to evaluate grantees' Housing Assistance Plan accomplishments are unreliable.

We believe our recommendations will enhance the economy and efficiency of the rehabilitation program. The Assistant Secretary for Community Planning and Development responded to our draft report and indicated that our recommendations would adversely affect grantees' program flexibility, contrary to the intent of Congress. We are in the process of addressing the Assistant Secretary's response and issuing our final report. The estimated release date of the report is November 7, 1980.

Activities in Puerto Rico Involving GNMA Mortgage-Backed  
Security Pools--Diversion of Funds, Questionable Mortgagee  
Origination Practices and a HUD-Insured Hospital (page 6)

At September 30, 1980, our audit and investigative work was continuing in Puerto Rico relative to the above. Our efforts, initiated at the request of the Government National Mortgage Association (GNMA), have disclosed a diversion of funds totaling about \$1.5 million in GNMA-owned pools and \$1.7 million of monies in these pools owned by a private firm.

The above effort led us to conduct a number of special audits of mortgagee origination practices in Puerto Rico. Because VA-guaranteed as well as FHA-insured loans are involved, we are coordinating our effort with the VA Office of Inspector General. To date, we have recommended that HUD's Mortgagee Review Board take sanctions against ten of 13 mortgage companies.

Our audits have disclosed over 200 individual single family mortgage loans which were based upon false information. Other irregularities include the use of straw or fictitious buyers, questionable payments to third parties and simulated sales. Investigations of selected mortgagees and real estate firms are in process and are being coordinated with the United States Attorney in San Juan. Our efforts are also being assisted by Special Prosecutors from the U.S. Department of Justice.

We also commenced an in-depth audit of a HUD-insured hospital in Puerto Rico. Our audit has disclosed that this hospital could not meet its obligations to HUD and other creditors because of certain deficient and/or questionable practices. Our audit and investigation efforts are currently being coordinated with the United States Attorney.

#### Diversions of Multifamily Project Funds (page 8)

Our nationwide audit report of August 13, 1980, disclosed that HUD loan specialists failed to detect 96 diversions or possible diversions of funds at 250 multifamily housing projects totaling about \$2.7 million. Such diversions can contribute to unnecessary rent increases or defaults and foreclosures of project mortgages. Our report also indicated that HUD Field Offices failed to refer \$3.1 million in diversions of funds to HUD Area Counsels for recovery through legal action. Recommendations were made to improve loans specialists' reviews of financial statements and the recovery of diverted funds.

#### Single Family Acquired Property Sales, Pricing and Delays in Closing (page 9)

Our nationwide audit report, issued on June 24, 1980, disclosed that six HUD Field Offices were not promptly completing sales of acquired properties which resulted in HUD's unnecessarily incurring an estimated \$1.2 million in holding costs. Such conditions occurred because of the lack of any monitoring and controlling of the various phases of property sales transactions. We also reported that: Field Offices were not complying with the policies and procedures concerning the disposition approach and price for single family acquired properties; and three of the six Field Offices we reviewed were not effectively marketing their acquired properties. Recommendations were made to improve the establishment of disposition approaches, selling prices, sales programs, and the processing and closing of sales.

#### Examination of Selected FHA Insuring Fund Accounts (page 10)

The report on our audit of FHA insuring fund accounts for fiscal years 1977 and 1978, issued on September 30, 1980, disclosed serious deficiencies in FHA account reconciling procedures, automated systems, and debtor servicing and collection efforts. Because HUD did not maintain adequate accounting systems, controls, procedures and staffing for FHA's \$4.7 billion in net assets, we concluded that it is questionable whether HUD is in full compliance with the requirements of GAO and the Accounting and Auditing Act of 1950. We recommended that the Assistant Secretaries for Administration and Housing begin full reconciliation procedures, and improve coordination between the Offices of Administration and Housing to provide for better separation of duties, stronger debt servicing and contracts and expedited procedures for transferring claims to Field Office collectors.

Review of Annual Contribution for Assisted Housing (page 11)

Our report of August 14, 1980, disclosed that the Department's year-end closing statement may not present fairly the cumulative obligations of the Annual Contribution for Assisted Housing Fund. We reported that the statement obligation balance was not periodically reconciled to related accounting records and that adequate supporting documents for year-end accounting adjusting entries were lacking. We also reported that there was a dispute between HUD and GAO regarding the point at which a legal and valid obligation exists which requires immediate resolution. While our recommendations are in the process of being implemented, final resolution of all matters is contingent upon a decision by the Comptroller General.

Section 312 Rehabilitation Loan Fund (page 11)

In our September 12, 1980 audit report, we disclaimed an opinion on HUD's Section 312 Rehabilitation Loan Fund financial statements. Our disclaimer was based on the significant difference between the Section 312 loan principal balance reported by HUD and the Section 312 loan principal balance reported by the loan servicer, the Federal National Mortgage Association (FNMA). As of October 31, 1979, HUD's Section 312 loan principal balance was \$472 million while FNMA's reported balance was \$412 million--a \$60 million difference. In this connection, we found that HUD had not reconciled its loan balance with FNMA since 1971. HUD management agreed with our recommendations and is in the process of taking action to reconcile this difference and improve its controls.

Community Development Block Grant Program--  
City of Los Angeles, California (page 12)

Our audit report, issued on June 30, 1980, disclosed that the City did not carry out its Community Development Block Grant (CDBG) Program in an economical, efficient, effective and timely manner, and in a way that would assure compliance with the Housing and Community Development Act and HUD regulations and procedures. Our report disclosed \$1.8 million of ineligible costs and addressed a number of serious problems in the City's administration of its CDBG Program. As of September 30, 1980, two lawsuits by public interest groups were pending against HUD and Los Angeles involving the City's CDBG Program.

Community Development Block Grant Program--  
City of Philadelphia, Pennsylvania (page 13)

On April 18, 1980, we accepted the City Controller's audit report on Philadelphia's Community Development Block Grant Program. The report contained 49 audit findings which questioned about \$28.2 million of program costs. Of this amount, about \$3.2 million concerned unresolved costs from previous audits. As of September 30, 1980, a total of \$27.7 million of questioned costs had not been resolved.

Community Development Agency--City of Yonkers, New York (page 13)

Our audit report, issued on June 9, 1980, contained 24 audit findings which addressed ineligible costs of \$1.02 million and questionable costs of \$4.08 million. Mismanagement and a lack of fiscal responsibility in administering the Community Development Block Grant Program by the City of Yonkers Community Development Agency resulted in a serious fiscal crisis for the Agency. Problems included the Agency's failure to maintain adequate accounting records and controls over program expenditures and to engage in effective monitoring and evaluation of its activities.

Community Development Block Grant Program--  
City of Scranton, Pennsylvania (page 14)

On July 31, 1980, we issued the report covering the third phase of our audit of Scranton's Community Development Block Grant (CDBG) Program. We reported 19 major findings. Our overall conclusion was that the Grantee failed to administer its CDBG Program in an economical and efficient manner. At September 30, 1980, all audit findings in our three-phase audit of the Scranton CDBG Program remained unresolved. This included \$2.1 million of disallowed costs and \$1.82 million of questionable costs.

Inadequate Monitoring of Program Participants (page 15)

In our three previous Semiannual Reports to the Congress, we reported that HUD was not adequately monitoring its program participants. Despite the importance of program participant monitoring in protecting HUD's interests, we continued to detect instances of inadequate HUD monitoring during the current semiannual reporting period. Several of our reviews, covering major HUD program areas, disclosed instances where important activities could have been carried out more effectively had HUD exercised better monitoring of its program participants.

II. UNRESOLVED SIGNIFICANT RECOMMENDATIONS DISCLOSED IN PRIOR SEMI-ANNUAL REPORTS (page 17)

Significant matters and recommendations disclosed in our prior Semiannual Reports which were still undergoing corrective action at the close of the current semiannual reporting period were the: (1) special operational survey of the Section 8 Leased Housing Program; (2) audit of the Philadelphia Housing Authority; (3) audit of the New York City Community Development Block Grant Program; and (4) audits of the New Orleans' Model Cities and Community Development Block Grant Programs. While actions were being taken to resolve some of the survey and audit findings, a significant amount of disallowed/questioned costs (\$42.1 million) still had not been resolved at September 30, 1980.

### III. OTHER ADVERSE TRENDS AND CONDITIONS (page 19)

#### Adverse Trends Disclosed in OIG Audit Reports on Community Development Block Grant Recipients (page 19)

This evaluation report covered a review and summary of 107 OIG-issued external audit reports on Community Development Block Grant recipients. The 107 reports disclosed about 431 adverse conditions among grantees and included \$22 million of costs which were either ineligible or of questionable eligibility.

#### Audit of HUD's Contracting for Automatic Data Processing Services (page 20)

In this report, we disclosed that HUD's contract monitoring was weak and contracts were vaguely written, not negotiated effectively and failed to provide adequate alternatives in the event contractor performance was inadequate.

### IV. SIGNIFICANT MATTERS AFFECTING THE OIG (page 21)

#### Adverse Impact of Reduced Travel Funds (page 21)

The Congress mandated a \$500 million reduction in travel and transportation funds. This reduction, of which the OIG absorbed its proportionate share, adversely impacted on our audit and investigation efforts, as well as our ability to effectively carry out certain provisions of the Inspector General Act.

### V. SUMMARY OF MATTERS REFERRED TO PROSECUTIVE AUTHORITIES (page 22)

During the current reporting period, we referred 341 investigation cases for prosecutive consideration. Of these cases, 193 were referred directly to the FBI with no investigation on our part. Prosecution was declined on 452 investigation cases. Also, a total of 70 investigation cases resulted in the indictment and/or conviction of 118 persons or firms having business with HUD. Of these 118 persons/firms, 72 were the result of investigation cases that we referred; the remainder or 46 were the result of cases initiated solely by the FBI.

Moreover, a total of 73 persons/firms were convicted during the current reporting period. Of these 73 persons/firms, 47 were the result of cases referred by us. The 73 persons/firms received a total of 100 years imprisonment, 138 years probation, suspended sentences of 34 years, fines amounting to \$96,175 and were required to make restitution amounting to \$50,660.

VI. REVIEW OF LEGISLATION AND REGULATIONS (page 28)

During the current reporting period, we reviewed 61 proposed new regulations or revisions to existing regulations, an undetermined number of existing regulations and statutes in conjunction with our internal audits, and 75 proposed new legislative bills or revisions to existing bills. Because of its importance and impact on our operations, we have included our concerns regarding S. 3026--Financial Integrity Act of 1980/H.R. 8063--Federal Managers' Accountability Act of 1980. We also described our current efforts in assisting HUD management in developing regulations for the Solar Energy Conservation Act of 1980.

VII. UNREASONABLE REFUSAL OR NON-PROVISION OF REQUESTED INFORMATION OR ASSISTANCE (page 30)

There were no instances reported to the HUD Secretary during the current reporting period wherein information or assistance requested by the Inspector General was unreasonably refused or not provided. However, we have included the particulars of two instances involving the refusal of information to non-Federal auditors engaged in auditing HUD-funded entities.

VIII. SUMMARY OF SUBPOENAS (page 31)

During the current reporting period, we found it necessary to exercise our subpoena authority on 14 occasions. In each case, the exercise of our subpoena authority resulted in our obtaining the necessary documents or records.

IX. COOPERATIVE EFFORTS WITH FEDERAL AND STATE AGENCIES (page 32)

In addition to our continuing cooperation and coordination with the Congress, other Federal agencies and non-Federal auditors during the current reporting period, we also engaged in several such efforts of a special nature. Two of these efforts are briefly described below.

Distribution of Standard Governmentwide Audit Guide (page 32)

In cooperation with other OIGs and audit organizations, we developed a Standard Governmentwide Audit Guide for Audits of Contracting for Consulting Services. On August 22, 1980, the draft guide was distributed to 20 Federal departments and agencies and the Office of Management and Budget for review and comment. The guide is available for use by Federal audit organizations in assessing the effectiveness of management controls over the use of consulting service contracts by departments and agencies.

## Review of HUD's Management of Personal Property (page 33)

Our last Semiannual Report described the results of our previous participation, along with other Offices of Inspector General, in the governmentwide audit of property management. As a follow-on to this governmentwide audit effort, we conducted additional reviews of property management activities in five HUD Regions. In our draft report issued on August 14, 1980, we reported that the subject Regions were replacing and/or upgrading their office furniture. This was contrary to the intent of the program which was to rehabilitate existing furniture where it is considered cost effective.

On June 17, 1980, before audit field work was completed, we briefed the Assistant Secretary for Administration on our findings and recommendations. We recommended that HUD's furniture upgrading program be suspended, the condition of existing furniture be determined, and outstanding requisitions for new furniture be cancelled. The Assistant Secretary concurred and immediately suspended the furniture upgrading program. Our final report will be issued in early FY 1981.

### X. AUDIT REPORTS ISSUED BY THE OIG DURING THE CURRENT REPORTING PERIOD (page 35)

During the current reporting period, we issued 98 internal audit/survey reports and 581 external audit and accounting system evaluation reports.

## Part 2: INFORMATION ON OIG ACTIVITIES AND SPECIAL EFFORTS DURING FY 1980

### I. AUDIT OPERATIONS (page 53)

During FY 1980, our Office of Audit: (1) issued 914 external audit and accounting system evaluation reports and 151 internal audit and survey reports; (2) accepted 25 external audit reports covering HUD activities prepared by other Federal agencies; (3) reviewed and accepted 4,917 external audit reports prepared by non-Federal auditors; (4) reported 10,404 audit findings, including monetized findings of \$17.3 million which were concurred in by HUD; (5) produced cash recoveries as a result of audits totaling \$17 million; (6) spent 29.3 direct audit staff years monitoring the work of Independent Public Accountants whose audits, in turn, resulted in \$62.5 million of monetized audit findings which were concurred in by HUD and cash recoveries of nearly \$8.7 million; (7) spent 10.9 direct audit staff years following up on the resolution of audit findings and resolved 8,426 audit findings, or about 86 percent of the 9,828 findings for which HUD's Audits Management System time frames for resolution had expired; (8) referred 15 mortgage companies to HUD's Mortgagee Review Board for appropriate action; and (9) devoted 7.4 direct audit staff years to assisting United States Attorneys in their prosecutions.

## II. INVESTIGATION OPERATIONS (page 66)

During FY 1980, our Office of Investigation: (1) opened 2,187 investigation cases involving HUD personnel, or persons or firms doing business with HUD; (2) aided in the indictment of 161 persons or firms having business with HUD; (3) carried out investigations which led to the conviction of 125 persons or firms who received fines totaling over \$151 thousand and prison sentences totaling nearly 208 years; (4) conducted investigations which led to 190 debarments and 187 suspensions of persons or firms; (5) produced cash recoveries as a result of investigations amounting to \$500 thousand; (6) monitored, under HUD's personnel security program, 305 Full Field Investigations and 1,806 National Agency Checks and Inquiries, reinvestigated 119 incumbents and conducted 221 preappointment National Agency Checks; and (7) administered a document security program for HUD covering more than 341 classified documents.

## III. FRAUD CONTROL OPERATIONS (page 73)

During FY 1980, our Fraud Control Division: (1) coordinated and conducted six monthly meetings of HUD's Committee on Fraud, Waste, and Mismanagement and participated in eight Committee-sponsored projects; (2) received 323 telephone hotline complaints and closed 325 complaint cases; (3) implemented a Departmentwide Fraud Vulnerability Assessment System; (4) established and coordinated a Management Control Assessment System; (5) carried out an employee awareness program to alert OIG and program personnel to program vulnerabilities; and (6) participated in the preparation and evaluation of HUD's plan to improve controls over consulting service contracting and general procurement practices.

## IV. OPERATIONAL SURVEY OPERATIONS (page 83)

During FY 1980, our Offices of Audit and Investigation: (1) issued seven Operational Survey reports covering the operations of HUD Field Offices which resulted in the opening of 60 investigation cases; (2) issued seven reports on administrative deficiencies as a result of Operational Surveys; and (3) completed Field work for a Special Operational Survey of rehabilitation activities in the Community Development Block Grant Program.

## V. OTHER OPERATIONS AND MANAGEMENT IMPROVEMENT EFFORTS (page 85)

During FY 1980, we also: (1) processed 44,213 requests for information on the previous participation of individuals and firms applying to participate in HUD programs; (2) processed 223 requests for information under the Freedom of Information Act and 14 requests under the Privacy Act; (3) reviewed 95 proposed new regulations or revisions to existing regulations, an undetermined number of existing regulations and statutes in connection with internal audits, and 166 proposed legislative bills or revisions to existing legislation; (4) had over 540 enrollments in formal training courses, seminars, and symposiums which resulted in over 2,000 workdays being devoted to employee training and development; (5) conducted 11 seminars in conjunction with the American Institute of Certified Public Accountants'



Continuing Education Programs; (6) participated in the 1980 Accounting and Audit Workshop and Internal Management Conference held by the Mortgage Bankers Association; (7) established an Executive Management Reporting System; (8) implemented an automated Investigation Case Management System; and (9) designed an automated system for audit reports and tracking findings and their resolution.

## BACKGROUND

### ESTABLISHMENT

The Office of Inspector General (OIG), Department of Housing and Urban Development (HUD), was established on January 29, 1972. The establishment of the OIG provided for the consolidation of the audit, investigation, and personnel security operations of HUD into one cohesive and independent organization headed by an Inspector General reporting directly to the Secretary.

The establishment of Offices of Inspector General became a matter of law with the signing of the Inspector General Act of 1978 on October 12, 1978. This Act provided for the establishment of such offices in 12 departments and agencies of the Executive Branch, including HUD, effective October 1, 1978.

### ROLE AND AUTHORITY

The HUD Inspector General heads an independent organization responsible for audit, investigation, fraud control and designated security services relating to programs and operations of HUD.

The Inspector General reports directly to the Secretary of HUD and is a member of the Secretary's Principal Staff. The Inspector General has authority to inquire into all programs and activities of HUD and the related activities of persons or parties performing under grants, contracts or other agreements with the Department. These inquiries may be in the form of audits, surveys, criminal and other investigations, personnel security checks, or such other inquiries as may be appropriate in the circumstances. The primary purpose of these inquiries is to assist all levels of HUD management by identifying and reporting on problem areas and weaknesses or deficiencies in procedures, policies, program implementation and employee conduct; and to recommend corrective actions when appropriate.

Pursuant to the Inspector General Act of 1978, the Inspector General is responsible for providing leadership, supervision and coordination; and for recommending policies for, activities and organizational relationships designed to promote economy, efficiency, and effectiveness in the administration of programs and operations, as well as to detect and prevent fraud and abuse in such programs and operations. In this regard, the Inspector General is responsible for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies in the administration of HUD's programs and operations and the necessity for and progress of corrective action.

### RELATIONSHIP TO OTHER PRINCIPAL HUD OFFICES

Full responsibility is vested with HUD Primary Organization Heads for establishing, executing and ensuring compliance with policies, plans and procedures; for proper protection and use of the Department's resources; and for appropriate action on conditions needing improvement, including those reported by the OIG. The operations of the OIG neither replace established lines of operating authority nor eliminate the need for HUD Primary Organization Heads to carry out reasonable measures to protect and enhance

the integrity and effectiveness of their operations. All Primary Organization Heads in HUD are responsible for effectively monitoring and evaluating the programs entrusted to them.

In the context described, the role of the OIG is that of a departmentwide overseer and advisor in ensuring that management is carrying out their responsibilities to protect and enhance the integrity and effectiveness of the Department's operations.

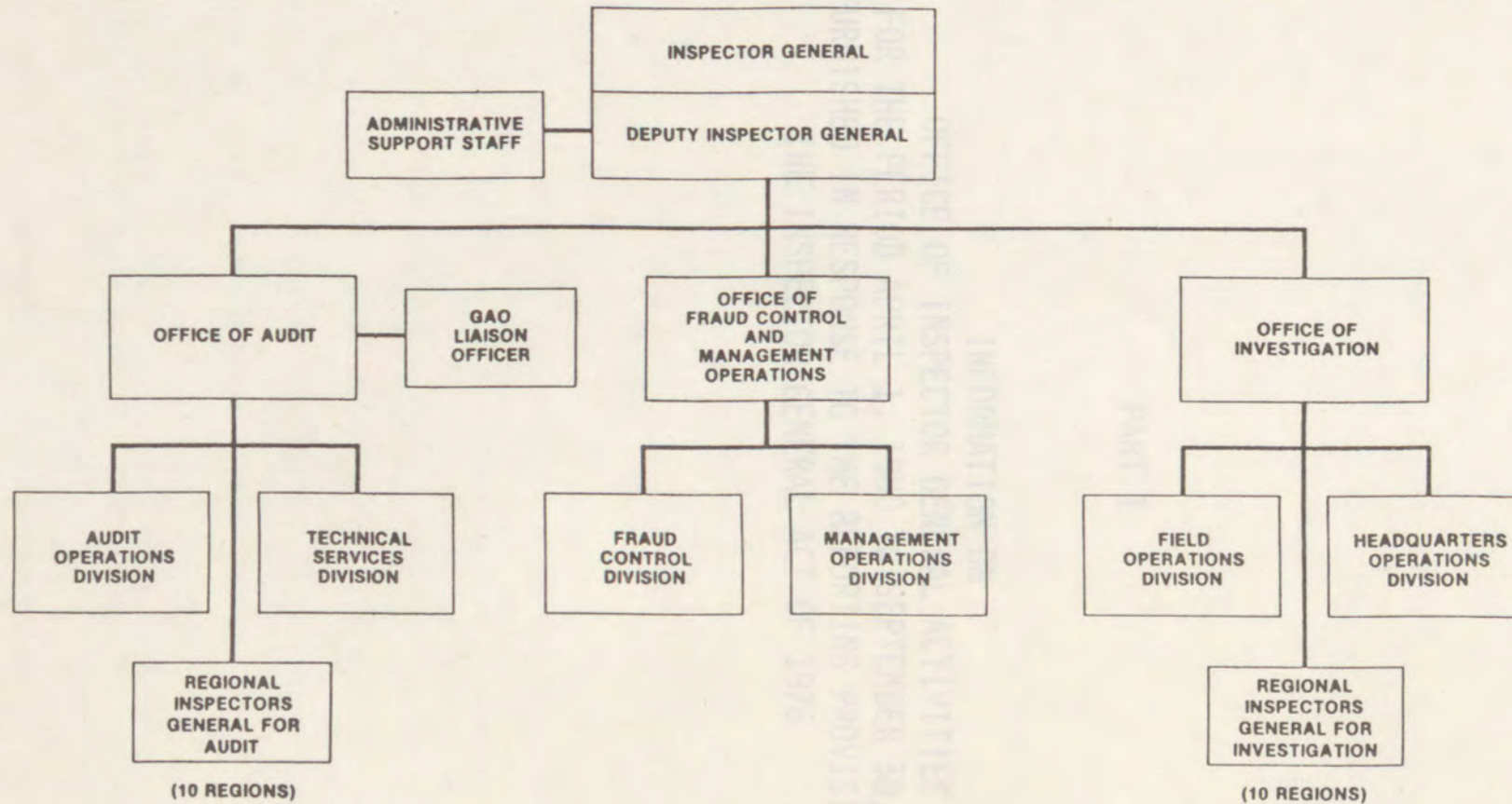
#### ORGANIZATION AND STAFFING

The OIG consists of three major offices, each headed by an Assistant Inspector General. These offices are the: (1) Office of Audit; (2) Office of Investigation; and (3) Office of Fraud Control and Management Operations.

Within each of HUD's Regions is a Regional Inspector General for Audit who directs a staff of auditors, and a Regional Inspector General for Investigation who directs a staff of investigators. The Regional Inspectors General report to their counterpart Assistant Inspector General in Headquarters (See Organizational Chart on following page).

As of September 30, 1980, the OIG had a staff ceiling of 488 permanent full-time employees. This ceiling is distributed as follows.

	<u>Headquarters</u>	<u>Field</u>	<u>Total</u>
Inspector General (Immediate Office)	15	0	15
Office of Audit	50	300	350
Office of Investigation	20	84	104
Office of Fraud Control and Management Operations	<u>19</u>	<u>0</u>	<u>19</u>
Total OIG	<u>104</u>	<u>384</u>	<u>488</u>



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1. DESCRIPTION OF SIGNIFICANT PROBLEMS, ABUSES AND DEFICIENCIES AND RECOMMENDATIONS FOR CORRECTIVE ACTION DURING THE CURRENT REPORTING PERIOD

Sections 5(a)(1) and 5(a)(2) of the Inspector General Act of 1978 provide for a description of significant problems, abuses and deficiencies relating to the operations of the Department, as well as appropriate recommendations made to achieve corrective action, as discussed by the OIG during the six-month reporting period.

A. SIGNIFICANT MATTERS

1. SERVICES PROPERTY DISPOSITION AND PART 1 DEFICIENCIES

The Internal Audit, Contracting Service for other matters during the current reporting period were reviewed and deficiencies identified in the emergency response activities. This report covers approximately 500 of the 1,000 contracts and subcontracts in the inventory. The deficiencies identified include:

INFORMATION ON  
OFFICE OF INSPECTOR GENERAL ACTIVITIES  
FOR THE PERIOD APRIL 1, 1980 TO SEPTEMBER 30, 1980  
FURNISHED IN RESPONSE TO THE REPORTING PROVISIONS OF  
THE INSPECTOR GENERAL ACT OF 1978

These contracting deficiencies resulted in excessive costs to the Government, increased quantities for fuel, water and other, and the appearance of contractor favoritism. However, the Department is taking appropriate and positive measures to curb the adverse conditions and should, in its properly administered contracting program.

On January 23, 1980, an contractual review of the 1979 Contract Law Office was initiated. The report, dated on July 24, 1980, disclosed a serious need to improve competition and increase the administration of properly disposition contracting. We found instances of improper contract solicitation, maintenance contract amendments, and improper control and review of contractor billings.

Our prior contractual review of the 1978 Contract Law Office of the contractor doing business with the 1979 Contract Law Office. Our report to the 1978 Contract Law Office, dated on July 16, 1980, disclosed that the contract billings (1) were not included in the contracts (2) were not reviewed prior to the contractor's billings, and (3) were not reviewed.

Our audit of the other contractor billings disclosed the eligibility of almost all contract costs billed to the 1979 Contract Law Office. The contractor's cost report 10,297 hours of 1979 contract work. We found that the 1979 Contract Law Office did not review contractor billings and that the contractor billings were not reviewed. At September 30, 1980, receipts billings from this audit were being coordinated with the 1979 Contract Law Office.

I. DESCRIPTION OF SIGNIFICANT PROBLEMS, ABUSES AND DEFICIENCIES AND RECOMMENDATIONS FOR CORRECTIVE ACTION DURING THE CURRENT REPORTING PERIOD

Sections 5(a)(1) and 5(a)(2) of the Inspector General Act of 1978 provide for a description of significant problems, abuses and deficiencies relating to the operations of the Department, as well as applicable recommendations made to achieve corrective action, as disclosed by the OIG during the six-month reporting period.

A. SIGNIFICANT MATTERS

1. SERIOUS PROPERTY DISPOSITION CONTRACTING DEFICIENCIES

Our internal audits, operational surveys and other reviews during the current semiannual reporting period disclosed serious deficiencies in HUD's property disposition contracting activities. (HUD expends approximately \$100 million a year to manage and repair its acquired property inventory). The deficiencies indicate a breakdown in basic contract administration to include:

- splitting of work to avoid formal advertising and contracting;
- improper execution of contracts;
- improper or questionable amendments to contracts;
- inadequate fiscal controls over contracts.

These contracting deficiencies resulted in excessive costs to HUD; increased opportunities for fraud, waste and abuse; and the appearance of contractor favoritism. However, the Department is taking aggressive and positive measures to curb the adverse conditions and abuses in its property disposition contracting program.

Our January 21, 1980, an operational survey of the HUD Boston Area Office was initiated. The report, issued on July 28, 1980, disclosed a serious need to increase competition and improve the administration of property disposition contracting. We found instances of improper contract splitting, questionable contract amendments, and inadequate control and review of contractor billings.

Our Boston operational survey led us to conduct special audits of two contractors doing business with the HUD Boston Area Office. Our report on one of these contractors, issued on July 18, 1980, disclosed that the contractor billed HUD for: (1) services that were not included in the contract; (2) services performed prior to HUD's authorization to proceed; and (3) possible overbillings.

Our audit of the other contractor questioned the eligibility of almost all contract costs billed to HUD (about \$928,000) because the contractor could not support 10,297 hours of billed contract time. We found that the Boston Area Office did not exercise adequate control over this contract to assure the reasonableness of contractor billings. At September 30, 1980, certain matters stemming from this audit were being coordinated with the United States Attorney.

In early June 1980, because of the contracting deficiencies disclosed by our Boston Area Office review, an analysis was performed of other operational surveys and audits involving the Property Disposition Program as well as reports issued by Regional Contracting Officers for the period April 1979 through May 1980. Our analysis indicated the possibility of serious widespread contracting problems relating to property disposition.

On July 1, 1980, a survey was initiated at 22 Field Offices in seven Regions. The survey reaffirmed that there were serious deficiencies in HUD's property disposition contracting activities. OIG, therefore, gave a special briefing on these problems to Secretary Landrieu and HUD top management on August 6, 1980.

On August 18 and 19, 1980, we issued separate memorandums to the Assistant Secretary for Housing-Federal Housing Commissioner and the Secretary, respectively, which included suggestions for immediate measures to improve HUD's property disposition contracting activities, including such areas as: advertising practices; bidding practices; cost estimating; contract specifications; and justification of contract amendments.

On September 5, 1980, Assistant Secretary Simons outlined specific steps to implement each of our suggestions and reaffirmed his personal commitment to ensuring that HUD's property disposition activities are properly, efficiently, and effectively carried out. On September 15, 1980, the Under Secretary convened a meeting with the Offices of Housing, Administration, and Inspector General to be informed of what each office was doing to address the subject problems. The Regional Administrator had already made changes in the operations of the Boston Area Office and the Under Secretary directed him to personally review the alleged improprieties and take any administrative or disciplinary action deemed appropriate (see Appendix 3).

Secretary Landrieu directed the establishment of a formal Departmental working group on September 30, 1980, to further explore solutions to our reported problems (see Appendix 3). The group will also review the overall training, staffing, and qualifications of personnel engaged in property disposition contracting as well as review the long-range organizational structure for carrying out property disposition contracting.

The Secretary also requested the Inspector General to perform audits of property disposition contracting activities and report the results to him by February 1, 1981. Audits of 13 Field Offices were started on October 6, 1980. On October 20, 1980, Assistant Secretary Simons requested information from all Field Offices on staffing and operations of the contracting functions of the Property Disposition Branches. This information is to be used to improve the efficiency and effectiveness of the contracting function.

## 2. ADMINISTRATION OF SECTION 236 AND SECTION 8 PROGRAMS BY THE NEW JERSEY HOUSING FINANCE AGENCY--TRENTON, NEW JERSEY

On December 4, 1979, we began an audit of the Section 236 Multifamily Housing Program and Section 8 New and Substantial Rehabilitation Programs, as administered by the New Jersey Housing Finance Agency (NJHFA).

Our audit disclosed serious problems pertaining to the computation of Federal subsidies of NJHFA projects under both the Section 8 and Section 236 Programs. The NJHFA failed to reduce subsidy requests based on: (1) reduced mortgages for converted projects; (2) unused mortgage proceeds at completed projects; and (3) unsupported expenses and/or development costs at certain Section 8 projects. The failure to reduce such subsidy requests will result in annual excess subsidies of \$1,453,373. Over the life of the projects, these excess subsidies will equal \$44,871,285, and when an annual adjustment factor of 5 percent is applied, the excess subsidies will increase to \$84,491,737.

We found that the NJHFA allowed the sponsors of 21 projects developed as nonprofit projects to convert the projects to limited dividend sponsored projects. All conversions occurred prior to occupancy so the limited partners received tax benefits as first users under applicable IRS regulations.

When a project is converted, the original mortgage amount equal to 100 percent of development costs for the nonprofit sponsor is transferred without any reduction to the limited dividend sponsor. This allows the limited dividend sponsor to acquire the project without any immediate equity investment since a 100 percent mortgage for the nonprofit sponsor equals a 90 percent mortgage of the limited dividend sponsor. The ten percent equity contribution of the limited dividend sponsor is made over a period of 5 to 8 years, the major portion being received after the projects have been constructed and occupied. The equity contribution is used primarily to fund escrow accounts which are included as development costs. These types of escrow accounts are neither included as development costs for other NJHFA nonprofit or limited dividend projects which were not converted, nor are they allowed for HUD-insured projects. In addition, the New Jersey Law requires repayment of at least 10 percent of the original mortgage loan when ownership in an NJHFA project is transferred from a nonprofit sponsored to a limited dividend sponsor.

The inclusion of the escrow account charges as development costs, and the NJHFA's failure to reduce the mortgage in accordance with its own state statute, will result in excess annual subsidy payments by HUD of \$481,209 for the ten converted projects examined. Moreover, when projected over the full term of the mortgages, excess subsidy payments for the 10 projects would exceed \$19 million. If a 5 percent annual adjustment factor is applied to the Section 8 projects examined, the total excess subsidy over the life of these Section 8 projects would be about \$42 million.

Section 8 contract rents at the NJHFA are based on estimated expenses and the rental income needed to meet those expenses. Although the regulations provide that the Fair Market Rents (FMRs) generally represent the maximum rent that can be approved, the NJHFA considers the FMRs to be equal to the minimum proposed contract rents. On eight projects, we noted that when the total net annual expenses did not require rents equal to the annual FMR, the NJHFA used unsupported estimated expenses included in an operating



contingency account to increase expenses in order to warrant rents which were at least 100 percent of the FMR. In addition, four other projects had their rents increased significantly by the inclusion of an operating contingency in the estimated expenses in spite of the fact that their proposed rents initially exceeded the FMRs. The inclusion of these unsupported expenses will result in annual excess Section 8 subsidies totaling \$622,201 once all the projects are in operation.

Our review at the NJHFA of completed, permanently financed but not closed, Section 236 projects, disclosed that the mortgage amounts on which the subsidies were based were inflated because large amounts of unused mortgage proceeds remained on hand for extended periods of time. The excess mortgage proceeds were used to pay operating expenses such as interest, renovation costs, property taxes and maintenance expenses.

The excess subsidies, based on the excess mortgage proceeds at the time of the audit, amounted to \$325,111 on five of 31 Section 236 projects which were not closed.

The NJHFA has permanently financed 26 Section 8 projects which are complete and are in occupancy. None of these projects had been closed at November 30, 1979. A number of projects have excess mortgage proceeds which the NJHFA plans to use to reduce the mortgages at closing. Debt service charges and related contract rents are currently based on the face amounts of the mortgages. Thus, HUD is providing subsidy payments for some Section 8 projects for which the debt service has been inflated by unused mortgage proceeds, and will continue paying excess subsidies until these projects are closed and the mortgages are reduced by the unused mortgage proceeds.

Our report was issued on August 29, 1980. Since our report had national impact, it was addressed to the Assistant Secretary for Housing-Federal Housing Commissioner and was also brought to the attention of the Secretary.

We recommended that the Assistant Secretary for Housing: (1) require the NJHFA to take actions to correct the specific problems cited in the report; and (2) provide regulations to prohibit similar problems from occurring. We also asked HUD's General Counsel to determine if any statutory changes are needed to assure better program administration by Housing Finance Agencies on a nationwide basis.

The Office of the Assistant Secretary for Housing-Federal Housing Commissioner is currently reviewing our report and recommendations. The official response to our report is due November 7, 1980.

### 3. WIDESPREAD DEFICIENCIES IN COMMUNITY DEVELOPMENT BLOCK GRANT REHABILITATION ACTIVITIES

In October 1979, we began a special operational survey of the Community Development Block Grant (CDBG) Rehabilitation Program. The survey involved 33 of HUD's area offices in all ten HUD Regions. As part of the survey, we reviewed the operations of 97 entitlement grantees and 1,119 rehabilitated properties. We used statistical sampling techniques in selecting the entitlement grantees and properties for review. Therefore, the survey results can be projected on a nationwide basis.

The field work was completed in April 1980. The statistical report from our contractor, regarding the statistical sampling plan and analysis of the sample results, was received in July. On September 5, we briefed the Deputy Assistant Secretary for Community Planning and Development and several of his key staff on the results of our survey. On September 10, we provided the Assistant Secretary a draft report for his review and comment.

Our survey disclosed indications of irregularities, abuses and administrative deficiencies among grantees operating rehabilitation programs. Over \$106 million, or one-third of the total costs contracted by entitlement grantees was spent to rehabilitate properties which, after the work was complete, still had at least one serious violation of the housing quality standards which affected the health and safety of the occupants and/or the livability of the dwellings.

In addition, we found that grantees did not always follow sound administrative procedures. For example: (1) initial property inspections were not always performed to ascertain repair work needed; (2) work write-ups were not always prepared to detail the repairs to be done or the quantity and quality of materials to be used; (3) cost estimates were not always prepared to support costs proposed by contractors; (4) grantees did not always use sound contracting procedures to assure maximum open and free competition; and (5) grantees did not always make thorough final inspections to assure that all required work was performed in an acceptable manner.

As a result of these deficiencies, we reported that:

- \$85 million was spent on rehabilitating properties by grantees to meet housing quality standards, yet many grantees did not meet their goals (70 percent of the grantees);
- \$4.5 million was paid for work contracted for but not done (18 percent of the properties);
- \$4.1 million was paid for work contracted for but poorly done (19 percent of the properties);
- Over \$19 million in excessive repair costs were incurred by 45 percent of the grantees.

In addition, we reported that nearly \$17 million was spent on repairs which were not needed to correct housing quality standards violations. Also, 42 percent of the properties receiving unneeded repairs still had at least one violation of the housing quality standards after rehabilitation.

In reporting on the accomplishment of their Housing Assistance Plan (HAP), 19 percent of the grantees erroneously reported properties as being satisfactorily rehabilitated when, in fact, the properties did not meet HUD's requirements. Therefore, data used by the Department to evaluate grantees' HAP accomplishments are unreliable.

The Department has not established minimal procedural requirements to be followed by grantees in the administration of the rehabilitation program. Although our survey showed that many of the grantees had designed programs which provided for adequate administrative procedures, the procedures were not being followed. It is our contention that a national rehabilitation program cannot be administered without established minimum standards to which grantees must adhere and which provide a basis for evaluating grantee performance in assuring accomplishment of program objectives.

We recommended that the Assistant Secretary establish minimal administrative requirements to be followed by all grantees to ensure efficient and effective administration of rehabilitation programs. We recommended that: (1) all rehabilitated properties be required to meet minimal property standards, with the exception of minimal repair programs, e.g., emergency repairs or winterization; (2) specific administrative requirements be developed, including requirements for initial property inspections, work write-ups, cost estimates, final inspections and sound contracting procedures; (3) grantees be required to correct all housing quality standards violations before approving general property improvements, and a limit be set for general property improvements; and (4) a notice be issued to grantees and HUD Field Office personnel reiterating the requirements for reporting properties as accomplishments of the housing assistance plan goals, and Field Office staff monitor this aspect of reporting.

The Assistant Secretary responded to our draft report on October 15, 1980. The response acknowledged that our survey had identified a number of significant problems and that the Assistant Secretary's staff was very concerned about them. However, the response stated that our report had overstated the magnitude of the problem and that the Assistant Secretary did not concur in our recommendations, primarily because the legislative history of the CDBG program suggests that Congress intended the program to be flexible and to allow for local decisionmaking to the maximum extent possible. The Assistant Secretary's response stated that our recommendations did not provide for program flexibility.

We believe that our recommendations will enhance the economy and efficiency of HUD's rehabilitation program and will not unduly restrict the grantees' flexibility in program implementation. We are in the process of addressing the Assistant Secretary's response and incorporating it into our final report which we estimate will be issued on November 7, 1980.

#### 4. AUDIT AND INVESTIGATION ACTIVITIES IN PUERTO RICO

##### GNMA Mortgage-Backed Security Pools--Diversion of Funds

As a result of a specific request made by the Government National Mortgage Association (GNMA), we began in February 1980, an intensive audit effort involving James T. Barnes and Company of Puerto Rico. Our efforts revealed a diversion of funds totaling about \$1.5 million in GNMA-owned pools and \$1.7 million of monies in these pools owned by a private firm.

In December 1979, officials of James T. Barnes and Company of Puerto Rico informed GNMA that they did not have sufficient funds to pay holders of mortgage-backed securities guaranteed by GNMA. GNMA then declared the Company to be in default, paid the security holders, and began transferring 85 mortgage pools to another mortgage banking firm. However, in January 1980, GNMA learned that with respect to pools sold by James T. Barnes and Company of Puerto Rico to another firm, the payments made on mortgages foreclosed or assigned by the Veterans Administration (VA) and HUD-Federal Housing Administration (FHA) were not deposited in the mortgage-backed security pool bank accounts. Our audit revealed that for a period of over a year, claim payments made by the VA and FHA were deposited in James T. Barnes and Company of Puerto Rico operating accounts and not passed through to the holders of mortgage-backed securities. In some cases, the monies were deposited at a later date in the proper bank accounts and paid to the security holders.

In order to protect HUD's interests, we subpoenaed the records of James T. Barnes and Company of Puerto Rico. Our audit and investigation efforts are continuing so that we may determine whether GNMA can recover the \$1.5 million it has had to pay under its guarantee agreement.

#### Questionable Mortgagee Origination Practices

As a result of our findings at James T. Barnes and Company of Puerto Rico, we determined that there was a need to conduct a number of special audits of mortgagee origination practices in Puerto Rico. Because of the involvement of VA-guaranteed as well as FHA-insured loans, we coordinated our effort with the Inspector General of the VA, who fully cooperated by furnishing four VA auditors to work with us on the special audits. As of September 30, 1980, we had completed 13 of these special audits, eight of which were coordinated with the VA. Based on our findings, we have recommended that HUD's Mortgagee Review Board (page 64) take sanctions against ten of the mortgage companies.

Our audits have disclosed over 200 individual single family mortgage loans insured by HUD or guaranteed by the VA which were based upon false information. False certifications were submitted on mortgage loan applications, employment verifications, sales contracts and settlement statements. Other irregularities included the use of straw or fictitious buyers, questionable payments to third parties and simulated sales. Investigations of selected mortgagees and real estate firms have been initiated by HUD and the VA and consideration is being given to criminal prosecution of several realtors. Five investigations involving specific realtors or individuals have been presented to the United States Attorney, San Juan, Puerto Rico. In addition, our efforts are being assisted by Special Prosecutors assigned by the Fraud Section, U.S. Department of Justice.

Currently, three real estate firms and one mortgagee have been identified for presentation to a Federal Grand Jury. Evidence will be presented in October and November and indictments will be sought in January 1981. Additional investigations have been initiated on matters in which the Justice Department and the Assistant United States Attorney have determined prosecution was not warranted. These efforts are intended to establish sufficient evidence to support administrative sanctions by the Department.

## HUD-Insured Hospital

On July 9, 1980, we began an in-depth audit of Hospital de Nuestra Senora de Guadalupe, Hato Rey, Puerto Rico. Our audit work to date has shown that the bankrupt hospital could not meet its obligations to HUD and other creditors because of certain deficient and/or questionable practices. In order to protect HUD's interest, we have subpoenaed the records of the Hospital and several other firms that have had business dealings with the Hospital. Audit and investigation efforts are being coordinated with the United States Attorney's Office.

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Our Puerto Rico efforts required an additional \$159,000 in travel funds. Since these efforts were unanticipated at the time we developed our travel budget, we requested the Secretary to provide us with additional travel funds, if possible. The Secretary responded positively by providing us with \$85,000 of additional travel funds. The balance of funds required was obtained by cutting back on our planned audits and investigations. As of September 30, 1980, our work in these areas was still ongoing.

## 5. DIVERSIONS OF MULTIFAMILY PROJECT FUNDS

We issued a report on August 13, 1980, which disclosed the results of our nationwide review of HUD Field Offices' efforts in identifying and recovering diversions of funds\* applicable to multifamily projects.

The report disclosed that HUD loan specialists failed to detect 96 diversions or possible diversions of funds totaling about \$2.7 million which were identified by our examination of financial reports for 250 multifamily projects. Of this \$2.7 million, approximately \$1.7 million consisted of unauthorized distributions of funds (e.g., payments for other than reasonable expenses incident to the operation of the project). The timely detection of fund diversions is an important aspect of multifamily project loan servicing in view of the possibility that such diversions can contribute to unnecessary rent increases or the default and foreclosure of a project mortgage. We attributed the inadequate reviews of multifamily project financial statements primarily to insufficient training of loan specialists and to weaknesses in the practices, procedures and controls applicable to such reviews.

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\* A diversion of funds is any misappropriation of project operating receipts or any unauthorized payment, application, or distribution of project funds or other assets from other than surplus cash or residual receipts which benefits the owners, related management agent of the project, or other related individuals or entities. However, a distribution from surplus cash is considered to be a diversion if it is made during a period in which the mortgage was in default or under a modification or workout agreement.

Our report also indicated that HUD Field Offices need to improve their efforts in recovering diverted funds. The eight Field Offices covered in our review failed to refer \$3.1 million in diversions of funds to the HUD Area Counsel for possible recovery through legal action.

We recommended that HUD loan specialists be provided with detailed instructions and specialized training to enable them to effectively review financial statements and that such financial reviews undergo supervisory examination. Further, in addition to recommending the proper implementation and improvement of the system for reviewing financial statements, we also recommended that procedures be revised to provide detailed instructions for Field Office personnel in dealing with uncooperative mortgagors and referring diversions of funds to HUD Area Counsels for recovery through legal action.

An official response to our final report is due October 13, 1980; however, the Assistant Secretary for Housing- Federal Housing Commissioner, in response to our draft report, agreed to issue guidelines and instructions to Field Offices which would assist in correcting the adverse conditions we reported.

#### 6. SINGLE FAMILY ACQUIRED PROPERTY SALES, PRICING AND DELAYS IN CLOSING

On June 24, 1980, we issued a nationwide report on the policies, procedures, and practices used to make decisions to dispose of single family acquired properties, establish minimum selling prices and process and close sales.

Our report disclosed that six HUD Field Offices were not promptly completing sales of acquired properties. This resulted in HUD's unnecessarily incurring an estimated \$1.2 million in holding costs. These costly delays occurred primarily because of the absence of any monitoring and controlling of the various phases of property sales transactions.

We also reported that Field Offices were not complying with policies and procedures regarding the disposition approach and price for single family acquired properties.

Lastly, we reported that three of the six Field Offices reviewed were not effectively marketing their single family acquired properties. Because of this, we concluded that single family acquired property sales were not as great as they could have been and property inventories were not being reduced.

We recommended that instructions be provided to HUD Field Offices to obtain information needed to establish disposition approaches and selling prices. We also recommended that instructions be issued requiring Field Offices to analyze the effectiveness of their sales programs. Additionally, we recommended that instructions be issued to Field Offices requiring them to develop time standards for processing and closing sales and to monitor and control sales to ensure prompt closings.

The Assistant Secretary for Housing-Federal Housing Commissioner is in the process of taking appropriate corrective action.

## 7. EXAMINATION OF SELECTED FHA INSURING FUND ACCOUNTS

We examined selected Federal Housing Administration (FHA) insuring fund accounts for fiscal years 1977 and 1978. Our report, dated September 30, 1980, disclosed deficiencies in FHA account reconciling procedures, automated systems, and debtor servicing and collection efforts.

HUD did not maintain adequate accounting systems, procedures and staffing for FHA's \$4.7 billion in net assets. The majority of these assets involve the operation of revolving funds which provide mortgage credit insurance protection to approved lending institutions. The inadequate accounting systems have led to: (1) weakened internal controls; (2) deteriorated fiscal recordkeeping; and (3) a withheld GAO opinion on FHA's financial statements for two fiscal years ending September 30, 1978. Therefore, it is questionable whether HUD is in full compliance with requirements of GAO and the Accounting and Auditing Act of 1950 and GAO's Policy and Procedures Manual for Guidance of Federal Agencies.

We also found that FHA manual account reconciling procedures were generally incapable of supporting transactions in a timely and efficient manner. In examining eleven accounts having more than \$41 million of unreconciled variances, we found imbalances between: the general ledger and U.S. Treasury balances; the general ledger, subsidiary accounts and supporting documents; and manual and automated records. Some of the imbalances have existed for over five years. Although HUD has improved reconciliation procedures, these efforts are not sufficient to identify imbalances, correct system deficiencies, or promptly record adjustments.

Many reconciling problems were aggravated by the automatic data processing systems used for FHA accounting and servicing purposes. Several major systems were deficient in that they: (1) duplicated other manual or automated systems; (2) lacked clear audit trails; (3) needed current systems documentation; and (4) permitted incomplete or illogical transactions. HUD officials attributed these conditions to the piecemeal systems development that occurred during the late 1960's and early 1970's. However, because HUD has been planning a major revision to their FHA automated system, needed changes to the current system are being deferred.

We also noted that debtor servicing and collection efforts were ineffective. Processing transactions on individual cases were delayed, collection techniques were not always timely or accurate and manual and automated systems were not always compatible. Consequently, millions of dollars of assets were eventually written off or not promptly converted to cash. These conditions existed in part due to system and coordination difficulties and insufficient staffing.

We recommended that the Assistant Secretaries for Administration and Housing begin full reconciliation procedures including appropriate staffing, systematic planning, and periodic status reports. The current automated system should be properly documented, modified for interim improvements or changes, and strengthened through batch controls and restrictions against undocumented adjustments. We also recommended coordination between the Assistant Secretaries to provide separation of responsibilities, stronger debt servicing programs and contracts, and expedited procedures for transferring claims to Field Office collectors.

The Office of the Assistant Secretary for Administration is currently reviewing our report and recommendations. The official response to our report is due December 1, 1980.

#### 8. REVIEW OF ANNUAL CONTRIBUTION FOR ASSISTED HOUSING

Our report dated August 14, 1980, disclosed that the Department's year-end closing statement may not present fairly the cumulative obligations of the Annual Contribution for Assisted Housing Fund. We found that the statement obligation balance was not periodically reconciled to related accounting records, and that adequate supporting documents for year-end accounting adjusting entries were lacking.

We also noted that the point at which a valid obligation exists was in dispute. Although HUD's Office of General Counsel was of the opinion that obligating funds at the point of reservation met the requirements for a legal obligation, the General Accounting Office (GAO) reported to Congress in May 1980 that the reservation stage did not constitute a legal obligation under the requirements of Section 1311 of the Second Supplemental Appropriation Act of 1955. This dispute has been sent to the GAO Office of General Counsel for resolution.

We recommended that the Assistant Secretaries for Administration and Housing implement a joint effort to analyze the obligations for all projects in HUD's assisted housing programs and that the results of this analysis be used to make adjustments in the accounting records pursuant to an official legal opinion from GAO concerning the point at which a legal obligation exists.

While our recommendations are in the process of being implemented, final resolution of all report matters is contingent upon a decision by the Comptroller General regarding the point at which a legal obligation exists. This decision has not yet been issued.

#### 9. SECTION 312 REHABILITATION LOAN FUND

In our September 12, 1980 audit report, we disclaimed an opinion on the Section 312 Rehabilitation Loan Fund financial statements. Our disclaimer was based on the significant difference between the Section 312 loan principal balance reported by HUD and the Section 312 loan principal balance reported by the loan servicer, Federal National Mortgage Association (FNMA). As of October 31, 1979, HUD's Section 312 loan principal balance was \$472 million while FNMA's reported balance was \$412 million, or a \$60 million difference.

We found that HUD has not reconciled its loan balance with FNMA since 1971. HUD disburses the Section 312 loans to borrowers through local public agencies. It is the responsibility of the local public agency to transmit the loan to a FNMA servicer for collection after settlement. The \$60 million difference between HUD and FNMA records is primarily attributable to loans disbursed by HUD but not transmitted to FNMA for servicing by the local public agency. Without a reconciliation with FNMA, HUD has no assurance that all Section 312 loans are being collected.



We recommended that the Assistant Secretaries for Administration and Community Planning and Development strengthen financial accounting controls over Section 312 loans by: (1) developing procedures to identify acceptable time frames for delays in loan settlement and time frames for the prompt cancellation and return of loan checks for unsettled loans; (2) reconciling the differences between HUD and FNMA loan balances; and (3) executing a management agreement with FNMA for the servicing of Section 312 loans.

HUD management has agreed with our recommendations and is in the process of taking appropriate corrective action.

10. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM--  
CITY OF LOS ANGELES, CALIFORNIA

Our report, issued on June 30, 1980, disclosed that the City did not carry out its Community Development Block Grant (CDBG) Program in an economical, efficient, effective and timely manner, and in a way that would assure compliance with the provisions of the Housing and Community Development Act of 1974, as amended, and HUD regulations and procedures. The report disclosed 15 major findings and disallowed costs of \$1.8 million.

Our report also disclosed that agencies responsible for CDBG-funded activities did not principally service individuals within areas specified in their contracts, nor did they provide all the services required by the contracts. These deficiencies resulted in the disallowance of \$1.4 million in total contract costs. Furthermore, the City did not make adequate requests for alternate funding totaling \$1.6 million on nine of 11 public service projects under review. Consequently, many of the City's public services may be ineligible for CDBG Program funds.

Other deficiencies included: (1) failure of the City to reimburse the CDBG Program for ineligible expenditures; (2) inadequate administration of the City's Urban Homestead Program resulting in \$187,500 of questioned program costs; (3) insufficient opportunities for neighborhood citizen participation in the CDBG Program; (4) insufficient emphasis on housing and public facilities; (5) ineffective administration of rehabilitation activities; the City's programs to revitalize commercial areas; and property acquisition and relocation activities; (6) excessive drawdowns of funds; (7) deficiencies in the procedures for accepting and processing sealed bids for construction work; and (8) inadequate administration and enforcement of labor standards for construction projects.

Our recommendations were directed at ensuring that the City reimburses the CDBG Program for all ineligible costs and that questionable costs are appropriately resolved. Other recommendations were aimed at requiring the City to improve its management controls and administration of the CDBG Program.

The City replied to HUD on August 22, 1980, addressing all of the findings. The HUD Field Office responsible for following up on the resolution of the audit findings is in the process of reviewing the City's response. As of September 30, 1980, two lawsuits by public interest groups were pending against HUD and Los Angeles involving the City's CDBG Program.

11. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM--  
CITY OF PHILADELPHIA, PENNSYLVANIA

The Office of the City Controller, City of Philadelphia, audited the City's Community Development Block Grant (CDBG) Program for the period July 1, 1977 to June 30, 1978. We accepted the City Controller's report on April 18, 1980.

The City Controller's report contained 49 audit findings. About \$28.2 million of CDBG program costs were questioned. Of this amount, about \$15.3 million of costs could not be audited because the City Controller was denied access to an Independent Public Accountant's workpapers for the City Redevelopment Authority's Working Capital Fund.

In addition, the records of a funded project area committee were under Grand Jury investigation and records of three CDBG operating agencies were in the custody of the United States Attorney.

An additional \$5.2 million of costs were considered questionable because certain activities were operated outside of the census tracts specified in the City's grant application. Other questionable costs concerned various contracting and administrative deficiencies. About \$3.2 million of the \$28.2 million in total questioned costs concerned costs from previous audits which had not been resolved.

We recommended that HUD management require the grant recipient to provide documentation on the actions taken to implement the City Controller's recommendations and that such actions be closely monitored.

As of September 30, 1980, a total of \$27.7 million of questioned costs had not been resolved.

12. COMMUNITY DEVELOPMENT AGENCY--CITY OF YONKERS, NEW YORK

Our report dated June 9, 1980, included 24 audit findings and disclosed disallowed costs totaling \$1.02 million and questioned costs amounting to \$4.08 million at the Community Development Agency (CDA), Yonkers, New York. Our overall conclusion was that the mismanagement and a lack of fiscal responsibility on the part of the Yonkers CDA in administering its CDBG Program resulted in a serious fiscal crisis for the CDA. Problems were evidenced by the CDA's failure to maintain adequate accounting records and controls over program expenditures and activities as well as its failure to engage in effective monitoring and evaluation of program activities.

We reported that the Yonkers CDA disregarded HUD regulations and contractual arrangements by using \$1.9 million of Urban Development Action Grant (UDAG) funds to pay for expenditures incurred on behalf of its Community Development Block Grant (CDBG) Program. The CDA had also drawn down \$3.2 million under its letter of credit without complying with the specific provisions of the UDAG Agreement.

Other findings included ineligible and questionable economic grant assistance expenditures, irregularities in contracting procedures, noncompliances with HUD's labor standards requirements, conflict of interest, unreported rental income, improper waiver of rents, drawdowns of funds in excess of immediate cash needs, weaknesses in the processing of Section 8 applications, and various other ineligible and questionable expenditures.

We recommended further HUD funding of the Yonkers CDA's UDAG and CDBG Programs be suspended until effective measures are taken by the CDA to develop and implement a system of internal control. We also recommended actions to require that the Yonkers CDA adopt and implement strict administrative and program policies which would assure appropriate compliance with HUD guidelines and requirements. Where we questioned or took exception to program costs, we recommended that adequate supporting documentation be submitted to HUD to substantiate such costs.

Our audit findings and recommendations were still in the process of being resolved at September 30, 1980. We have been advised by HUD management that several conditions were placed on Yonkers' program year 1980 funds, including repayment of the \$1.9 million of UDAG funds which were used to finance CDBG expenditures.

13. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM--  
CITY OF SCRANTON, PENNSYLVANIA

On July 31, 1980, we issued the report on the third phase of our audit of the Community Development Block Grant (CDBG) Program, Scranton, Pennsylvania. This report covered the Grantee's overall administration and implementation of its CDBG Program. The audit effort encompassed the period July 3, 1975 through March 28, 1980.

The third phase audit report contained 19 findings which included disallowed costs totaling about \$1.7 million and \$1.6 million of questioned costs. Our overall conclusion was that the Grantee did not administer its CDBG Program in an economical and efficient manner.

The audit report disclosed that the Grantee did not document or provide adequate justification for hiring 57 persons and expending \$952,187 in related salary costs. The Grantee also failed to comply with Federal regulations concerning equal employment opportunity and did not adopt an adequate personnel policy to guide its staffing practices. We also reported that the Grantee did not monitor third-party contractors to assure compliance with the terms, specifications and conditions of contracts. In determining the eligibility of costs pursuant to third-party contractors, we disallowed and questioned about \$590,000 of related program costs.

Certain projects or programs also failed to meet the eligibility criteria of the regulations or comply with the project description and objectives included in the Grantee's CDBG application. Associated costs of \$292,118 were disallowed and questioned.

Further, contrary to HUD specified conditions, the Grantee spent Federal grant funds for constructing an infrastructure (i.e., subsurface water and sewer lines) on lands that were neither owned by the Grantee nor for which the Grantee had obtained a permanent public right of way. As a result, we disallowed over \$1.3 million.

We concluded that the Grantee should have closed out its Urban Renewal Projects under HUD's early closeout procedures, thereby avoiding payment of \$687,828 in interest costs. The Grantee failed to adequately monitor its Urban Renewal interest projects resulting in an additional \$120,525 of disallowed and questioned costs.

We recommended that the Grantee change its personnel policy procedures to require more effective justification of positions, compliance with equal employment opportunity provisions and adherence to sound personnel practices. We also recommended actions to improve the Grantee's monitoring of contractors and related activities.

At September 30, 1980, all audit findings reported in our three-phase audit of the Scranton CDBG Program remained unresolved. This included \$2.1 million of disallowed costs and \$1.82 million of costs whose eligibility was questioned. The HUD Field Office is actively working with the City to resolve all findings.

In conjunction with our investigation and subsequent referral of matters to the FBI, two home repair contractors pled guilty to making false, fictitious and fraudulent statements to HUD in connection with home repair work in the Scranton CDBG Program. One of the contractors received a two-year suspended sentence with the provision that he make restitution in the amount of \$1,190 and pay a fine of \$2,000; the other contractor was given two years probation, fined \$500 and ordered to make restitution in the amount of \$1,100. Both contractors have been restricted from doing business with HUD.

#### B. OTHER CONTINUING SIGNIFICANT CONCERNS

We believe the following matter continues to warrant the attention of the Congress. This matter has been discussed in all of our previous Semiannual Reports and continues to have a significant impact on HUD's ability to effectively administer its programs and activities.

##### INADEQUATE MONITORING OF PROGRAM PARTICIPANTS

Despite the importance of program participant monitoring, we continued to detect instances of inadequate HUD monitoring during the current semiannual reporting period. Several of our reviews disclosed instances where important activities could have been carried out more effectively had HUD exercised better monitoring. Examples of inadequate monitoring are described below.

Our nationwide review of HUD's repair program for single family acquired properties disclosed that HUD Field Offices were not adequately monitoring Area Management Brokers, fee inspectors and specification writers. As a result, repairs to single family acquired properties were not being obtained in the most economical manner.

Based on our nationwide review on the assignment of defaulted mortgages to the Secretary, we reported that none of the HUD Field Offices we reviewed had an adequate system for monitoring and evaluating the servicing activities of mortgagees under their jurisdiction. As a result, we concluded that there was no assurance that: (1) mortgagees were servicing cases in a manner which would minimize the occurrence of defaults, foreclosures, and assignments; and (2) mortgagees were complying with the provisions of the mortgage assignment program.

Also, in conjunction with our current nationwide review of the Turnkey Public Housing Program, the HUD Field Offices we reviewed in the Atlanta and Chicago Regions did not adequately monitor the construction of Turnkey public housing through site inspections and other means. As a result, there was no assurance that projects were being built timely and in accordance with approved plans and specifications, or that contractors and subcontractors were complying with required procedures and regulations.

In addition, we reviewed HUD's Housing Counseling Program in the San Francisco Region and found that Neighborhood and Consumer Affairs Representatives, located in the San Francisco and Los Angeles Area Offices, were not making required quarterly monitoring visits to first year housing counseling agencies and semiannual monitoring visits to all other agencies. Consequently, there was no assurance that adequate counseling was being provided.

During the current reporting period, we also completed a review of social service activities in the Community Development Block Grant Program in three of HUD's Regions. Our review disclosed weaknesses in HUD Area Offices' monitoring of grantees' compliance with social service requirements. This lack of monitoring contributed to grantees' neglecting their own monitoring responsibilities and thus permitted program deficiencies to go undetected.

An additional monitoring problem is disclosed in Section III on page 20. This problem concerns monitoring of contracting activities pertaining to automatic data processing services.

At the close of the current reporting period, the Department's Committee on Fraud, Waste and Mismanagement was in the process of issuing a report on its study of HUD's monitoring of program participants (page 75). The tentative findings of the Committee include the need to: (1) provide guidance in terms of policies, procedures and directives which would underscore support for participant accountability; (2) better target monitoring resources; (3) clarify the role of employees responsible for monitoring; (4) strengthen management support of monitoring; and (5) improve training of individuals engaged in carrying out monitoring functions.

We believe that improved monitoring of program participants by HUD can be instrumental in detecting and preventing fraud, waste and mismanagement in the Department's programs; consequently, we will continue our efforts to review and report on the degree and quality of such monitoring.

## II. UNRESOLVED SIGNIFICANT RECOMMENDATIONS DISCLOSED IN PRIOR SEMIANNUAL REPORTS

Section 5(a)(3) of the Inspector General Act of 1978 provides for the reporting of each significant recommendation described in previous Semiannual Reports on which corrective action has not been completed.

Shown below are significant matters and recommendations disclosed in our previous Semiannual Report which were still undergoing corrective action at the close of the current semiannual reporting period.

### HOUSING

#### A. SPECIAL OPERATIONAL SURVEY--SECTION 8 LEASED HOUSING PROGRAM

During this semiannual reporting period, additional actions were taken or planned in response to our survey report dated July 16, 1979. A joint task force, involving the Office of the Assistant Secretary for Housing-Federal Housing Commissioner and the Office of the Assistant Secretary for Administration, completed a feasibility study concerning the automation of the voucher review process relating to billings submitted to HUD for the various phases of the Section 8 Program. The task force expects to design a computer program by the second quarter of FY 1981.

A system is also being developed to detect dual subsidy payments by project owners. Procedures for the system will be placed into clearance during the first quarter of FY 1981. Additionally, a field study is being made to determine if it is feasible to apply sanctions against abusers of the Section 8 Program. Preliminary results are due during the first quarter of FY 1981.

#### B. PHILADELPHIA HOUSING AUTHORITY--CITY OF PHILADELPHIA, PENNSYLVANIA

In our previous Semiannual Report, we reported the results of OIG and non-Federal audits of the Philadelphia Housing Authority. In conjunction with these audits, disallowed expenditures of \$25.4 million were outstanding at the close of the previous semiannual reporting period.

During the current reporting period, seven findings included in the most recent non-Federal audit report were closed. The remaining 39 findings were not resolved and on August 26, 1980, were referred to the Assistant Secretary for Housing-Federal Housing Commissioner under the Department's Audits Management System. Additionally, 14 unresolved audit findings from two prior OIG audit reports were among those referred. Unresolved findings at September 30, 1980, included \$4.9 million of disallowed costs.

At the close of the current reporting period, the Philadelphia Housing Authority still had not recorded any of the disallowed expenditures in its records. Assistant Secretary Simons advised us on October 8, 1980, that the Area Office scheduled meetings with the Philadelphia Housing Authority to seek solutions to the unresolved findings.

COMMUNITY PLANNING AND DEVELOPMENT

A. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM--CITY OF NEW YORK, NEW YORK

The results of a non-Federal audit disclosed that about \$61.4 million of \$94 million of costs were either disallowed or questioned. Of the \$61.4 million, about \$20.1 million was resolved by HUD in favor of the City. At September 30, 1980, about \$32.3 million in ineligible costs remained unresolved.

The City Comptroller's audit report covering the third and fourth program years of the City's Community Development Block Grant Program contains questioned and disallowed costs totaling \$110 million. We are currently reviewing this report.

B. MODEL CITIES AND COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS--  
CITY OF NEW ORLEANS, LOUISIANA

OIG and non-Federal audits of New Orleans disclosed that at the close of the previous semiannual reporting period ending March 31, 1980, about \$4.9 million of ineligible costs were outstanding. Of this amount, \$1.6 million pertained to the New Orleans' Model Cities Program, while \$3.3 million concerned the City's Community Development Block Grant Program. At September 30, 1980, the \$4.9 million of expenditures still remained unresolved. HUD personnel and City representatives are continuing to meet to achieve a satisfactory resolution of all audit findings.

### III. OTHER ADVERSE TRENDS AND CONDITIONS

Other adverse trends and conditions reported to HUD management during the current reporting period are summarized below.

#### COMMUNITY PLANNING AND DEVELOPMENT

##### ADVERSE TRENDS DISCLOSED IN OIG AUDIT REPORTS ON COMMUNITY DEVELOPMENT BLOCK GRANT RECIPIENTS

This internal evaluation covered a review of 107 external audit reports on Community Development Block Grant (CDBG) recipients issued by us during the 15-month period ending September 30, 1979. The 107 audit reports disclosed at least 431 adverse conditions and included about \$22 million of costs which were either questioned or disallowed by our auditors.

The most prevalent problem disclosed in CDBG recipient reports was the charging to the CDBG Program of ineligible costs and costs not adequately supported or justified. Adverse conditions disclosed included: employees' salaries not allocated equitably to the CDBG Program; program funds spent on activities considered ineligible under the CDBG regulations; problems in the method of allocating indirect costs to the CDBG Program; and lack of documentation in support of charged expenditures. Related problems included inadequate financial accounting systems and procedures which contributed to the grant recipients' charging ineligible and unsupported costs to the CDBG Program.

Another prevalent problem encountered in the CDBG audits was that labor standards were not met or enforced in construction contracts. Related conditions included the failure of grantees to obtain and review contractor/subcontractor payrolls, monitor contractor compliance by making site visits and conducting employee interviews, post wage rate schedules at job sites, and use wage determinations in contracts.

OIG external audit reports on CDBG recipients also disclosed problems in complying with procurement and contracting standards. Adverse conditions included: contracts awarded on a cost-plus-a-percentage-of-cost basis; contracts which did not contain provisions specified in OMB Circular A-102, Attachment 0; non-written (verbal) contracts; and a lack of open and free competition in awarding contracts.

A large portion of the audit reports reviewed also disclosed problems in grantees' monitoring and evaluating grant-supported activities. Specifically, the problems included systems which did not: provide for assessing the effectiveness or efficiency in achieving project goals; include timetables indicating tentative starting, milestone and completion dates for projects; include defined goals and objectives; and produce accurate progress reports.



A summary of the adverse conditions and trends identified by our review was furnished to the Assistant Secretary for Community Planning and Development in August 1980, to enable his office to address and correct the operating problems being experienced by CDBG recipients. Inasmuch as this evaluation presented a statistical summary of problems previously identified in external audit reports, we did not make any specific recommendations to the Assistant Secretary.

## ADMINISTRATION

### CONTRACTING FOR AUTOMATIC DATA PROCESSING SERVICES

On September 29, 1980, we issued the report on our review of the Department's policies, procedures, and practices for managing Automatic Data Processing (ADP) service contracts. Our review was limited to four major cost-reimbursement contracts, the dollar value of which totaled \$3.4 million, and four fixed-price contracts, the cost of which totaled \$1.9 million.

Generally, we found contract monitoring to be weak. Deficiencies included a lack of: (1) specific task orders; (2) formal delegation of authority and responsibility for task order monitoring; (3) requirements for contractors to provide sufficient information on their status reports; (4) effective procedures for accepting ADP services provided by contractors and verifying contractor invoices before payment; and (5) formal training in contract monitoring for Government Technical Representatives (GTRs) and Government Technical Monitors (GTMs). The manner in which task order contracts was used made the contract monitoring function difficult because contracts were vaguely written, did not provide adequate alternatives in the event of inadequate contractor performance, and were not negotiated effectively. In addition, cost studies to justify the performance of ADP services with in-house employees or with contractors had not been performed, as required by OMB Circular A-76, "Policies and Procedures for Acquiring Commercial or Industrial Services Needed by the Government."

We recommended that: (1) policies and procedures be established which would provide for improved monitoring of ADP service contracts; (2) measures be taken to encourage less contractor/employee turnover; (3) a system be developed to include management and contractor status reports; (4) a comprehensive training course for GTRs and GTMs be developed; and (5) provisions be established to conduct cost studies to justify decisions for performing services in-house or through contractors.

We provided a draft copy of the audit report to the Assistant Secretary for Administration on May 30, 1980. The Assistant Secretary's reaction was positive to our findings and recommendations and he indicated that actions have either been taken or planned to resolve such findings.

IV. SIGNIFICANT MATTERS AFFECTING  
THE OFFICE OF INSPECTOR GENERAL

ADVERSE IMPACT OF REDUCED TRAVEL FUNDS

Travel funds are the lifeblood of an operation such as ours inasmuch as the amount of available travel funds is a key determining factor in the number and types of audits and investigations that can be performed. A significant reduction in travel funds during FY 1980 adversely impacted on our ability to perform needed audits and investigations and to effectively carry out certain provisions of the Inspector General Act. The Congress mandated a \$500 million reduction in travel and transportation funds. This reduction, of which the OIG absorbed its proportionate share, adversely impacted on our audit and investigation efforts, as well as our ability to effectively carry out certain provisions of the Inspector General Act. In addition, the OIG needed an additional \$159,000 in travel funds as a result of several unplanned audit and investigation efforts in Puerto Rico.

The Department provided us with an additional \$85,000 for our Puerto Rico efforts (page 8). However, we had to make additional travel economies in an effort to stay within our limited travel budget. Some of these economies included: (1) reducing or postponing audit coverage in remote locations or high cost areas and conducting audits near duty stations; (2) cancelling three operational surveys; (3) reducing external audits by about 141; (4) cancelling seven OIG training classes and reducing the class size of the remaining courses by ten persons each; and (5) cancelling 14 internal management reviews of the operations of our Regional Inspectors General and four scheduled Regional staff conferences.

We are continuing to explore every available avenue to alleviate the above problem in the future.

V. SUMMARY OF MATTERS REFERRED TO PROSECUTIVE AUTHORITIES AND PROSECUTIONS AND CONVICTIONS DURING THE CURRENT REPORTING PERIOD

In response to Section 5(a)(4) of the Inspector General Act of 1978, the following is a summary of matters referred to prosecutive authorities and resulting prosecutions and convictions during the period April 1, 1980 to September 30, 1980.

A. CASES REFERRED FOR PROSECUTION

During the period April 1, 1980 to September 30, 1980, we referred 341 investigation cases for prosecutive consideration (Table 1).

<u>Referred Directly by OIG to:</u>	<u>No. of Cases</u>
FBI (No Investigation by OIG)	193
FBI (Prima Facie Investigation by OIG)	70
Department of Justice	<u>78</u>
TOTAL	<u><u>341</u></u>

Table 1. Investigation Cases Referred for Prosecutive Consideration-April 1, 1980 to September 30, 1980

Although the FBI is not a prosecutive authority, referrals to it are ultimately presented for prosecutive consideration.

Table 2 provides a breakdown of the 341 investigation cases by major HUD organizational component. As shown, 286 or 84 percent of the referred cases are in the Housing area.

<u>Organization</u>	<u>No. of Cases</u>	<u>Percent</u>
Housing Management	148	43%
Housing Production (Not Title I)	68	20%
Housing Production (Title I)	70	21%
Community Planning & Develop.	45	13%
Miscellaneous	<u>10</u>	<u>3%</u>
TOTAL	<u><u>341</u></u>	<u><u>100%</u></u>

Table 2. Investigation Cases Referred for Prosecution by Organization - April 1, 1980 to September 30, 1980

Table 3 provides a breakdown of the 341 investigation cases by category of investigation. As shown, 215 or 63 percent of the referred cases relate to fraud and involve some type of false statement (e.g., false certification of income and/or misstating family composition on various housing assistance applications).

<u>Category of Investigation</u>	<u>No. of Cases</u>	<u>Percent</u>
False Statements	215	63%
FHA Title I	70	21%
Other	<u>56</u>	<u>16%</u>
TOTAL	<u>341</u>	<u>100%</u>

Table 3. Investigation Cases Referred for Prosecution by Category of Investigation - April 1, 1980 to September 30, 1980

The "Other" category shown in Table 3 consists of embezzlement (11 cases), kickbacks (12 cases), and miscellaneous subjects (theft of government property, bribery, etc.).

#### B. PROSECUTIONS AND CONVICTIONS

During the period April 1, 1980 to September 30, 1980, a total of 70 investigation cases resulted in the indictment and/or conviction of 118 persons/firms having business with the Department (Table 4). Of the 118 persons/firms indicted and/or convicted, 72 were the result of 53 investigation cases that we referred to prosecutive authorities/FBI prior to April 1, 1980, and 46 were the result of investigations initiated by the FBI.

	<u>Cases Referred by OIG</u>		<u>Initiated by FBI</u> <u>Persons/Firms</u>	<u>Total</u>
	<u>Prior to 4/1/80</u> <u>Persons/Firms</u>	<u>4/1/80-9/30/80</u> <u>Persons/Firms</u>		
Indictment	25	-	20	45
Indictment & Conviction	25	-	21	46
Conviction	<u>22</u>	<u>-</u>	<u>5</u>	<u>27</u>
TOTALS	<u>72</u>	<u>-</u>	<u>46</u>	<u>118</u>

Table 4. Indictments, Indictments and Convictions, and Convictions - April 1, 1980 to September 30, 1980

433  
341  
774

A total of 73 persons/firms were convicted during the reporting period. Of the 73 persons/firms, 47 were the result of OIG referrals. The 73 persons/firms received a total of 100 years imprisonment, 138 years probation, suspended sentences of 34 years, fines amounting to \$96,175 and were required to make restitution amounting to \$50,660.

Prosecution was declined on 452 investigation cases during the reporting period. However, the average universe of HUD investigation cases in the hands of prosecutive authorities during this period is not readily determinable; therefore, the rate of declinations cannot be determined.

#### C. DESCRIPTION OF SELECTED PROSECUTIVE ACTIONS DURING REPORTING PERIOD

Below is a brief description of the more significant indictments and/or convictions which occurred during the reporting period. Some of these indictments and/or convictions resulted from investigation cases referred to prosecutive authorities prior to April 1, 1980. The cases described are based on the latest information we have in our files and may not include information as to where a given case stands in terms of the status of the trial proceeding, pleading or sentencing.

#### HOUSING

##### Former Housing Authority Director and Contractors Sentenced for Conspiring to Defraud HUD

On May 5, 1980, a former housing authority director in Massachusetts, along with three contractors, pled guilty to four of 22 counts of conspiring to defraud HUD of \$500,000 in low-income project modernization contract funds. The former director was sentenced to one year imprisonment beginning October 1, 1980. One contractor was sentenced to three years imprisonment, the second to two years imprisonment and the other was given a suspended sentence and placed on probation for two years.

##### Construction Contractor Indicted for False Statements, Mail Fraud and Obstruction of Criminal Investigation

On May 1, 1980, a construction contractor in Illinois was indicted on 11 counts of submitting false statements to HUD, three counts of mail fraud and one count of obstructing a criminal investigation. The contractor used strawbuyers to acquire HUD-owned properties, put them into trusts in his name, and then sold them to third parties. The contractor obtained approximately \$210,000 by having the strawbuyers endorse their checks from the third parties to him. The contractor has been suspended from further business with HUD. The subject case was pending at the close of the semiannual reporting period.

Property Manager Sentenced for  
Submitting False Statements  
and Theft of Government Property

On May 1, 1980, a former manager of various HUD properties in Oklahoma during 1976 and 1977 was sentenced in U.S. District Court for making false statements to HUD. The former manager falsely claimed that \$80,600 of issued and misappropriated checks had been voided. Also, while managing a HUD-owned property, he embezzled \$11,000 of HUD project funds. He was sentenced to two years imprisonment for submitting false statements and four years imprisonment for theft of government property.

Realtor/Contractor Convicted of Mail  
Fraud and Submission of False Information

A realtor/contractor and a business associate were convicted on August 7, 1980, for mail fraud and submission of false information to HUD and the Veterans Administration (VA) following a joint investigation by U.S. Postal Inspectors and the HUD-OIG. The realtor/contractor supplied false credit information and documentation to obtain insured mortgage loans for applicants while retaining financial interest in the properties. Sentencing of both individuals is scheduled for a later date.

Home Improvement Loan Recipient Sentenced  
for Submission of False Statements

On June 23, 1980, a Title 1 loan recipient in Ohio was sentenced for forging her former husband's name to obtain a \$7,500 HUD home improvement loan. An FBI investigation disclosed that she had misused the loan proceeds and purchased a business. She was sentenced to two years probation.

Real Estate Employees Sentenced for  
Submission of False Statements

On May 15, 1980, a Georgia realtor and his secretary were sentenced for submitting false statements to HUD. Using an insured HUD loan, the secretary purchased property in March 1977 claiming to be the owner-occupant. However, she was paid \$700 by the realtor to purchase the property for resale to him. The realtor was sentenced to six months imprisonment and given an additional five years probation. The secretary was sentenced to five years probation, fined \$2,500 and ordered not to engage in any further real estate sales without the written permission of the court.

Section 8 Rental Assistance Recipient  
Charged with Submitting False Statements

A recipient of Section 8 rental assistance in Massachusetts was charged on July 9, 1980, with making false recertifications as to family composition to HUD. Between August 1976 and July 1980, this individual allegedly received \$8,976 in ineligible HUD assistance.

Mortgagor Found Guilty of Making  
False Statements to HUD

On April 2, 1980, a Section 235 mortgagor in South Carolina was found guilty of falsely certifying her family income and composition to HUD during the years 1975 through 1977. As a result, HUD overpaid \$6,100 to the mortgagor; she was subsequently sentenced to two years of institutional care.

Criminal Informations Filed Against Two  
Section 8 Tenants for Submitting False Statements

On April 29, 1980, separate Criminal Informations were filed against two Section 8 tenants in Massachusetts for submitting false information to HUD. The tenants falsely certified their total family incomes, resulting in Section 8 subsidy overpayments of approximately \$2,200 to one tenant and \$1,000 to the other. One of the tenants was sentenced to three months imprisonment; however, the sentence was suspended and instead, she was placed on two years probation and ordered to make restitution in the amount of \$1,086. Sentencing is still pending in the other case.

Tenant Sentenced for Falsifying  
Application for Section 8 Assistance

On July 30, 1980, a Section 8 tenant in Massachusetts was sentenced to 18 months probation for submitting false information to obtain rental assistance. The tenant falsified her income on the application and recertification forms between 1977 and 1979. The tenant was also ordered to make restitution of \$2,725 for the amount of rental assistance overpaid on her behalf.

Former Housing Authority Executive  
Director Sentenced for Theft of Housing  
Authority Funds and Making Unauthorized  
Personal Long Distance Telephone Calls

On August 12, 1980, a former housing authority director in Washington was sentenced to five years imprisonment for exerting unauthorized control over the housing authority's property (second degree theft of funds) and making unauthorized personal long distance telephone calls. She received a probated sentence and was order to make restitution of approximately \$2,150. This matter resulted from local prosecutive efforts.

Mortgagor Enters Guilty Plea to  
Falsification of Recertification Forms

On August 8, 1980, a mortgagor in Tennessee pled guilty to submitting false recertification forms to HUD resulting in payment of ineligible Section 235 mortgage assistance amounting to \$1,375.

Rental Assistance Tenant Sentenced  
for Submitting False Information

A Section 8 rental assistance recipient in Tennessee was sentenced on August 22, 1980, to one year probation and ordered to make restitution for submitting false information on her application and recertification forms. This tenant was the ninth person in the same housing project to be sentenced in 1980 for receiving rental assistance by submitting false information. Tenants from this project have been ordered to make restitution of approximately \$9,000 to the government.

COMMUNITY PLANNING AND DEVELOPMENT

Recipient of Community Development Block  
Grant Rehabilitation Loan Sentenced for  
Submitting False Statements and Embezzlement

A Community Development Block Grant rehabilitation loan recipient in Michigan was sentenced on September 11, 1980, after pleading guilty to embezzlement on July 25, 1980. In applying for a rehabilitation loan, the recipient failed to disclose a liability of nearly \$11,500 to the Small Business Administration and falsely claimed property ownership. While applying for partial disbursements, he submitted false sworn statements and a waiver of liens by forging contractors' signatures, overcharging contract amounts and overstating work performed. The recipient was sentenced to two years imprisonment with all but six months suspended and was placed on 18 months probation.

Home Repair Contractors Plead  
Guilty to Making Fraudulent Statements

On April 11, 1980, a home improvement contractor in Pennsylvania pled guilty to two counts of making false, fictitious and fraudulent statements to HUD in connection with home repair work in the Community Development Block Grant Program. He subsequently received a two-year suspended sentence provided he make restitution of \$1,190 and pay a fine of \$2,000. In the same case, another contractor pled guilty on June 6, 1980, to the same charge and is presently awaiting sentencing.

OTHER

Two Former HUD Employees Sentenced for  
Conspiracy and Misapplication of Funds  
Involving Housing Federal Credit Union

On June 18, 1980, two former HUD employees in Pennsylvania were sentenced for embezzling \$129,394 from the Housing Federal Credit Union between March 1975 and November 1978. They applied for loans in the names of relatives, fictitious persons, and holders of dormant accounts and used the loan proceeds for themselves. One former employee was sentenced to 60 days work release and was placed on three years probation. The other was sentenced to 30 days work release and placed on three years probation. Both employees were terminated upon discovery of their wrongdoing.



## VI. REVIEW OF LEGISLATION AND REGULATIONS

Section 4(a)(2) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed legislation and regulations relating to programs and operations of the Department and to make recommendations concerning the impact of such legislation and regulations on the economy and efficiency in the administration of programs and operations or the prevention and detection of fraud and abuse in such programs and operations.

During the period April 1, 1980 to September 30, 1980, we reviewed 61 proposed new regulations or revisions to existing regulations, an undetermined number of existing regulations and statutes in conjunction with our internal audits, and 75 proposed new legislative bills or revisions to existing bills. As a result of these reviews, we provided comments and recommendations which we believe will enhance such legislation and regulations. In our opinion, the matters shown below are worthy of mention.

### A. S. 3026 - FINANCIAL INTEGRITY ACT OF 1980 H.R. 8063 - FEDERAL MANAGERS' ACCOUNTABILITY ACT OF 1980

These bills, which propose to amend the Accounting and Auditing Act of 1950, require agency heads to submit annually to the President, beginning December 31, 1981, a report on the adequacy of their agencies' systems of administrative and accounting controls.

We strongly support these bills as a means of improving agencies' controls and public accountability; however, we believe the bills can be strengthened. For example, to ensure agencies make an intensive effort towards correcting internal control weaknesses, we believe the legislation should specify a definite date by which agencies must conform their control systems to the standards prescribed by the Comptroller General. Considering the time and resources that will have to be devoted to this effort, we believe a reasonable period of time would be no later than three years after enactment of the amendment.

Moreover, the legislation requires Inspectors General to investigate any instances involving the furnishing of false or misleading information in connection with any evaluation of the agency's control systems or preparation of its annual report on such systems. Although perhaps unintentional, this provision implies a very limited role for Inspectors General in the subject evaluation and reporting process and merely reiterates the authority which Inspectors General already have pursuant to the Inspector General Act. In order to dispel any misunderstandings as to the role of Inspectors General, we believe the proposed legislation should state that agencies' evaluations and annual reports on the adequacy of their control systems are "subject to the independent review of Inspectors General." Moreover, we believe the proposed amendment should conform to Section 306 of the Supplemental Appropriation and Rescission Act of 1980 (P.L. 96-304) which calls for the Inspector General to submit annually to the Congress an evaluation of the agency's progress in instituting effective management controls.

B. SOLAR ENERGY CONSERVATION ACT OF 1980

Our Fraud Control Division is assisting HUD management in developing new regulations to implement the Solar Energy Conservation Act of 1980. In this regard, we are: (1) reviewing the Act's provisions; (2) identifying past deficiencies in similar HUD programs; (3) coordinating comments on the Act from other affected Inspectors General; (4) reviewing the draft regulations; and (5) providing comments and guidance to ensure that adequate management controls are being considered in program implementing regulations. Thus far, we have provided initial comments on the Act and the proposed implementation plan. Significant concerns of our office include such items as monitoring of participants, consumer safeguards against unscrupulous contractors, eligibility criteria for approving recipients and the recovery of subsidies where it is found they were used for ineligible activities. These, as well as any additional comments on the draft regulations, will be pursued actively with management for inclusion in the final regulations.

VII. UNREASONABLE REFUSAL OR NON-PROVISION  
OF REQUESTED INFORMATION OR ASSISTANCE

Section 5(a)(5) of the Inspector General Act of 1978 provides for including in each Semiannual Report to the Congress a summary of each report made to the head of the agency concerning information or assistance requested by the Inspector General which, in the judgment of the Inspector General, was unreasonably refused or not provided.

While there were no instances reported to the HUD Secretary during the current semiannual reporting period wherein information or assistance requested by the Inspector General was unreasonably refused or not provided, there were at least two instances brought to our attention which involve the refusal of information to non-Federal auditors engaged in auditing HUD-funded entities. The first of these matters is described on page 13; the second is described below.

While performing an audit of a Community Development Block Grant (CDBG) recipient, a State Auditor was denied access to the client/attorney records of one of the CDBG recipient's subgrantees who was engaged in providing legal services to individuals. Such legal services were being funded under the CDBG Program. Accordingly, the State Auditor questioned the eligibility of all costs for such legal services. Regarding the subject case, the legal services firm was of the opinion that the release of the records in question would be a violation of the attorney's professional standards concerning the confidentiality of an attorney/client relationship.

We believe auditors must be able to determine whether claims for reimbursement for legal services are eligible under the terms and conditions of each grant. Our concern is that attorneys may use the attorney/client relationship as a means of denying auditors needed information concerning the propriety and extent of services provided to individuals under the CDBG Program.

The subject matter is currently being reviewed by HUD's Office of General Counsel and the General Accounting Office.

## VIII. SUMMARY OF SUBPOENAS ISSUED

Section 6(a)(4) of the Inspector General Act provides the Inspector General with authority to require by subpoena the production of all information, documents, reports, answers, accounts, papers, and other data and documentary evidence necessary to carry out the performance of his or her assigned functions.

During the semiannual reporting period April 1, 1980 through September 30, 1980, we found it necessary to exercise our subpoena authority on 14 occasions. Four of the subpoenas were issued in conjunction with an investigation, while ten were issued to require the production of records necessary to perform an audit. In each case, the use of our subpoena authority resulted in obtaining the necessary records or documents.

The subpoenas are summarized as follows:

- In conjunction with an audit in Puerto Rico, ten subpoenas were issued between July 3, 1980 and August 18, 1980 to obtain documents that would show potential violations of a regulatory agreement with a HUD-insured hospital project. The subpoenas were issued to the hospital and other firms doing business with the hospital.
- On July 1, 1980, four subpoenas were issued to obtain documents required for an investigation of a mortgagee's business dealing with HUD. The subpoenas were issued to two closing attorneys and two mortgagees located in Puerto Rico.

## IX. COOPERATIVE EFFORTS WITH FEDERAL AND STATE AGENCIES

Section 4(a)(4) of the Inspector General Act of 1978 provides, among other things, that the Inspector General conduct, supervise, or coordinate relationships between the Department and other Federal agencies, state and local governmental agencies, and nongovernmental entities with respect to matters relating to the promotion of economy and efficiency, the prevention and detection of fraud and program abuse, and the identification and prosecution of participants in such fraud and abuse.

During FY 1980, we participated in several special cooperative efforts with other Federal and state agencies. Such efforts as shown below are in addition to our ongoing cooperation and coordination with non-Federal auditors (page 58), other Offices of Inspector General and agencies such as the Department of Justice (referrals for investigation/ prosecution), General Accounting Office (coordination of audit work), Office of Personnel Management (training, personnel security clearances, etc.) and various other agencies.

### A. ASSISTANCE TO CONGRESS

During FY 1980, we provided assistance to various Congressional committees as a result of requested audits, testimony at hearings on HUD operations and the providing of detailed information on our activities for potential use during oversight hearings.

We conducted 13 reviews at the request of Congressional committees. Also, the Inspector General testified at two hearings where HUD or HUD program participants were being investigated. Additionally, detailed information was completed on our operations and provided to the Chairman, Subcommittee on Intergovernmental Relations and Human Resources, Committee on Government Operations. It is expected that the information will be used in conjunction with anticipated hearings on the implementation of the Inspector General Act.

We also provided the Chairman, Subcommittee on Limitations of Contracted and Delegated Authority, Committee on the Judiciary, copies of all of our internal audit reports issued after FY 1971 and audit referrals to our Office of Investigation for the period October 1, 1977 through February 29, 1980.

Lastly, we provided information to the Chairman, Subcommittee on Federal Spending Practices and Open Government, Committee on Governmental Affairs, concerning the Department's systems for suspending and debarring government contractors and entities doing business with the Department.

### B. DISTRIBUTION OF STANDARD GOVERNMENTWIDE AUDIT GUIDE FOR CONSULTING SERVICE CONTRACTS

On August 22, 1980, a draft Standard Governmentwide Audit Guide for Audits of Contracting for Consulting Services was distributed to 20 Federal departments and agencies and the Office of Management and Budget (OMB) for review and comment. The guide is for use by Federal audit organizations

in assessing the effectiveness of management controls over the use of consulting service contracts by Federal departments and agencies. The overall objective of audits conducted pursuant to the audit guide will be to determine whether such management controls are adequate to prevent and detect wasteful and abusive practices.

In directing reviews of the implementation of recently mandated management improvements of procurement practices, and in particular those practices relative to consulting services, the guide responds to OMB mandates of July 1980, and provides for broad audits of procurement practices through detailed reviews of selected contracts. Audit work is directed at department and agency processes for planning and justifying the procurement of consulting services, and also focuses on contract award procedures and controls. In addition, the guide provides for assessing departmental and agency monitoring of contracts subsequent to award and the evaluating of contract results. Lastly, guidance is provided for evaluating possible conflicts of interest of consulting service contractors and the use of former Federal employees in the consulting service area.

The audit guide was developed by a project team under our direction. Other OIGs and audit groups cooperated in this endeavor, and the Departments of Agriculture, Health and Human Services, and Interior, and the General Services Administration, Veterans Administration and the core staff of the Executive Group to Combat Fraud and Waste in Government provided personnel to assist in preparation of the draft audit guide.

Following receipt of comments and suggestions on the draft guide, it was revised and provided to OMB in final form on September 12, 1980 for issuance.

#### C. AUDIT AND INVESTIGATION ACTIVITIES IN PUERTO RICO

During FY 1980, we carried out joint audit and investigation efforts in Puerto Rico with the Veterans Administration OIG. The focus of these efforts included diversions of funds in GNMA-owned mortgage pools and poor and improper origination practices by mortgagees. Our efforts in these areas are being assisted by Special Prosecutors assigned by the Fraud Section, U.S. Department of Justice. In July 1980, we also began an audit of a HUD-insured hospital in Puerto Rico. This effort is being coordinated with the local United States Attorney's Office. These activities are more fully described on pages 6 through 8.

#### D. REVIEW OF HUD'S MANAGEMENT OF PERSONAL PROPERTY

Our last semiannual report described the results of our participation, along with other Offices of Inspector General, in the governmentwide audit of property management. As a follow-on to the governmentwide audit of Federal property management, we conducted reviews of property management activities in five HUD Regions to determine the adequacy of the Regions' property management procedures and practices and their compliance with Federal Property Management Regulations.

The audit results showed that HUD had engaged in a nationwide program to upgrade office furniture. When the program was started, the goal was to correct deficiencies in office furniture then existing in HUD Field Offices. The original plan, had it been followed, would have complied with Federal Property Management Regulations. However, in most cases, the Field Office had not complied with the original intent of the program. Studies to determine whether it was possible or practical to fulfill furniture needs through redistribution, repair, and rehabilitation of already owned furniture either were not made or, when they were made, were not used. Instead, Regional and Field Offices replaced furniture without regard to the condition of existing furniture. In the process, large quantities of furniture were disposed of which were in excellent, good, or fair condition.

From FY 1977 through FY 1979, over \$5.3 million was expended or obligated for new office furniture. Another \$3.4 million was scheduled for use in FYs 1980 and 1981. On June 17, 1980, before audit field work was completed, we briefed the Assistant Secretary for Administration on our findings and recommendations. We recommended to the Assistant Secretary that the furniture upgrading program be suspended, the condition of existing furniture be determined, and outstanding requisitions for new furniture be cancelled. The Assistant Secretary concurred and immediately suspended the furniture upgrading program.

We plan to issue our final audit report early in FY 1981. The final report will consider the comments contained in the Assistant Secretary for Administration's October 8, 1980 response to the draft audit report. We consider the Assistant Secretary's comments to be responsive to the recommendations contained in the draft audit report.

#### E. PILOT AUDIT RELATED TO ATTACHMENT P OF OMB CIRCULAR A-102

Attachment P (Audit Requirements for State and Local Governments) of OMB Circular A-102 (Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments), issued October 22, 1979, requires that only a single audit be obtained by a grantee which receives funds from more than one Federal agency. In conjunction with OMB, we monitored an audit of the Virginia Department of Housing and Community Development made by the State Auditor of Virginia. The purpose of the monitoring was to identify problems in implementing Attachment P and provide guidance to other involved parties. The State Auditor has provided us with a draft copy of the audit report. In coordination with OMB, we plan to review and comment on the report.

X. AUDIT REPORTS ISSUED BY THE OIG  
DURING THE CURRENT REPORTING PERIOD

Section 5(a)(6) of the Inspector General Act of 1978 provides for a listing of each audit report completed by the OIG during the reporting period.

During the current semiannual reporting period April 1, 1980 to September 30, 1980, we issued 98 internal audit/survey reports and 581 external audit and accounting system evaluation reports. These reports are listed below.

INTERNAL AUDIT AND SURVEY REPORTS

HOUSING (Total 27)

<u>REPORT NO.</u>	<u>TITLE</u>	<u>ISSUE DATE</u>
80-80-99-0007	Section 8 Existing Housing Program Contributions State of Rhode Island Department of Community Affairs	05/13/80
80-80-99-0021	Rhode Island Housing and Mortgage Finance Corporation - Section 8 Program	07/22/80
80-80-99-0032	Determination of Land Values - Manchester, CT and Boston, MA	09/29/80
80-NY-99-0004	Repair Program for Acquired Single Family Properties Administered by Area Management Brokers	04/08/80
80-NY-99-0055	Repair Program for Acquired Multifamily Proper- ties by Project Managers - Newark Area Office	08/04/80
80-PH-99-0003	Repair Program for Single Family Acquired Properties - Philadelphia Area Office	06/17/80
80-AT-99-0041	Section 8 Application Processing - New Con- struction and Substantial Rehabilitation - Birmingham, Alabama Area Office	05/13/80
80-AT-99-0095	PHA Turnkey Program	07/15/80
80-CH-99-0010	Repair Program for Single Family Acquired Properties - Columbus Area Office, Cleveland Service Office	05/09/80
80-CH-99-0015	Utility Checkmetering and Allowances - Chicago Area Office	06/24/80
80-CH-99-0017	Utility Checkmetering and Allowances - Detroit Area Office	06/27/80
80-CH-99-0021	Property Disposition Branch Contracting Activities - Chicago Area Office	07/17/80
80-CH-99-0035	PHA Turnkey Program - Chicago, IL and Cleveland, OH	09/30/80
80-KC-99-0010	Control Over PHA Fiscal Agent Accounts	06/05/80
Unnumbered Closeout Memo	Control Over Management Funds - Kansas City	08/15/80



HOUSING (Continued)

<u>REPORT NO.</u>	<u>TITLE</u>	<u>ISSUE DATE</u>
80-SE-99-0002	Analysis of General Fund Cash Balance - Seattle, Washington Housing Authority	04/25/80
80-TS-99-0017	Property Tax Servicing Function	05/08/80
80-TS-99-0021	Single Family Acquired Property Sales, Pricing, and Delays in Closing	06/24/80
80-TS-99-0025	Control Over Public Housing Agency Fiscal Agency Accounts	06/13/80
80-TS-99-0032	Key Summit Management Corporation Disbursements to Symbol, Inc.	07/28/80
80-TS-99-0033	Section 236 Tax and Utility Subsidy Settlement Distribution	08/01/80
80-TS-99-0034	Control Over Management Funds	08/06/80
80-TS-99-0035	Diversions of Multifamily Project Funds	08/13/80
80-TS-99-0044	Administration of Section 236 and Section 8 New and Substantial Rehabilitation Programs - New Jersey Housing Finance Agency - Trenton, NJ	08/29/80
80-TS-99-0045	Assignment of Defaulted Mortgages to the Secretary	08/29/80
80-TS-99-0047	Effectiveness of the 223(f) Existing Multifamily Program - Nationwide	09/17/80
80-TS-99-0054	Repair Program For Single Family Acquired Properties	09/30/80

COMMUNITY PLANNING AND DEVELOPMENT (Total 2)

80-TS-99-0018	Closeout -- Social Service Expenditures in the CDBG Program	05/14/80
80-TS-99-0026	Closeout -- Monitoring of Letters-of-Credit Under the CDBG Program	06/03/80

ADMINISTRATION (Total 26)

80-NY-99-0007	Regional Accounting Division - New York Regional Office	05/19/80
80-NY-99-0042	FHA Accounts Insured Funds (Acquired Properties) Camden Service Office	06/25/80
80-NY-99-0043	FHA Accounts Insured Funds (Acquired Properties) New York Area Office	06/25/80
80-NY-99-0045	Regional Contracting Offices	07/03/80
80-NY-99-0047	HUD Regional Property Management Procedures and Practices	07/01/80

ADMINISTRATION (Continued)

<u>REPORT NO.</u>	<u>TITLE</u>	<u>ISSUE DATE</u>
80-PH-99-0002	Area Office Accountability for Personal Property	04/11/80
80-AT-99-0121	HUD Regional Property Management Procedures and Practices	09/04/80
80-AT-99-0134	FHA Accounts - Insured Funds - Acquired Home Properties - Coral Gables and Tampa, FL	09/24/80
80-CH-99-0011	Regional Accounting Division - Chicago Regional Office	05/13/80
80-CH-99-0016	HUD Regional Property Management Procedures and Practices	06/26/80
80-CH-99-0030	FHA Accounts - Insured Funds - Acquired Home Properties - Columbus and Detroit Area Offices	08/29/80
80-DE-99-0019	Compliance With Neighborhood Strategy Areas (NSA) Requirements - Region VIII	05/02/80
80-DE-99-0046	HUD Regional Property Management Procedures and Practices - Denver Regional/Area Office	06/06/80
80-SF-99-0006	Regional Accounting Division - San Francisco, CA	05/19/80
80-SF-99-0017	HUD Regional Property Management Procedures and Practices	07/07/80
80-SE-99-0012	Adequacy of Controls Over Receipt and Deposit of Funds - Seattle, Washington	05/20/80
80-A0-99-0001	Financial Audit of the Low-Rent Public Housing Fund, 86X4098	05/09/80
80-A0-99-0002	Review of Merit Staffing File Maintenance	05/20/80
80-A0-99-0003	Selected Activities of the General and Program Accounting Group - Office of Finance and Accounting	06/24/80
80-A0-99-0004	Annual Contribution for Assisted Housing, 86X0164	08/14/80
80-A0-99-0005	Financial Audit of the Section 312 Rehabilitation Loan Fund, 86X4036 - Washington, DC	09/12/80
80-A0-99-0006	Contracting for ADP Services - Washington, DC	09/29/80
80-A0-99-0007	Review of Computer Security - Washington, DC	09/29/80
80-A0-99-0008	Examination of Selected FHA Insuring Fund Accounts - Fiscal Years 1977/1978 - Washington, DC	09/30/80
80-TS-99-0046	Selected Aspects of Personnel Management - Headquarters Operations Division	09/08/80

ADMINISTRATION (Continued)

<u>REPORT NO.</u>	<u>TITLE</u>	<u>ISSUE DATE</u>
80-TS-99-0053	Selected Aspects of Personnel Management - Nationwide	09/30/80

NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND  
CONSUMER PROTECTION (Total 1)

80-SF-99-0026	Housing Counseling Program - Region IX	08/14/80
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NEW COMMUNITIES (Total 1)

80-TS-99-0036	Soul City, North Carolina New Community Project	08/20/80
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DEPARTMENT-WIDE ASSISTANCE (Total 14)

80-BO-99-0014	Field Office Control and Utilization of Independent Public Accountant's Audit Reports Which Are Not Subject to RIGA Review/Acceptance	06/20/80
80-NY-99-0054	Field Office Control and Use of IPA Audit Reports Not Reviewed/Accepted by the RIGA	07/30/80
80-PH-99-0001	HUD Monitoring of Independent Public Accountant Audit Reports Not Reviewed/Accepted by the Regional Inspector General for Audit	04/11/80
80-PH-99-0065	Survey - Adequacy of Corrective Actions Taken as a Result of Audit Findings	09/25/80
80-AT-99-0086	Field Office Control and Use of Independent Public Accountants Audit Reports Not Subject to Review/Acceptance by Office of Audit	07/07/80
80-CH-99-0014	Field Office Control and Utilization of Independent Public Accountant Audit Reports Not Subject to Review or Acceptance by the RIGA	06/18/80
80-FW-99-0088	Field Office Control and Use of Independent Public Accountant Reports Not Subject to Review or Acceptance by the OIG	07/17/80
80-KC-99-0011	Field Office Control and Use of IPA Audit Reports Not Reviewed/Accepted by the RIGA	06/11/80
80-DE-99-0051	Region VIII Monitoring of Independent Public Accountant Audited Financial Statements Not Reviewed/Accepted by OIG	06/19/80
80-SF-99-0003	Field Office Control Over Audits of Public Housing Authorities by Independent Public Accountants - Los Angeles Area Office	05/02/80

DEPARTMENT-WIDE ASSISTANCE (Continued)

<u>REPORT NO.</u>	<u>TITLE</u>	<u>ISSUE DATE</u>
80-SF-99-0020	Field Office Control and Utilization of Independent Public Accountant Reports Which Are Not Subject to RIGA Review/Acceptance	07/15/80
80-SE-99-0018	Field Office Control and Use of IPA Audit Reports Not Reviewed/Accepted by the RIGA	06/25/80
80-SE-99-0030	Auditees' Implementation of Audit Recommendations	08/11/80
80-TS-99-0012	Field Office Control and Use of Independent Public Public Accountant Audit Reports	04/16/80

FRAUD CONTROL AND DETECTION (Total 27)

80-80-99-0009	Administrative Deficiencies Disclosed by Operational Survey, Boston Area Office - (Interim)	05/19/80
80-80-99-0023	Administrative Deficiencies Disclosed by Operational Survey - Boston, Area Office	07/28/80
80-NY-99-0001	Special Operational Survey of CDBG Recipients Rehabilitation Activities - Buffalo Area Office	04/08/80
80-NY-99-0002	Special Operational Survey of CDBG Recipients Rehabilitation Activities - New York Area Office	04/08/80
80-NY-99-0003	Special Operational Survey of CDBG Recipients Rehabilitation Activities - Newark Area Office	04/08/80
80-PH-99-0001	Special Operational Survey of CDBG Rehabilitation Activities - Washington Area Office	04/24/80
80-PH-99-0002	Special Operational Survey of CDBG Rehabilitation Activities - Pittsburgh Area Office	04/24/80
80-PH-99-0003	Special Operational Survey of CDBG Rehabilitation Activities - Richmond Area Office	04/25/80
80-PH-99-0004	Special Operational Survey of CDBG Rehabilitation Activities - Baltimore Area Office	05/01/80
80-PH-99-0006	Special Operational Survey of CDBG Rehabilitation Activities - Philadelphia Area Office	05/29/80
80-PH-99-0007	Special Operational Survey of CDBG Rehabilitation Activities - Washington Area Office	05/29/80
80-AT-99-0008	Special Operational Survey of CDBG Rehabilitation Activities - Knoxville Area Office	04/08/80
80-AT-99-0010	Special Operational Survey of CDBG Rehabilitation Activities - Jackson Area Office	04/09/80
80-AT-99-0016	Special Operational Survey of CDBG Rehabilitation Activities - Atlanta Area Office	04/15/80

FRAUD CONTROL AND DETECTION (Continued)

<u>REPORT NO.</u>	<u>TITLE</u>	<u>ISSUE DATE</u>
80-AT-99-0023	Special Operational Survey of CDBG Rehabilitation Activities - Jacksonville Area Office	04/17/80
80-AT-99-0024	Special Operational Survey of CDBG Rehabilitation Activities - Columbia Area Office	04/22/80
80-AT-99-0035	Special Operational Survey of CDBG Rehabilitation Activities - Greensboro Area Office	05/05/80
80-CH-99-0018	Administrative Deficiencies Disclosed by Operational Survey - Columbus Area Office	07/11/80
80-FW-99-0003	Special Operational Survey of CDBG Rehabilitation Activities - Dallas Area Office	04/08/80
80-FW-99-0004	Special Operational Survey of CDBG Rehabilitation New Orleans Area Office	04/08/80
80-FW-99-0005	Special Operational Survey of CDBG Rehabilitation Activities - San Antonio Area Office	04/08/80
80-KC-99-0001	Special Operational Survey of CDBG Rehabilitation Activities - Omaha Area Office	04/04/80
80-KC-99-0002	Special Operational Survey of CDBG Rehabilitation Activities - Kansas City Area Office	04/18/80
80-KC-99-0016	Administrative Deficiencies Disclosed by Operational Survey - St. Louis Area Office	08/22/80
80-DE-99-0053	Administrative Deficiencies Disclosed by Operational Survey of the Denver Regional/Area Office	07/23/80
80-SF-99-0001	Special Operational Survey of CDBG Rehabilitation Activities - Los Angeles Area Office	04/04/80
OS 1-85	Administrative Deficiencies Disclosed by Operational Survey - Los Angeles, California Area Office	04/30/80

GRAND TOTAL - INTERNAL AUDIT AND SURVEY REPORTS - 98

EXTERNAL AUDIT AND ACCOUNTING SYSTEM EVALUATION REPORTS

HOUSING (Total 119)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-BO-33-0001	Middletown Housing Authority	Middletown, CT	04/30/80
80-AT-33-0026	Housing Authority of the City West Palm Beach	West Palm Beach, FL	04/23/80
80-AT-33-0042	Pembroke Housing Authority	Pembroke, NC	05/13/80
80-AT-33-0079	Knoxville's Community Dev. Corp.	Knoxville, TN	06/23/80
80-AT-33-0084	Housing Authority of Newport	Newport, KY	07/01/80
80-AT-33-0136	Housing Authority of City of St. Marys	St. Marys, GA	09/30/80
80-CH-33-1	Dayton Metropolitan Hsg. Auth.	Dayton, OH	05/02/80
80-CH-33-0011	South Bend Housing Authority	South Bend, IN	06/11/80
80-CH-33-0020	City of Richmond	Richmond, IN	07/17/80
80-FW-33-0026	St. Francis. Co.	Forrest City, AR	05/29/80
80-DE-33-0054	Housing Authority of the City of Fort Lupton	Fort Lupton, CO	08/11/80
80-DE-33-0056	Housing Authority of the Town of Keenesburg	Keenesburg, CO	08/28/80
80-DE-33-0058	Flandreau Santee Sioux Housing Authority	Flandreau, SD	09/24/80
80-SE-33-0032	Everett Housing Authority	Everett, WA	09/25/80
80-BO-90-0022	Lorenzo Pitts, Inc.	Jamaica Plain, MA	07/28/80
80-NY-90-0066	Property Sales Unlimited	Rio Piedras, PR	09/17/80
80-NY-90-0070	Banco Popular	Hato Rey, PR	09/26/80
80-AT-90-0054	Village Realty, Inc.	Decatur, GA	05/29/80
80-CH-90-0004	General Realty & Building Co.	Chicago, IL	04/07/80
80-CH-90-0010	SBC & Associates	Chicago, IL	06/06/80
80-CH-90-0013	Best Realty	Gary, IN	06/18/80
80-CH-90-0023	Burnham-Adams, Inc.	Chicago, IL	08/01/80
80-PH-91-0073	Hunneman and Company	Washington, DC	09/26/80
80-CH-91-0025	Newman & Associates	Chicago, IL	08/20/80
80-CH-91-0028	Albert Booth Realty Co., Inc.	Indianapolis, IN	08/26/80
80-CH-91-0029	Sanbreen Company, Inc. (Forrest Knoll Townhouses)	Southfield, MI	08/26/80
80-CH-91-0032	James Buchanan, III, Realty Co.	Indianapolis, IN	09/18/80
80-CH-91-0036	A. T. Harbin Realty Company	Detroit, MI	09/30/80
80-KC-91-0018	Hughes Development Company, Inc.	Kansas City, KS	09/02/80
80-SF-91-0014	Bob Yandell Realty Jensen Apartments	San Bernardino, CA	06/23/80
80-AT-92-0037	College Park Towers, Ltd.	Miami, FL	05/09/80
80-FW-92-0001	Harrison Manor Ltd.	Harlingen, TX	04/09/80
80-KC-92-0015	Prospect Creek Apartments	St. Louis County, MO	08/07/80
80-KC-92-0017	Development Costs of Cameron Estates	Webb City, MO	08/28/80
80-KC-92-0020	Development Costs of Monarch Plaza	Papillion, NE	09/25/80
80-KC-92-0021	Development Costs of Landmark Towers	Liberty, MO	09/25/80
80-SE-92-0034	Tlingit & Haida Housing Develop- ment Corporation	Juneau, AK	09/30/80
80-BO-93-0001	David Apartments	Providence, RI	04/03/80
80-BO-93-0002	Mercedes Housing II	Providence, RI	04/03/80
80-BO-93-0003	Mercedes Housing IV	Providence, RI	04/03/80
80-BO-93-0026	Flanders Green I Associates	Southington, CT	08/15/80
80-NY-93-0001	Hospital de Nuestra Senora de Guadalupe, Inc.	Hato Rey, PR	04/15/80
80-NY-93-0002	Trinity House Association	Bronx, NY	05/09/80
80-NY-93-0032	146 W. 95th Street Corp.	New York, NY	05/29/80

## HOUSING (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-NY-93-0037	Delano Village Co. Nos. 1 thru 7	New York, NY	06/27/80
80-NY-93-0040	Thwaites Place Associates	Bronx, NY	06/26/80
80-NY-93-0063	Barliovis Apartments	Atlantic City, NJ	09/05/80
80-PH-93-0001	Pumpkin Hill South Laurel Mutual Homes	South Laurel, MD	05/29/80
80-PH-93-0050	Pumpkin Hill Apartments T/A Birchwood Garden Apt.	Laurel, MD	07/30/80
80-PH-93-0053	Survey of Chetwynd Apts.	Rosemont, PA	08/08/80
80-PH-93-0054	The Philadelphian	Philadelphia, PA	08/15/80
80-AT-93-0009	Wesley Homes, Inc.	Atlanta, GA	04/09/80
80-AT-93-0030	Lone Oak Manor Assoc.	Louisville, KY	04/25/80
80-AT-93-0085	A.M.E. Homes of Decatur	Decatur, AL	07/03/80
80-AT-93-0100	Michael Square, Ltd.	Mobile, AL	07/24/80
80-AT-93-0120	Selma Apts Co., d/b/a Beech Creek Apts.	Selma, AL	08/27/80
80-AT-93-0122	Goler Metro Apartments, Inc.	Winston-Salem, NC	09/05/80
80-AT-93-0127	Greeneville Manor Apts.	Greeneville, TN	09/11/80
80-AT-93-0135	Four Winds West Company	Birmingham, AL	09/29/80
80-CH-93-3	Oak Hill Village	Waukesha, WI	04/22/80
80-CH-93-4	Westmoreland Manor Nursing Home	Waukesha, WI	04/22/80
80-CH-93-5	Park Point Manor Nursing Home	Duluth, MN	05/16/80
80-CH-93-0012	Kemper Lane Apartments	Cincinnati, OH	06/16/80
80-CH-93-0022	Oak Grove Towers	Minneapolis, MN	07/25/80
80-CH-93-0033	Hough Housing Corporation	Cleveland, OH	09/19/80
80-CH-93-0037	Deer Grove Bath and Tennis Club	Palatine, IL	09/30/80
80-FW-93-0011	Ward Plaza Apartments	Marshall, TX	04/25/80
80-FW-93-0013	Sweet Union Apartments	Jacksonville, TX	04/30/80
80-FW-93-0057	Briar Meadows Development Co.	Longview, TX	06/24/80
80-FW-93-0067	Penwood Apartments	Longview, TX	07/02/80
80-FW-93-0089	Ridgecrest Terrace Apartments	Dallas, TX	07/18/80
80-FW-93-0093	Cleburne Plaza Apartments	Cleburne, TX	07/24/80
80-FW-93-0094	St. James Manor	Dallas, TX	07/24/80
80-FW-93-0095	Lafayette Square Apartments	Albuquerque, NM	07/24/80
80-KC-93-0006	Parkway Terrace Apartments	Maryville, MO	05/14/80
80-KC-93-0007	Lakeview Apartments	Kansas City, MO	05/15/80
80-KC-93-0014	Kansas City Baptist Temple	Kansas City, MO	08/01/80
80-KC-93-0019	Village Royale Apartments	St. Louis County, MO	09/25/80
80-SF-93-0007	Martin Luther King-Marcus Garvey Square Cooperative Apartments, Inc.	San Francisco, CA	05/21/80
80-SF-93-0008	Ujima Housing Corporation Ujima Village	Los Angeles, CA	06/06/80
80-SF-93-0013	Westside Urban Development Redevelopment Investors IV-A	Los Angeles, CA	06/19/80
80-SF-93-0016	Mayflower Gardens	Lancaster, CA	07/08/80
80-SF-93-0021	Casa Wabash	Los Angeles, CA	07/24/80
80-SF-93-0022	La Brea Garden Apartments	Los Angeles, CA	07/24/80
80-SF-93-0023	Logan Square Garden Apartments Logan Square Gardens Co.	San Diego, CA	07/24/80
80-SF-93-0024	Federal Properties Management, Inc., d/b/a FPI Management, Inc.	Sacramento, CA	07/21/80
80-SF-93-0027	Community Christian Church No. 2 (Santa Fe Apartments)	Los Angeles, CA	08/18/80
80-SF-93-0031	Villa San Pedro	San Jose, CA	09/15/80
80-SF-93-0034	Project Action, Inc	Venice, CA	09/25/80
80-SF-93-0028	Creekside Terrace Apartments	El Sobrante, CA	08/26/80
80-SE-93-0023	Parkway Apartments	Redmond, WA	07/09/80
80-SE-93-0029	Roosevelt Plaza	Portland, OR	08/08/80

HOUSING (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-BO-94-0017	Savings Bank Housing Corporation	Wethersfield, CT	07/02/80
80-NY-94-0002	Coastal Funding Corp.	Santurce, PR	04/29/80*
80-NY-94-0003	Security Mortgage & Finance Corp.	Rio Piedras, PR	04/29/80*
80-NY-94-0004	Berens Mortgage Bankers Corp.	Hato Rey, PR	04/28/80*
80-NY-94-0005	Capital America Mortgage Corp.	Hato Rey, PR	04/30/80*
80-NY-94-0006	Sibley Corporation	Rochester, NY	05/09/80
80-NY-94-0036	Buffalo Savings Bank	Buffalo, NY	06/25/80
80-NY-94-0041	Mortgage Credit Corp.	Rio Piedras, PR	06/23/80**
80-NY-94-0048	Continental Trust Corp.	San Juan, PR	07/09/80**
80-NY-94-0049	Legal Finance Corp	Hato Rey, PR	07/03/80
80-NY-94-0052	Las Americas Mortgage Corp.	Hato Rey, PR	07/11/80**
80-PH-94-0045	Ryan Financial Service	Pittsburgh, PA	07/11/80
80-PH-94-0059	Colonial Mortgage	Philadelphia, PA	09/10/80
80-AT-94-0025	Citizens Fidelity Mortgage Co.	Louisville, KY	04/22/80
80-AT-94-0124	The Pitney Company	St. Petersburg, FL	09/05/80
80-FW-94-0069	Louisiana Companies	Baton Rouge, LA	07/02/80
80-FW-94-0096	Mortgage Investment Corporation	San Antonio, TX	07/30/80
80-FW-94-0103	Simmons First National Bank	Pine Bluff, AR	08/11/80
80-KC-94-0008	General Mortgage Company	Chesterfield, MO	05/22/80
80-KC-94-0009	Farm and Home Savings Assn.	Nevada, MO	06/03/80
80-DE-94-0029	Mortgage Institute Company	Denver, CO	05/09/80
80-SF-94-0001	First California Mortgage Company	Corte Madera, CA	04/17/80
80-SF-94-0011	Western Pacific Financial Corp.	Newport Beach, CA	06/20/80*
80-SF-94-0029	Golden Gate Mortgage, Inc.	Campbell, CA	09/08/80
80-SE-94-0001	Amfac Mortgage Company	Portland, OR	04/17/80
80-SE-94-0014	Rainier Mortgage Company	Seattle, WA	06/06/80
No Number	Medallion Mortgage Co.	Santa Clara, CA	03/07/80***
(Issued before 4/1/80)			

COMMUNITY PLANNING AND DEVELOPMENT (Total 329)

80-NY-03-0001	City of Paterson	Paterson, NJ	04/24/80
80-AT-03-0014	City of Savannah	Savannah, GA	04/11/80
80-BO-10-0001	Town of Southington	Southington, CT	04/11/80
80-BO-10-0029	Town of Avon	Avon, CT	09/09/80
80-AT-10-0044	City of Asheville	Asheville, NC	05/14/80
80-AT-10-0045	Collier County	Naples, FL	05/15/80
80-AT-10-0128	Alcorn County	Corinth, MS	09/12/80
80-PH-18-0058	Accounting Systems Evaluation Department of Housing and Community Development	Washington, DC	09/10/80
80-AT-18-0064	St. Clair County	Ashville, AL	06/09/80
80-AT-18-0065	Town of Hayneville	Hayneville, AL	06/09/80
80-AT-18-0066	Town of Moncks Corner	Moncks Corner, SC	06/09/80
80-AT-18-0068	City of Woodstock	Woodstock, GA	06/11/80
80-AT-18-0069	City of Warrenton	Warrenton, GA	06/11/80
80-AT-18-0071	Columbia County	Martinez, GA	06/11/80
80-AT-18-0072	City of Rutledge	Rutledge, TN	06/17/80
80-AT-18-0073	City of Lake City	Lake City, FL	06/18/80
80-AT-18-0074	City of Springfield	Springfield, FL	06/18/80
80-AT-18-0075	City of Jamestown	Jamestown, KY	06/18/80
80-AT-18-0076	City of White Pine	White Pine, TN	06/18/80

\* Transmitted from Mortgagee Review Board 07/24/80

\*\* Transmitted from Mortgagee Review Board 08/28/80

\*\*\* Transmitted from Mortgagee Review Board 07/23/80



COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-AT-18-0078	Johnson County	Mountain City, TN	06/20/80
80-AT-18-0080	Brooksville	Brooksville, FL	06/26/80
80-AT-18-0081	St. Augustine	St. Augustine, FL	06/26/80
80-AT-18-0082	Wayne County	Goldsboro, NC	06/27/80
80-AT-18-0083	Town of Windsor	Windsor, NC	06/27/80
80-AT-18-0087	Clairborne/Campbell Counties	Tazewell, TN	07/08/80
80-AT-18-0088	Town of Smyrna	Smyrna, TN	07/09/80
80-AT-18-0089	Town of South Carthage	South Carthage, TN	07/09/80
80-AT-18-0090	Cannon County	Woodbury, TN	07/09/80
80-AT-18-0091	City of Purvis	Purvis, MS	07/11/80
80-AT-18-0092	City of Rose Hill	Rose Hill, NC	07/11/80
80-AT-18-0090	Cannon County	Woodbury, TN	07/09/80
80-AT-18-0091	City of Purvis	Purvis, MS	07/11/80
80-AT-18-0092	City of Rose Hill	Rose Hill, NC	07/11/80
80-AT-18-0093	Town of Pembroke	Pembroke, NC	07/15/80
80-AT-18-0094	City of Pass Christian	Pass Christian, MS	07/15/80
80-AT-18-0096	Yalobusha County	Water Valley, MS	07/15/80
80-AT-18-0097	City of Greenville	Greenville, GA	07/21/80
80-AT-18-0098	Bartow County	Cartersville, GA	07/21/80
80-AT-18-0099	Cherryville	Cherryville, NC	07/22/80
80-AT-18-0102	City of Southport	Southport, NC	07/23/80
80-AT-18-0104	Town of Oak City	Oak City, NC	07/28/80
80-AT-18-0105	Town of East Arcadia	East Arcadia, NC	07/30/80
80-AT-18-0106	Town of Tryon	Tryon, NC	08/05/80
80-AT-18-0107	Town of Black Mountain	Black Mountain, NC	08/06/80
80-AT-18-0108	Henderson County	Hendersonville, NC	08/06/80
80-AT-18-0111	City of Marion	Marion, NC	08/18/80
80-AT-18-0112	City of Conover	Conover, NC	08/14/80
80-AT-18-0113	Town of Granite Falls	Granite Falls, NC	08/21/80
80-AT-18-0114	Town of Spruce Pine	Spruce Pine, NC	08/21/80
80-AT-18-0116	City of Ashburn	Ashburn, GA	08/25/80
80-AT-18-0117	City of McRae	McRae, GA	08/25/80
80-AT-18-0118	Twiggs County	Jeffersonville, GA	08/25/80
80-AT-18-0119	City of Eastman	Eastman, GA	08/26/80
80-AT-18-0123	City of Cochran	Cochran, GA	09/04/80
80-AT-18-0125	City of Cuthbert	Cuthbert, GA	09/11/80
80-AT-18-0126	City of Pembroke	Pembroke, GA	09/11/80
80-AT-18-0129	City of Oglethorpe	Oglethorpe, GA	09/12/80
80-AT-18-0130	City of Plains	Plains, GA	09/15/80
80-AT-18-0132	Georgetown/Quitman County	Georgetown, GA	09/22/80
80-AT-18-0133	Town of Princeville	Princeville, NC	09/23/80
80-CH-18-0026	Hannahville Tribal Council	Wilson, MI	08/20/80
80-CH-18-0027	Keweenaw Bay Tribal Council	Baraga, MI	08/20/80
80-FW-18-0030	City of Dayton	Dayton, TX	06/24/80
80-FW-18-0031	Village of Pleasant Hill	Pleasant Hill, LA	06/04/80
80-FW-18-0032	Concordia Parish Police Jury	Vidalia, LA	06/04/80
80-FW-18-0033	Village of Harrisonburg	Harrisonburg, LA	06/04/80
80-FW-18-0034	Town of Vidalia	Vidalia, LA	06/04/80
80-FW-18-0035	Town of Boyce	Boyce, LA	06/04/80
80-FW-18-0036	Town of Grambling	Grambling, LA	06/04/80
80-FW-18-0037	Sabine Parish Police Jury	Many, LA	06/04/80
80-FW-18-0038	Town of Jonesboro	Jonesboro, LA	06/04/80
80-FW-18-0039	Village of Dodson	Dodson, LA	06/04/80
80-FW-18-0040	Richland Parish Police Jury	Rayville, LA	06/04/80
80-FW-18-0041	Village of Chataignier	Chataignier, LA	06/04/80
80-FW-18-0042	Town of Arcadia	Arcadia, LA	06/05/80
80-FW-18-0043	Lincoln Parish Police Jury	Ruston, LA	06/05/80
80-FW-18-0044	Town of Gibsland	Gibsland, LA	06/05/80

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-FW-18-0045	City of Gainesville	Gainesville, TX	06/09/80
80-FW-18-0046	Celina	Celina, TX	06/09/80
80-FW-18-0047	City of Forney	Forney, TX	06/09/80
80-FW-18-0048	City of Springhill	Springhill, LA	06/09/80
80-FW-18-0049	Webster Parish Police Jury	Minden, LA	06/09/80
80-FW-18-0050	Town of Jonesville	Jonesville, LA	06/09/80
80-FW-18-0051	City of Mart	Mart, TX	06/09/80
80-FW-18-0052	City of Haskell	Haskell, TX	06/12/80
80-FW-18-0053	Rockdale	Rockdale, TX	06/23/80
80-FW-18-0054	City of Graford	Graford, TX	06/23/80
80-FW-18-0055	City of Clute	Clute, TX	06/24/80
80-FW-18-0056	City of Rosenberg	Rosenburg, TX	06/24/80
80-FW-18-0058	City of Dublin	Dublin, TX	06/24/80
80-FW-18-0060	City of Spur	Spur, TX	06/26/80
80-FW-18-0061	Hemphill	Hemphill, TX	06/26/80
80-FW-18-0062	City of Hamilton	Hamilton, TX	06/26/80
80-FW-18-0063	Joaquin	Joaquin, TX	06/26/80
80-FW-18-0064	City of DeLeon	DeLeon, TX	06/26/80
80-FW-18-0065	City of Benjamin	Benjamin, TX	06/26/80
80-FW-18-0068	Apache Tribe of Oklahoma	Anadarko, OK	07/02/80
80-FW-18-0070	City of Norman	Norman, OK	07/03/80
80-FW-18-0071	Bell County	Bell County, TX	07/10/80
80-FW-18-0072	Aztec	Aztec, NM	07/10/80
80-FW-18-0073	Espanola	Espanola, NM	07/10/80
80-FW-18-0074	City of San Augustine	San Augustine, TX	07/10/80
80-FW-18-0075	Mountainair	Mountainair, NM	07/10/80
80-FW-18-0076	City of Lufkin	Lufkin, TX	07/14/80
80-FW-18-0077	Columbus	Columbus, NM	07/14/80
80-FW-18-0078	City of Brownfield	Brownfield, TX	07/14/80
80-FW-18-0079	City of Alamogordo	Alamogordo, NM	07/14/80
80-FW-18-0080	County of Dona Ana	Dona Ana County, NM	07/14/80
80-FW-18-0081	County of Socorro	Socorro County, NM	07/14/80
80-FW-18-0082	City of Chandler	Chandler, OK	07/17/80
80-FW-18-0083	City of Duncan	Duncan, OK	07/17/80
80-FW-18-0084	City of Bristow	Bristow, OK	07/17/80
80-FW-18-0085	Nacogdoches County	Nacogdoches Co., TX	07/17/80
80-FW-18-0086	City of Bixby	Bixby, OK	07/17/80
80-FW-18-0087	County of Conway	Morrilton, AR	07/17/80
80-FW-18-0090	City of Fordyce	Fordyce, AR	07/18/80
80-FW-18-0099	City of Gould	Gould, AR	08/04/80
80-FW-18-0100	City of Purcell	Purcell, OK	08/05/80
80-FW-18-0101	City of Stamps	Stamps, AR	08/06/80
80-FW-18-0102	City of Walters	Walters, OK	08/07/80
80-FW-18-0104	City of Frederick	Frederick, OK	08/12/80
80-FW-18-0105	City of Weatherford	Weatherford, OK	08/14/80
80-FW-18-0106	Sequoyah County	Sallisaw, OK	08/26/80
80-FW-18-0107	City of Dewey	Dewey, OK	08/26/80
80-FW-18-0109	City of Wilburton	Wilburton, OK	09/15/80
80-FW-18-0110	City of Paragould	Paragould, AR	09/17/80
80-FW-18-0111	City of Lake Village	Lake Village, AR	09/22/80
80-FW-18-0112	City of Goodwell	Goodwell, OK	09/22/80
80-FW-18-0114	Wichita and Affiliated Tribes	Anadarko, OK	09/30/80
80-DE-18-0044	Brigham City Corp.	Brigham City, UT	06/04/80
80-DE-18-0045	City of Miles City	Miles City, MT	06/04/80
80-DE-18-0047	Kaysville City Corporation	Kaysville, UT	06/06/80
80-DE-18-0048	Nephi City Corporation	Nephi, UT	06/06/80
80-DE-18-0049	Town of Yuma	Yuma, CO	06/11/80
80-DE-18-0050	City of Canon City	Canon City, CO	06/11/80

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-DE-18-0052	Town of Midland	Midland, SD	07/08/80
80-DE-18-0057	Flandreau Santee Sioux Tribe	Flandreau, SD	09/22/80
80-SE-18-0015	City of Filer	Filer, ID	06/12/80
80-SE-18-0016	City of Burley	Burley, ID	06/18/80
80-SE-18-0017	Power County	American Falls, ID	06/18/80
80-SE-18-0019	City of Klamath Falls	Klamath Falls, OR	07/08/80
80-SE-18-0020	Coos County	Coquille, OR	07/08/80
80-SE-18-0021	City of Sutherlin	Sutherlin, OR	07/08/80
80-SE-18-0022	Town of Lakeview	Lakeview, OR	07/08/80
80-SE-18-0024	City of Post Falls	Post Falls, ID	07/09/80
80-SE-18-0025	City of St. Maries	St. Maries, ID	07/11/80
80-SE-18-0026	Benewah County	St. Maries, ID	07/11/80
80-SE-18-0027	City of Moscow	Moscow, ID	07/11/80
80-SE-18-0031	Hoh Indian Tribe	Forks, WA	09/05/80
	Town of Willington	Willington, CT	04/17/80
80-BO-30-0001	Hartford Redevelopment Auth.	Hartford, CT	05/02/80
80-BO-30-0010	Hartford Redevelopment Auth.	Hartford, CT	05/20/80
80-NY-30-0001	Housing Authority of the City of Edison	Edison, NJ	05/12/80
80-NY-30-0002	Housing Authority of the City of Edison	Edison, NJ	05/16/80
80-NY-30-0030	Housing Authority of the City of Atlantic City	Atlantic City, NJ	05/29/80
80-NY-30-0033	City of Trenton	Trenton, NJ	06/02/80
80-NY-30-0034	Redevelopment Agency of the Borough of Lodi	Lodi, NJ	06/02/80
80-NY-30-0038	Village of Hempstead	Hempstead, NY	06/11/80
80-NY-30-0065	Beacon Community Development	Beacon, NY	09/16/80
80-NY-30-0067	Beacon Community Development	Beacon, NY	09/19/80
80-AT-30-0077	City of Charlotte	Charlotte, NC	06/18/80
80-BO-31-0008	City of New Britain	New Britain, CT	05/15/80
80-BO-31-0015	City of Melrose	Melrose, MA	06/20/80
80-BO-31-0025	City of Brockton	Brockton, MA	08/13/80
80-BO-31-0027	City of Chicopee	Chicopee, MA	08/29/80
80-NY-31-0001	Municipality of Carolina	Carolina, PR	04/08/80
80-NY-31-0002	Village of Massena	Massena, NY	04/30/80
80-NY-31-0003	Village of Chatham	Chatham, NY	04/30/80
80-NY-31-0004	Town of Walton	Walton, NY	04/30/80
80-NY-31-0005	Town of North Greenbush	North Greenbush, NY	04/30/80
80-NY-31-0006	Village of Bainbridge	Bainbridge, NY	04/30/80
80-NY-31-0007	Town of Plattsburgh	Plattsburgh, NY	04/30/80
80-NY-31-0008	Village of Norwood	Norwood, NY	04/30/80
80-NY-31-0009	Town of Black Brook	Black Brook, NY	04/30/80
80-NY-31-0010	Livingston County	Livingston County, NY	04/30/80
80-NY-31-0011	Town of Ellicott	Ellicott, NY	04/30/80
80-NY-31-0035	Community Development Agency of the City of Yonkers	Yonkers, NY	06/09/80
80-NY-31-0044	County of Essex	Essex County, NJ	07/07/80
80-NY-31-0046	City of Troy	Troy, NY	07/03/80
80-NY-31-0050	City of Binghamton	Binghamton, NY	07/11/80
80-NY-31-0056	Township of Mount Holly	Mount Holly, NJ	08/13/80
80-NY-31-0059	City of Albany	Albany, NY	08/21/80
80-NY-31-0064	City of Schenectady	Schenectady, NY	09/12/80
80-NY-31-0068	City of Guilderland	Guilderland, NY	09/18/80
80-NY-31-0069	City of Pleasantville	Pleasantville, NJ	09/19/80
80-NY-31-0072	City of Watervliet	Watervliet, NY	09/30/80
80-PH-31-0051	Scranton	Scranton, PA	07/31/80
80-PH-31-0055	City of New Kensington	New Kensington, PA	08/15/80

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-AT-31-0001	Town of Ackerman	Ackerman, MS	04/03/80
80-AT-31-0002	Lauderdale County	Meridian, MS	04/03/80
80-AT-31-0003	Grenada County	Grenada, MS	04/03/80
80-AT-31-0004	City of Macon	Macon, MS	04/03/80
80-AT-31-0005	Town of Duck Hill	Duck Hill, MS	04/03/80
80-AT-31-0006	Town of Winnsboro	Winnsboro, SC	04/03/80
80-AT-31-0012	Town of Johnston	Johnston, SC	04/10/80
80-AT-31-0013	Town of Wagener	Wagener, SC	04/11/80
80-AT-31-0015	Town of Goodman	Goodman, MS	04/14/80
80-AT-31-0017	Town of Allendale	Allendale, SC	04/16/80
80-AT-31-0018	Town of Ware Shoals	Ware Shoals, SC	04/16/80
80-AT-31-0020	City of Munfordville	Munfordville, KY	04/17/80
80-AT-31-0021	City of Mulberry	Mulberry, FL	04/17/80
80-AT-31-0022	McCormick County	McCormick, SC	04/17/80
80-AT-31-0027	Town of Andrews	Andrews, SC	04/23/80
80-AT-31-0028	Town of Varnville	Varnville, SC	04/23/80
80-AT-31-0029	City of Mullins	Mullins, SC	04/23/80
80-AT-31-0031	Chesterfield County	Chesterfield, SC	04/30/80
80-AT-31-0032	Town of Pageland	Pageland, SC	04/30/80
80-AT-31-0033	City of Leland	Leland, MS	05/05/80
80-AT-31-0034	Town of Bude	Bude, MS	05/05/80
80-AT-31-0036	Wayne County	Waynesboro, MS	05/06/80
80-AT-31-0038	Town of Aurora	Aurora, NC	05/09/80
80-AT-31-0039	Town of Boyle	Boyle, MS	05/12/80
80-AT-31-0040	Town of Renova	Renova, MS	05/12/80
80-AT-31-0043	City of Gulfport	Gulfport, MS	05/13/80
80-AT-31-0046	New Hanover County	Wilmington, NC	05/16/80
80-AT-31-0047	Town of Opp	Opp, AL	05/16/80
80-AT-31-0048	City of Macclenny	Macclenny, FL	05/20/80
80-AT-31-0049	City of Collinsville	Collinsville, AL	05/21/80
80-AT-31-0050	City of Daleville	Daleville, AL	05/23/80
80-AT-31-0051	Town of Cottonwood	Cottonwood, AL	05/23/80
80-AT-31-0052	Town of Princeton	Princeton, NC	05/27/80
80-AT-31-0053	Town of Triana	Triana, AL	05/27/80
80-AT-31-0055	Washington County	Chatom, AL	05/28/80
80-AT-31-0056	Town of Linden	Linden, AL	05/29/80
80-AT-31-0057	Town of Greenville	Greenville, AL	05/29/80
80-AT-31-0058	Town of Eclectic	Eclectic, AL	05/29/80
80-AT-31-0059	Town of Zebulon	Zebulon, NC	06/03/80
80-AT-31-0060	City of Millbrook	Millbrook, AL	06/03/80
80-AT-31-0061	Town of Forkland	Forkland, AL	06/03/80
80-AT-31-0062	Town of Boligee	Boligee, AL	06/03/80
80-AT-31-0101	City of Springfield	Springfield, TN	07/21/80
80-AT-31-0103	City of Jellico	Jellico, TN	07/24/80
80-AT-31-0109	Town of Waxhaw	Waxhaw, NC	08/08/80
80-AT-31-0110	City of Prichard	Prichard, AL	08/15/80
80-CH-31-7	City of DeKalb	DeKalb, IL	04/25/80
80-CH-31-8	City of Canton	Canton, OH	05/09/80
80-CH-31-0019	City of Rockford	Rockford, IL	07/15/80
80-FW-31-0002	City of Waelder	Waelder, TX	04/09/80
80-FW-31-0006	City of Edna	Edna, TX	04/09/80
80-FW-31-0007	Elgin	Elgin, TX	04/09/80
80-FW-31-0008	City of Gonzales	Gonzales, TX	04/09/80
80-FW-31-0009	City of Round Rock	Round Rock, TX	04/09/80
80-FW-31-0010	Brooks County and City of Falfurrias	Falfurrias, TX	04/09/80
80-FW-31-0014	Polk County	Livingston, TX	04/24/80
80-FW-31-0015	Town of Independence	Independence, LA	04/25/80

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-FW-31-0016	Town of Maringouin	Maringouin, LA	04/25/80
80-FW-31-0017	City of Morgan City	Morgan City, LA	04/25/80
80-FW-31-0018	City of Zachary	Zachary, LA	04/25/80
80-FW-31-0019	County of Desha	Desha County, AR	05/07/80
80-FW-31-0020	City of Kenner	Kenner, LA	05/05/80
80-FW-31-0021	Town of Vinton	Vinton, LA	05/05/80
80-FW-31-0022	City of Sulphur	Sulphur, LA	05/05/80
80-FW-31-0023	Town of Bunkie	Bunkie, LA	05/07/80
80-FW-31-0024	Town of Cheneyville	Cheneyville, LA	05/07/80
80-FW-31-0025	Village of Moreauville	Moreauville, LA	05/07/80
80-FW-31-0027	Ouachita Parish Police Jury	Monroe, LA	05/28/80
80-FW-31-0028	Crockett	Crockett, TX	06/05/80
80-FW-31-0029	Carrizo Springs	Carrizo Springs, TX	06/02/80
80-FW-31-0059	St. Francis County	Forrest City, AR	06/26/80
80-FW-31-0091	City of West Monroe	West Monroe, LA	07/18/80
80-FW-31-0092	Benton	Benton, AR	07/22/80
80-FW-31-0098	City of Fort Worth	Fort Worth, TX	08/01/80
80-KC-31-0003	Davenport	Davenport, IA	04/18/80
80-KC-31-0004	St. Louis	St. Louis, MO	05/05/80
80-KC-31-0005	Council Bluffs	Council Bluffs, IA	05/14/80
80-KC-31-0013	City of Sedalia	Sedalia, MO	07/29/80
80-KC-31-0022	City of Centerville	Centerville, IA	09/29/80
80-DE-31-0001	City Dunseith	Dunseith, ND	04/02/80
80-DE-31-0002	City of Egeland	Egeland, ND	04/03/80
80-DE-31-0003	Town of Ravinia	Ravinia, SC	04/11/80
80-DE-31-0004	City of Wasta	Wasta, SD	04/14/80
80-DE-31-0005	Yankton County	Yankton, SD	04/14/80
80-DE-31-0006	Ravalli County	Florence, MT	04/14/80
80-DE-31-0007	City of Cogswell	Cogswell, ND	04/15/80
80-DE-31-0008	Gregory County	Fairfax, SD	04/15/80
80-DE-31-0009	City of Pleasant View	Pleasant View, UT	04/15/80
80-DE-31-0010	City of Grenville	Grenville, SD	04/16/80
80-DE-31-0011	City of West Point	West Point, UT	04/16/80
80-DE-31-0012	City of DeSmet	DeSmet, SD	04/16/80
80-DE-31-0013	City of Brookings	Brookings, SD	04/18/80
80-DE-31-0014	City of Ipswich	Ipswich, SD	04/22/80
80-DE-31-0015	City of Helena	Helena, MT	04/17/80
80-DE-31-0016	City of Wolf Point	Wolf Point, MT	04/24/80
80-DE-31-0017	City of Gary	Gary, SD	04/24/80
80-DE-31-0018	City of Deadwood	Deadwood, SD	04/24/80
80-DE-31-0020	Town of Windsor	Windsor, CO	05/05/80
80-DE-31-0021	City of Shelby	Shelby, MT	05/06/80
80-DE-31-0022	City of Hot Springs	Hot Springs, MT	05/06/80
80-DE-31-0023	Town of Meeteetse	Meeteetse, WY	05/06/80
80-DE-31-0024	Town of Hulett, WY	Hulett, WY	05/06/80
80-DE-31-0025	Town of Cowley	Cowley, WY	05/07/80
80-DE-31-0026	City of Kramer	Kramer, ND	05/07/80
80-DE-31-0027	Brule County	Chamberlain, SD	05/08/80
80-DE-31-0028	Town of Oacoma	Oacoma, SD	05/08/80
80-DE-31-0030	City of Abercrombie	Abercrombie, ND	05/09/80
80-DE-31-0031	City of Fairmount	Fairmount, ND	05/09/80
80-DE-31-0032	City of Lodge Grass	Lodge Grass, MT	05/15/80
80-DE-31-0033	City of Glen Ullin	Glen Ullin, ND	05/15/80
80-DE-31-0034	Town of Ten Sleep	Ten Sleep, WY	05/15/80
80-DE-31-0035	Town of Granada	Granada, CO	05/16/80
80-DE-31-0036	Town of Shoshoni	Shoshoni, WY	05/16/80
80-DE-31-0037	Garfield County	Panguitch, UT	05/16/80
80-DE-31-0038	City of Columbia Falls	Columbia Falls, MT	05/16/80

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-DE-31-0039	Natrona County	Casper, WY	05/22/80
80-DE-31-0040	Town of Hinckley	Hinckley, UT	05/22/80
80-DE-31-0041	Town of Boone	Boone, CO	05/27/80
80-DE-31-0042	City of Lidgerwood	Lidgerwood, ND	05/27/80
80-DE-31-0043	City of Reynolds	Reynolds, ND	05/28/80
80-DE-31-0059	Flandreau Santee Sioux Tribe	Flandreau, SD	09/26/80
80-SF-31-0009	City of Calistoga	Calistoga, CA	06/13/80
80-SF-31-0010	Suisun City	Suisun City, CA	06/13/80
80-SF-31-0012	Mountain View	Mountain View, CA	06/20/80
80-SF-31-0015	City of Los Angeles	Los Angeles, CA	06/30/80
80-SF-31-0018	City of Santa Paula	Santa Paula, CA	07/10/80
80-SF-31-0032	ASE (Various Applicants-CDBG)	Holbrook, AZ Williams, AZ Cochise, AZ Graham County, AZ	09/16/80
80-SF-31-0033	City of Torrance	Torrance, CA	09/19/80
80-SF-31-0035	ASE (Various Applicants-CDBG)	Corning, CA Dinuba, CA Siskiyou County, CA Hughson, CA Caliente, NV Lakeport, CA	09/26/80
80-SF-31-0036	ASE (Various Applicants-CDBG)	Lone Pine, CA Payson, AZ Bishop, CA Tollhouse, CA Happy Camp, CA Boulevard, CA Pauma Valley, CA Lolita, CA Lovelock, NV Bernalillo, NM Bridgeport, CA Cosmopolis, WA	09/29/80
80-SE-31-0003	City of Cosmopolis	Cosmopolis, WA	04/29/80
80-SE-31-0004	Lane County	Eugene, OR	05/07/80
80-SE-31-0005	Cook Inlet Native Association	Anchorage, AK	05/06/80
80-SE-31-0006	City of Raymond	Raymond, WA	05/02/80
80-SE-31-0007	City of Kettle Falls	Kettle Falls, WA	05/08/80
80-SE-31-0008	City of Newport	Newport, WA	05/09/80
80-SE-31-0009	City of Chewelah	Chewelah, WA	05/09/80
80-SE-31-0010	City of Sprague	Sprague, WA	05/09/80
80-SE-31-0011	City of Pullman	Pullman, WA	05/13/80
80-SE-31-0013	Pierce County	Tacoma, WA	05/16/80
80-SE-31-0035	City of Spokane	Spokane, WA	09/30/80
80-SF-43-0019	City of Los Angeles	Los Angeles, CA	07/10/80

ADMINISTRATION (Total 78)

80-B0-01-0011	Halcyon	Hartford, CT	06/03/80
80-B0-01-0012	Massachusetts Foreign Business Council, Inc.	Boston, MA	06/13/80
80-B0-01-0013	Massachusetts Foreign Business Council, Inc.	Boston, MA	06/13/80
80-B0-01-0016	Technology and Economics, Inc.	Cambridge, MA	06/27/80
80-B0-01-0018	Cohn and Birnbaum, P.C.	Hartford, CT	07/10/80
80-B0-01-0019	P.A.C.E., Inc.	Cambridge, MA	07/15/80
80-B0-01-0024	Contract Research Corporation	Belmont, MA	08/06/80

ADMINISTRATION (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-B0-01-0028	Upper Albany Community Organiza- tion, Inc.	Hartford, CT	09/08/80
80-B0-01-0030	Hebrew Rehabilitation Center for the Aged	Boston, MA	09/11/80
80-NY-01-0001	Consumer Action Now, Inc.	New York, NY	05/16/80
80-NY-01-0031	Dialogue Systems, Inc	New York, NY	05/29/80
80-NY-01-0061	Steven Winter Associates	New York, NY	08/29/80
80-NY-01-0071	DMH Associates	New York, NY	09/19/80
80-PH-01-0001	WESTAT Corporation	Rockville, MD	04/23/80
80-PH-01-0002	University Research Corp.	Washington, DC	04/23/80
80-PH-01-0003	National Corporation for Housing Partnership	Washington, DC	04/30/80
80-PH-01-0004	International City Mgt.	Washington, DC	05/10/80
80-PH-01-0005	Urban Land Institute	Washington, DC	05/23/80
80-PH-01-0006	Housing Assistance Council	Washington, DC	06/11/80
80-PH-01-0007	American Institute of Municipal Research, Education & Training	Washington, DC	06/11/80
80-PH-01-0047	Joint Center for Political Studies	Washington, DC	07/30/80
80-PH-01-0048	Damans and Assoc. for Police Foundation	Rockville, MD	07/30/80
80-PH-01-0049	Maryland Dept. of Economic and Community Development	Annapolis, MD	07/30/80
80-PH-01-0052	Land Design/Research, Inc.	Columbia, MD	08/01/80
80-PH-01-0060	Marco Systems, Inc.	Silver Spring, MD	09/16/80
80-PH-01-0061	National Citizens Participation Council	Washington, DC	09/16/80
80-PH-01-0063	The Police Foundation	Washington, DC	09/17/80
80-PH-01-0066	University Research Corp., Macro	Washington, DC	09/29/80
80-PH-01-0069	International Business Services, Inc.	Washington, DC	09/30/80
80-PH-01-0070	Macro Systems, Inc.	Silver Spring, MD	09/30/80
80-AT-01-0019	Forsyth County	Winston-Salem, NC	04/17/80
80-AT-01-0115	Public Systems, Inc.	Huntsville, AL	08/22/80
80-FW-01-0097	Alexander Grant & Co.	Washington, DC	08/01/80
80-FW-01-0108	Housing Authority of New Orleans Urban Initiatives Anti-Crime Program	New Orleans, LA	09/10/80
80-SF-01-0004	Evaluation of the Estimated Cost for the Services to be Provided by PMC Associates	Palo Alto, CA	05/02/80
80-NY-02-0039	American Hydrotherm Corp.	New York, NY	06/24/80
80-NY-02-0051	The Conference Board	New York, NY	07/09/80
80-NY-02-0053	Rutger's University	New Brunswick, NJ	07/31/80
80-NY-02-0060	NYC Office of Economic Develop.	New York, NY	08/29/80
80-PH-02-0001	JWK International Corp.	Annandale, VA	04/04/80
80-PH-02-0002	JWK International Corp.	Annandale, VA	04/04/80
80-PH-02-0003	Community Assoc. Institute	Washington, DC	04/25/80
80-PH-02-0004	League of Cities, Conference of Mayors, Inc.	Washington, DC	05/02/80
80-PH-02-0005	National Association for Housing and Redevelopment Office	Washington, DC	05/12/80
80-PH-02-0006	National Center for Housing Mgt., Inc.	Washington, DC	05/21/80
80-PH-02-0007	Wilmington Housing Authority	Wilmington, DE	05/30/80
80-PH-02-0008	Urban Institute	Washington, DC	06/02/80

ADMINISTRATION (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-PH-02-0009	University of Pittsburgh	Pittsburgh, PA	06/06/80
80-PH-02-0010	National Center for Housing	Washington, DC	06/11/80
80-PH-02-0011	Dynamic Data Processing	Silver Spring, MD	06/13/80
80-PH-02-0044	Systems Research Co.	Philadelphia, PA	07/03/80
80-PH-02-0046	American Institute of Planners	Washington, DC	07/22/80
80-PH-02-0056	International City Management Association	Washington, DC	08/20/80
80-PH-02-0057	The American Inst. of Architects	Washington, DC	09/04/80
80-PH-02-0062	International City Management Association	Washington, DC	09/16/80
80-PH-02-0064	Southeast Development, Inc.	Baltimore, MD	09/18/80
80-PH-02-0065	Advisory Reports on Final Costs Akman Associates	Silver Spring, MD	09/29/80
80-PH-02-0067	National Committee Against Discrimination in Housing, Inc.	Washington, DC	09/30/80
80-PH-02-0068	Computer Based Systems, Inc.	Falls Church, VA	09/30/80
80-PH-02-0071	International City Management Association	Washington, DC	09/30/80
80-PH-02-0072	International Downtown Executive Association	Washington, DC	09/30/80
80-AT-02-0007	Midlands Community Action Agency	Columbia, SC	04/04/80
80-AT-02-0063	Public Systems, Inc.	Huntsville, AL	06/06/80
80-AT-02-0067	Bron Cleveland Assoc., Inc.	Atlanta, GA	06/09/80
80-AT-02-0070	Miller, Stevenson & Steinichen	Atlanta, GA	06/11/80
80-AT-02-0131	Advisory Report on Travel Land, Inc.	Lexington, KY	09/19/80
80-CH-02-0024	Municipal Finance Officers Assn.	Chicago, IL	08/11/80
80-CH-02-0031	Richway Builders, Inc.	Indianapolis, IN	09/17/80
80-CH-02-0034	River East Redevelopment Corp.	Toledo, OH	09/23/80
80-FW-02-0012	Mexican American Research Center	Austin, TX	04/11/80
80-FW-02-0066	Solar Demonstration Program	Albuquerque, NM	07/01/80
80-FW-01-0108	Housing Authority of New Orleans, Urban Initiatives Anti-Crime Program	New Orleans, LA	09/10/80
80-KC-02-0012	Native American Research Institute, Inc.	Lawrence, KS	06/24/80
80-DE-02-0055	Johns-Manville Sales Corp.	Denver, CO	08/25/80
80-SF-02-0005	National Housing and Community Development Services	Berkeley, CA	05/15/80
80-SF-02-0025	Asian, Inc.	San Francisco, CA	08/05/80
80-SF-02-0030	Center of Economic Dev. and Business Assistance, Inc.	Tucson, AZ	09/15/80
80-SF-02-0037	Brown and Caldwell Consulting Engineers	Walnut Creek, CA	09/30/80

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (TOTAL - 26)

80-TS-50-0013	Seattle Mortgage Company	Seattle, WA	04/21/80
80-TS-50-0014	Delmar Financial Company	Clayton, MO	04/21/80
80-TS-50-0015	Hamill Mortgage, Inc.	Tacoma, WA	04/21/80
80-TS-50-0016	Realbanc, Incorporated	Omaha, NE	04/21/80
80-TS-50-0019	First Denver Mortgage Company	Denver, CO	05/12/80
80-TS-50-0020	Sibley Corporation	Rochester, NY	05/12/80
80-TS-50-0022	Washington Mortgage Company, Inc.	Seattle, WA	06/06/80
80-TS-50-0023	General Mortgage Company	Chesterfield, MO	06/06/80
80-TS-50-0024	The Georgia Company	Columbus, GA	06/06/80
80-TS-50-0027	Amer. Home Savings Assn. of Texas	Garland, TX	07/22/80



GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
80-TS-50-0028	Southern Trust and Mortgage Co.	Dallas, TX	07/22/80
80-TS-50-0029	Farm and Home Savings Assn.	Nevada, MO	07/22/80
80-TS-50-0030	Boulevard Mortgage Company	Philadelphia, PA	07/22/80
80-TS-50-0031	Mercury Mortgage Service Corp.	Hayward, CA	07/22/80
80-TS-50-0037	Moore Mortgage Company	Denver, CO	08/20/80
80-TS-50-0038	Heitman Financial Services, Ltd.	Chicago, IL	08/20/80
80-TS-50-0039	Draper and Kramer, Inc.	Chicago, IL	08/20/80
80-TS-50-0040	Commerce Mortgage Company	Portland, OR	08/20/80
80-TS-50-0041	Laurance Eustis Mortgage Corp.	New Orleans, LA	08/20/80
80-TS-50-0042	Enterprise Mortgage Service of California	San Leandro, CA	08/20/80
80-TS-50-0043	Republic Realty Mortgage Corp.	Chicago, IL	08/20/80
80-TS-50-0048	Millikin Mortgage Company	Decatur, IL	09/19/80
80-TS-50-0049	Millikin National Bank of Decatur	Decatur, IL	09/19/80
80-TS-50-0050	The Pfefferkorn Company, Inc.	Winston-Salem, NC	09/19/80
80-TS-50-0051	Standard Mortgage Corp. of GA.	Atlanta, GA	09/19/80
80-TS-50-0052	Golden Gate Mortgage, Inc.	Campbell, CA	09/19/80

OTHER PROGRAMS (TOTAL 29)

80-B0-XX-0020	M.J. Hanley Company	Quincy, MA	07/18/80
80-B0-XX-0031	Mass. Energy Management Co.	Boston, MA	09/25/80
80-PH-XX-0001	Community Methods, Inc.	Washington, DC	05/01/80
80-PH-XX-0002	Crawford Edgewood Mgrs. Co., Inc. Transamerica Mgt. Inc.	Lansdownne, MD	05/12/80
80-FW-XX-0113	Counseling for Tenants & Home-owners Program Central City Housing Development Corporation	New Orleans, LA	09/30/80
80-TS-XX-0001	Maywood Senior Citizen Housing Corporation	Maywood, NY	03/26/80
80-TS-XX-0002	Proposed Housing Project, Madison	Madison, NJ	03/24/80
80-TS-XX-0003	Morning Star Village Apartments	Tulsa, OK	03/28/80
80-TS-XX-0004	Vernon Manor Apartments	Tulsa, OK	03/28/80
80-TX-XX-0005	Fairway Apartments	Fairburn, GA	03/27/80
80-TS-XX-0006	Ujima Village	Los Angeles, CA	03/28/80
80-TS-XX-0007	Mrs. Opal Bowers	Trenton, MI	03/25/80
80-TS-XX-0008	Carbondale	Carbondale, IL	03/26/80
80-TS-XX-0009	Proposed Project, Salem	Salem, OH	03/28/80
80-TS-XX-0010	Cameo Gardens	Willimantic, CT	03/27/80
80-TS-XX-0011	Oriental Masonic Gardens	New Haven, CT	03/27/80
80-PH-99-0005	Astro Homes Realty Co.	Philadelphia, PA	05/22/80
80-PH-99-0012	Administration of HUD Programs	Sunbury, PA	06/19/80
80-PH-99-0013	Wilmington Housing Authority	Wilmington, DE	06/20/80
80-PH-99-0014	Praful Shah & Associates	Columbia, MD	06/23/80
80-PH-99-0015	K.S. Sweets	King of Prussia, PA	06/23/80
80-PH-99-0016	International Business Svc. Inc.	Washington, DC	06/23/80
80-PH-99-0017	Delphi Research Associates	Washington, DC	06/23/80
80-PH-99-0018	InterAmerica Research Associates U.S. Small Business Admin.	Rosslyn, VA	06/23/80
80-PH-99-0019	Porter, Norelli Associates	Washington, DC	06/23/80
80-PH-99-0020	Beacon Terrace Mutual Homes, Inc.	Edgewood, MD	06/23/80
80-PH-99-0021	National Corp. for Housing Partnership	Washington, DC	06/24/80
80-PH-99-0022	National Academy of Public Admin.	Washington, DC	06/23/80
80-PH-99-0043	District of Columbia Redevelopment Land Dispostion Activities	Washington, DC	06/23/80

GRAND TOTAL - EXTERNAL AUDIT AND ACCOUNTING  
SYSTEM EVALUATION REPORTS - 581

PART 2

INFORMATION ON  
OFFICE OF INSPECTOR GENERAL  
ACTIVITIES AND SPECIAL EFFORTS  
DURING FISCAL YEAR 1980

## I. AUDIT OPERATIONS

### HIGHLIGHTS OF FY 1980 ACTIVITIES

Highlights of our audit activities during FY 1980 are as follows:

- Spent a total of 263.3 direct audit staff years on audits and related activities, including 27.4 direct audit staff years on activities dealing with fraud control and detection (page 54).
- Issued 151 internal audit and survey reports and 914 external audit and accounting system evaluation reports (pages 56 and 57).
- Accepted 25 external audit reports covering HUD-funded activities prepared by other Federal agencies (page 59).
- Reviewed and accepted 4,917 external audit reports prepared by non-Federal auditors, i.e., Independent Public Accountants and state and local auditors (page 58).
- Reported 10,404 audit findings, including monetized findings of about \$17.3 million which were concurred in by HUD (pages 60 and 62).
- Achieved cash recoveries as a result of audits totaling about \$17 million (page 63).
- Spend 29.3 direct audit staff years monitoring the work of non-Federal auditors (Independent Public Accountants) whose audits, in turn, resulted in about \$62.5 million of monetized audit findings which were concurred in by HUD and cash recoveries of about \$8.7 million (pages 59, 62 and 63).
- Spend 10.9 direct audit staff years following up on the resolution of audit findings and resolved 8,426 audit findings, or about 86 percent of the 9,828 findings within HUD's Audits Management System time frames for resolution had expired (pages 61 and 60).
- Referred 15 mortgage companies to HUD's Mortgagee Review Board for appropriate action (page 64).
- Devoted 7.4 direct audit staff years to assisting United States Attorneys in their prosecutive efforts (page 55).
- Carried out a Departmentwide program for coordination and liaison with the General Accounting Office (page 64).

## A. AUDIT PLANNING AND ALLOCATION OF AUDIT TIME

### 1. ANNUAL AUDIT PLAN

The Annual Audit Plan represents our formal plan of action for the management of our audit resources and workload during the fiscal year. The Annual Audit Plan is based upon information and suggestions obtained from all levels of the OIG and HUD program staff, and also recognizes the interest and concerns of the President, Congress, other Federal agencies and the general public.

Our Annual Audit Plan for FY 1981 has been developed and is now being implemented. The Plan is sufficiently flexible and can accommodate changes in priorities which may occur during the implementation stage. It permits the shifting of audit emphasis and staff resources from planned audit assignments to newly determined areas that may be in urgent need of audit attention.

All audits included in the Annual Audit Plan can be classified as being internal (i.e., audits of HUD operations and programs), external (i.e., audits of HUD program participants) or a combination of both (see Appendix 1 for a more detailed explanation of an internal and external audit). However, for the sake of clarity and accountability, the Plan divides the audit workload into four functional areas: (1) scheduled internal audits; (2) fraud control and detection audits; (3) external audits; and (4) departmentwide assistance activities (i.e., following up on audit findings, monitoring Independent Public Accountant (IPA) audits, operational surveys, and assistance to United States Attorneys).

Although external audits and departmentwide assistance activities involve nearly two-thirds of our audit resources each year, the planning requirements for internal and fraud control audits are far more involved due in part to the extent and complexity of potential audit subjects.

OMB Circular No. A-73 (Revised) prescribes criteria which are to be applied to audit subjects under consideration for annual audit plans. Our policy regarding priority assignment of audit subjects includes OMB's criteria, and also includes two additional considerations: one is the Inspector General Act's mandate to detect and prevent fraud and program abuse; the other involves recognition of areas being emphasized by the President and the Secretary.

### 2. FY 1980 DISTRIBUTION OF ACTUAL DIRECT AUDIT TIME

Table 1 provides a summary of the distribution of actual direct audit time for FY 1980. As shown, 263.3 direct audit staff years were expended in FY 1980. Almost 60 percent of this time was spent auditing HUD's two principal program areas, namely, Housing and Community Planning and Development.

Most of the audits comprising the universe of external audits are performed by Independent Public Accountants (page 58); however, as shown in Table 1, 52 percent of total actual direct audit staff time during FY 1980 was spent on external audit work, while the balance (48 percent) was devoted to internal audit work.

The category of departmentwide assistance, which consumed 40.7 direct audit staff years or 15.5 percent of the total direct audit staff years expended in FY 1980, is comprised of the following: (1) monitoring Independent Public Accountants (29.3 staff years); (2) following up on audit findings (10.9 staff years); and (3) other (.5 staff years).

Total actual direct internal audit time shown in Table 1 also includes approximately 27.4 direct audit staff years spent on activities related to fraud control and detection. This includes: (1) assistance to United States Attorneys (7.4 staff years); (2) conventional operational surveys (4.6 staff years); (3) special operational surveys - CDBG Recipients (14.0 staff years); and (4) other (1.4 staff years).

Our internal audits also indirectly provide us with external audit coverage, although the time so expended is included as internal audit time. This external coverage occurs because of the nature of internal audits which, among other matters, involves reviewing selected operations of a sample of HUD program participants as part of the audit's overall assessment of the effectiveness of the HUD programs or operations involved.

Program/Activity	Distribution of FY 1980 Direct Audit Staff Years					
	External Audits		Internal Audits		Total	
	Actual Staff Years	Percent	Actual Staff Years	Percent	Actual Staff Years	Percent
Housing	75.4	55.1%	31.0	24.5%	106.4	40.4%
Community Planning & Develop.	47.9	35.0%	3.0	2.4%	50.9	19.3%
Departmentwide Assistance	-	-	40.7	32.2%	40.7	15.5%
Administration and Other	9.1	6.6%	23.4	18.5%	32.5	12.3%
Fraud Control and Detection	-	-	27.4	21.7%	27.4	10.4%
Gov't Nat'l. Mtg. Assoc.	4.5	3.3%	.9	.7%	5.4	2.1%
TOTALS	<u>136.9</u>	<u>100%</u>	<u>126.4</u>	<u>100%</u>	<u>263.3</u>	<u>100%</u>
As a Percent. of Total Direct Audit Time		<u>52.0%</u>		<u>48.0%</u>		<u>100%</u>

Table 1. Distribution of Actual Direct Audit Time (By Staff Years) - FY 1980

B. AUDIT, SURVEY AND ACCOUNTING SYSTEM  
EVALUATION REPORTS ISSUED BY THE OIG

1. INTERNAL AUDIT AND SURVEY REPORTS

We issued 151 internal audit and survey reports in FY 1980 (Table 2). Of these reports, 24 were nationwide reports, i.e., reports which summarized the results of several Regional Office audit reports and which disclosed major trends of adverse conditions or significant deficiencies in program administration on a nationwide basis. Nationwide reports are directed to the applicable Assistant Secretary, or equivalent, for appropriate action on the reported findings and recommendations. As shown in Table 2, about 32 percent of our internal audit and survey reports issued during FY 1980 were in the Housing area.

<u>Program/Activity</u>	Internal Audit and Survey Reports Issued - FY 1980	
	<u>Number</u>	<u>Percent</u>
Housing	48	32%
Fraud Control & Detection	42	28%
Administration	34	23%
Departmentwide Assistance	15	10%
Community Planning and Development	7	4%
Other (e.g., Federal Insurance, New Communities, etc.)	<u>5</u>	<u>3%</u>
TOTAL	<u>151</u>	<u>100%</u>

Table 2. Internal Audit and Survey Reports Issued By  
Major Program or Activity - FY 1980

During FY 1980, our internal audit reports on HUD program operations and activities produced 458 internal audit findings which had to be controlled, i.e., followed up for corrective action and resolution of the findings. About 43 percent of these findings were in the Housing area, 31 percent were in the Administration area, 20 percent were in the Community Planning and Development area and six percent pertained to other programs.

A listing of internal audit reports issued during the last six months of FY 1980 can be found in Section X of Part 1 of this report (page 35). A listing of internal audit reports issued during the first six months of FY 1980 can be found in Section XII of our previous Semiannual Report to the Congress dated April 30, 1980.

2. EXTERNAL AUDIT AND ACCOUNTING  
SYSTEM EVALUATION REPORTS

During FY 1980, we issued 914 external audit and accounting system evaluation reports (Table 3). As shown in Table 3, 498 or 55 percent of these reports were in the Community Planning and Development (CPD) area. Of the 498 reports in the CPD area, 122 or 25 percent concerned the results of audits of Community Development Block Grant recipients, while 376 or 75 percent concerned accounting system evaluations (primarily in the Small Cities Program area). Overall, we performed 376 accounting system evaluations during FY 1980. These evaluations are for the purpose of determining whether a recipient's accounting system is capable of furnishing accurate financial data and reports on a timely basis consistent with HUD requirements.

<u>Program/Activity</u>	<u>External Audit/ Accounting System Evaluation Reports Issued - FY 1980</u>	
	<u>Number</u>	<u>Percent</u>
Community Planning & Development	498	55%
Housing	222	24%
Administration (Contract Cost Audits and Pricing Proposal Evaluations)	133	14%
Other	61	7%
TOTAL	<u>914</u>	<u>100%</u>

Table 3. OIG-Issued External Audit and Accounting System Evaluation Reports by Major Program Area - FY 1980

The program area which had the next highest number of external audit reports was the Housing area with 222 or 24 percent of the total reports. Within the Housing area, 81 or 36 percent of the reports concerned multifamily mortgagor operations, while 50 or 23 percent concerned mortgagee operations.

In addition to the 914 external audit/accounting system evaluation reports issued in FY 1980, we also reviewed and accepted 4,917 external audit reports on HUD program participants which were prepared by Independent Public Accountants (IPAs) and state and local auditors. During FY 1980, our audit reports and those prepared by non-Federal auditors produced 9,946 external audit findings which had to be controlled, i.e., followed up for corrective action and resolution of the findings. About 51 percent of these findings were in the Housing area, while 49 percent were in the Community Planning and Development area.

A listing of external audit reports issued during the last six months of FY 1980 can be found in Section X of Part I of this report (page 41). A listing of external audit reports issued during the first six months of FY 1980 can be found in Section XII of our previous Semiannual Report to the Congress dated April 30, 1980.

C. AUDIT REPORTS PREPARED BY NON-FEDERAL AUDITORS

1. USE OF INDEPENDENT PUBLIC ACCOUNTANTS AND STATE AND LOCAL AUDITORS TO PERFORM EXTERNAL AUDITS

The universe of potential external audits of HUD program participants is estimated at over 48,000; however, the universe varies at any given time. For the OIG to perform an audit of each member of this universe on a reasonably-timed basis would be beyond the capabilities of existing staff resources. Therefore, because of the large universe of potential annual external audits, we must rely on Independent Public Accountants (IPAs) and state and local auditors to perform most of the audits of recipients of HUD assistance. The majority of non-OIG audits of HUD program participants, however, are performed by IPAs in contrast to state or local government auditors. Generally, an IPA is defined as either: (1) a public accountant licensed or registered on or before December 31, 1970, by a regulatory authority of a state or other political subdivision of the United States and, who meets any legal requirements concerning registration by the state in which the auditee is located; or (2) a Certified Public Accountant.

Table 4 shows, by major program area, the number of IPA audit reports that the OIG reviewed and accepted during FY 1980. As shown, 2,721 or 55.3 percent of the 4,917 reports accepted were in the Community Development Block Grant Program, while 1,828 or 37.2 percent were in the Low-Rent Housing Program.

<u>Program</u>	<u>IPA Reports Reviewed/Accepted - FY 1980</u>	
	<u>Total</u>	<u>Percent</u>
Community Develop. Block Grant	2,721	55.3%
Low-Rent Housing (LRH)	1,828	37.2%
Other	<u>368</u>	<u>7.5%</u>
TOTAL	<u>4,917</u>	<u>100%</u>

Table 4. IPA Audit Reports Reviewed and Accepted By Major Program Area - FY 1980



The area which constitutes the largest portion of the external audit universe and which results in the greatest number of IPA reports is the Insured Housing area. The OIG, however, does not have review and acceptance responsibility for IPA reports in this area as this is a HUD program management responsibility. However, we routinely audit management's control and use of such reports (see Department-wide Assistance, page 38).

As appropriate, IPA audit findings are controlled for follow up and resolution in accordance with the Department's Audits Management System (page 60).

## 2. MONITORING INDEPENDENT PUBLIC ACCOUNTANTS

We have been monitoring the audit work performed by IPAs since the time the IPA program was first established in 1972. During FY 1980, we spent the equivalent of about 29.3 staff years on IPA monitoring activities.

The Inspector General Act of 1978 requires each OIG to take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities, and functions. Our IPA monitoring program consists of reviewing IPA reports for acceptability, conducting selected field reviews of IPA working papers, and evaluating the scope of IPA audit work.

We are also responsible for initiating sanctions against IPAs. Such sanctions usually consist of referral to the appropriate state regulatory authority, state accounting board, or American Institute of Certified Public Accountants (AICPA), for review and adjudication and/or initiation of a recommendation to the responsible HUD official to suspend or debar the IPA from participating in the Department's programs. During FY 1980, we initiated action to debar an IPA from participating in HUD programs due to his lack of independence.

## D. AUDIT REPORTS PREPARED BY OTHER AGENCIES

Some Federal agencies (including HUD) have audit cognizance responsibilities with respect to specific program participants receiving funds from more than one Federal agency, either under a grant or contract arrangement. In HUD's case, these agencies are responsible for auditing any HUD-financed activities carried out by these participants. As such, they are reimbursed for their audit services.

The principal agencies performing audit work for HUD are the Defense Contract Audit Agency and the Department of Health and Human Services. In FY 1980, we accepted 25 audit reports covering HUD activities which were prepared by other Federal agencies.

## E. FOLLOW-UP AND CLEARANCE OF AUDIT FINDINGS AND RECOMMENDATIONS

### 1. AUDITS MANAGEMENT SYSTEM

The Department's Audits Management System, established at the direction of the HUD Secretary on December 22, 1977, assures the continued interest of HUD managers who are responsible for taking closing actions and assuring that all audit recommendations are satisfactorily resolved and implemented. Briefly, this is accomplished through a top management Audits Resolution Committee chaired by the Under Secretary, and through its two working groups, namely: the Headquarters Audits Review Group chaired by the Assistant Secretary for Administration and the Field Audits Review Group chaired by the Deputy Under Secretary for Field Coordination. Audit findings that are not resolved within prescribed time frames are automatically referred to Headquarters and then to the Audits Resolution Committee for final resolution.

The implementation of the Audits Management System has resulted in a more rapid resolution of recommendations contained in audit reports covering HUD program participants and HUD internal activities. This is evidenced by the operating results during FY 1980. We reported 10,404 audit findings in FY 1980. The number of audit findings wherein the Audits Management System time frames had expired in FY 1980 totaled 9,828. Of these audit findings, 8,426 or about 86 percent were closed at September 30, 1980.

The Audits Management System is one of HUD's most important management tools and is an integral part of the Department's Executive Management Reporting System (a goals management-type system). As part of this system, Headquarters and Regional performance under the Audits Management System is monitored monthly. The Audits Management System will serve as a sound basis for implementing Section 305 of the Supplemental Appropriations and Rescission Act of 1980 (P.L. 96-304) which concerns the timely resolution of pending and new audits.

### 2. DEPARTMENTAL POST-AUDIT REVIEW AND VERIFICATION OF CLOSED AUDIT FINDINGS

In order to verify the actual implementation of our audit recommendations, the Audits Management System requires post-audit review and verification of the more important audit findings within six months after they are closed. The OIG is responsible for selecting audit recommendations for post-audit verification and for advising the Deputy Under Secretary for Field Coordination and Headquarters action officials on a monthly basis of such decisions.

In FY 1980, we referred over 345 findings/recommendations for post-audit verification. Top management is not only involved in resolving findings on a timely basis, but also in ensuring that post-audit verifications are made to check the quality of actions taken by the auditee on selected closed audit recommendations. In this regard, the Deputy Under Secretary for Field Coordination has issued guidelines for Regional verification systems. In addition, his staff makes periodic field reviews to: (1) determine if the Region has adopted and is using the guidelines; and (2) verify selected closed audit recommendations.

As appropriate, the OIG reviews the Department's post-audit verification system to determine its effectiveness in ensuring that satisfactory actions are being taken on audit findings.

### 3. OIG FOLLOW-UP EFFORTS

During FY 1980, we reported 10,404 audit findings covering the operations of HUD and its program participants (9,946 external and 458 internal audit findings). Because of the large volume of reported audit findings, we had to spend a considerable amount of time following up on the resolution of such findings. In FY 1980, we spent the equivalent of 10.9 direct audit staff years in this area. This represented about nine percent of our direct internal audit time during FY 1980.

We continue to look upon the audit finding follow-up area as being of critical importance to our audit efforts which are aimed at achieving positive improvements in the administration of HUD programs and activities through implementation of audit recommendations and appropriate consideration of the information contained in audit reports.

#### F. MONETIZED AUDIT FINDINGS CONCURRED IN BY HUD

During FY 1980, HUD management sustained (i.e., concurred in) audit findings reported by the OIG and non-Federal auditors which involved \$79.8 million of ineligible or questionable costs (Table 5). The \$79.8 million of sustained audit findings represents a substantial increase over the \$27.5 million of sustained findings reported in FY 1979 (page 62).

The audit findings in support of the subject costs are primarily in the external audit area (i.e., audits involving HUD program participants) and are not reported until we are advised in writing by the appropriate HUD program official that he or she has concurred in the audit findings and has requested the recipient of the program funds to make restitution or take other corrective action. Recovery of the funds involved may not always be realized, and if realized, may not take place in the year the costs are concurred in by HUD.

There is no definite trend or pattern in the amount of monetized audit findings from year to year. Such annual audit findings are affected by a variety of factors such as types of programs audited, amount of program funds audited, extraordinary items, type of costs incurred, and internal versus external audit emphasis.

Program/Activity	FY 1980		
	Monetized Audit Findings Concurred in By HUD		
	OIG	Non-Federal Audit	Total
<u>Insured Housing</u>			
Mortgagor Cost	\$ 954,264	\$ -0-	\$ 954,264
Mortgagor Operations	1,807,059	-0-	1,807,059
Mortgagees	815	-0-	815
<u>Assisted Housing</u>			
Area Management Brokers	8,721	-0-	8,721
Low Income Housing	1,025,344	3,694,944	4,720,288
HUD-owned Multifamily Projects	68,569	-0-	68,569
Indian Housing	169	-0-	169
<u>Community Planning &amp; Development</u>			
Model Cities	4,597,151	-0-	4,597,151
Community Development Block Grants	5,022,447	57,472,968	62,495,415
Urban Renewal/Neigh- borhood Development	3,313,579	1,185,096	4,498,625
Comprehensive Planning	259,725	120,020	379,745
Neighborhood Facilities	80,176	11,496	91,672
Open Space	23,801	-0-	23,801
<u>Administration</u>			
Cost Reimbursable Contracts	46,608	-0-	46,608
<u>Federal Disaster Asst.</u>	64,070	-0-	64,070
<b>TOTALS</b>	<b>\$17,284,445</b>	<b>\$62,484,524</b>	<b>\$79,768,969</b>

Table 5. OIG/IPA Monetized Audit Findings Concurred in By HUD - FY 1980

G. AUDIT CASH RECOVERIES

Cash recoveries resulting from OIG audits during FY 1980 totaled almost \$17 million, while audits of non-Federal auditors produced an additional \$8.7 million (Table 6). The \$25.7 million of cash recoveries in FY 1980 has substantially exceeded the \$13.1 million of cash recoveries in FY 1979.

<u>Program/Activity</u>	<u>Audit Cash Recoveries - FY 1980</u>		
	<u>OIG</u>	<u>Non-Federal Audit</u>	<u>Total</u>
<u>Insured Housing</u>			
Mortgagor Operations	\$ 2,091,931	\$ -0-	\$ 2,091,931
Mortgagees	815	-0-	815
<u>Assisted Housing</u>			
Area Management Brokers	1,177	-0-	1,177
Low Income Housing	859,790	3,600,811	4,460,601
HUD-owned Multifamily Projects	4,277	-0-	4,277
Indian Housing	-0-	169	169
<u>Community Planning &amp; Development</u>			
Model Cities	120,014	-0-	120,014
Community Development Block Grants	1,482,536	4,240,515	5,723,051
Urban Renewal/Neigh- borhood Development	8,060,532	479,476	8,540,008
Code Enforcement	2,127	-0-	2,127
Comprehensive Planning	-0-	356,518	356,518
Neighborhood Facilities	54,516	11,496	66,012
Open Space	23,801	-0-	23,801
<u>Administration</u>			
Cost Reimbursable Contracts	46,608	-0-	46,608
<u>Neighborhoods, Voluntary Assoc. &amp; Consumer Protect.</u>			
Mobile Home Inspection Pro.	4,155,587	-0-	4,155,587
<u>Federal Disaster Asst.</u>	64,070	-0-	64,070
<b>TOTALS</b>	<b>\$16,967,781</b>	<b>\$ 8,688,985</b>	<b>\$25,656,766</b>

Table 6. Cash Recoveries From Audits - FY 1980

Cash recoveries as a result of audits are reported only after we have satisfactory evidence that HUD's program costs have actually been reduced. Monies recovered become available for reprogramming to grantees or borrowers within the programs involved.

The impact of our audit program should not be weighed only in terms of actual and potential cash recoveries. As a result of our audits, improvements are often made in HUD and program participant procedures and systems for implementing Departmental programs. While these improvements cannot always be expressed in monetary terms, their beneficial impact is real in view of the improved efficiency and effectiveness of operations that often result from such improvements.

#### H. REFERRALS TO MORTGAGEE REVIEW BOARD

In 1975, HUD established the Mortgagee Review Board in order to strengthen the Department's monitoring and control of mortgagee performance, to ensure better responses to consumer complaints, and to act on poor performance by mortgagees. The Board has the authority to take a range of sanctions up to and including the withdrawal of the HUD-approved status of mortgagees.

Matters considered by the Board can generally be divided into two categories: actions against mortgagees who fail to submit required financial statements; and actions against mortgagees for improper performance. The establishment of the Board has served to improve mortgagee performance and exclude from participation in HUD programs those mortgagees who do not comply with the Department's procedures.

In FY 1980, we referred 15 mortgage companies to the Mortgagee Review Board. Reviews of these companies disclosed program violations such as: use of strawbuyers; questionable processing of insured loans; questionable payments to third parties; charging of excessive closing costs; delays in payments of prior liens; improper handling of deposits and employment verifications; loan documents signed by persons other than original applicants; simulated sales; improper processing of HUD-FHA insured mortgages; falsification of mortgagor down payments; and secondary financing. With respect to the cases we referred, the Mortgagee Review Board sent letters of reprimand to two mortgagees, entered into indemnification agreements with three mortgagors, and withdrew the approval status of seven mortgagees and one branch office. Three cases were pending final action at the end of the fiscal year. Additionally, HUD realized monetary savings of about \$139,000 from Board action on a case that was referred during FY 1979 and monetary savings of about \$464,000 from one mortgagor we referred in FY 1980.

#### I. COORDINATION AND LIAISON ACTIVITIES RELATING TO THE GENERAL ACCOUNTING OFFICE

Section 4(c) of the Inspector General Act of 1978 indicates that the Inspector General shall pay particular attention to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation. Our current relationship and liaison with the General Accounting Office (GAO), through our GAO Liaison Officer, ensures the meeting of this legislative requirement.

During FY 1980, our GAO Liaison Officer monitored and alerted HUD management to 68 new assignments involving HUD activities which were started by the GAO. The GAO Liaison Officer also reviewed, processed and monitored 77 GAO draft, published or letter reports on HUD activities, prepared 50 abstracts on GAO reports to the Secretary and Under Secretary, and cleared 39 replies to GAO reports or letters.

## II. INVESTIGATION OPERATIONS

### HIGHLIGHTS OF FY 1980 ACTIVITIES

The following are highlights of some of our more important investigation activities during FY 1980:

- Opened 2,187 investigation cases involving HUD personnel, or persons or firms doing business with HUD (pages 66 and 67).
- Aided in the indictment of 161 persons or firms having business with HUD (page 70).
- Carried out investigations which led to the conviction of 125 persons or firms who received fines totaling over \$151 thousand and prison sentences totaling nearly 208 years and probated sentences totaling 226 years (page 70).
- Conducted investigations which led to 190 debarments and 187 suspensions of persons or firms having business with HUD and initiated personal actions against 60 agency employees (page 71).
- Produced cash recoveries as a result of investigations amounting to \$500 thousand (page 71). ✓
- Under HUD's personnel security program, monitored 305 Full Field Investigations and 1,806 National Agency Checks and Inquiries, reinvestigated 119 incumbents holding critical-sensitive positions and conducted 221 preappointment National Agency Checks (page 71).
- Administered a document security program for HUD covering more than 341 classified documents (page 72).
- Held 81 Standards of Conduct briefings (page 72).

#### A. INVESTIGATION WORKLOAD ACTIVITY

##### 1. CASES OPENED

In FY 1980, we opened 2,187 new investigation cases involving HUD personnel, and/or persons or firms doing business with HUD. Table 7 shows a breakdown of these cases by category of investigative matter. Of the 2,187 investigation case openings, 1,935 or 88 percent were opened by our Office of Investigation; the remaining 252 cases were originated by the FBI and other agencies.



## 2. PROFILE OF NEW CASES

As indicated in Table 7, 1,336 or 61 percent of the 2,187 investigation cases opened during FY 1980 involved some type of suspected false statement (e.g., false statements made to obtain an insured mortgage or rental subsidy benefits or to acquire a HUD-owned property, etc.). Over 86 percent of the 1,336 false statement investigations involved some type of housing program with the majority dealing with single family mortgage insurance programs. The remaining 851 investigation cases were spread across program lines and involved allegations/complaints such as bribery, kickbacks, embezzlement, conflicts of interest, labor violations, discrimination in employment and misconduct by HUD employees.

<u>Investigation Category</u>	<u>Number of Cases</u>
False Statements	1,336
FHA - Title I	183
Preemployment Checks (OIG employees only)	142
HUD Personnel (Misconduct)	105
Administration	97
Kickbacks	74
HUD Employee Complaints of Discrimination	61
Embezzlement	56
Conflicts of Interest	38
Theft	30
Wage Violations	23
Bribery	19
Other (Impersonations, Hatch Act Violations, False Advertising, Constructional Violations, Charter and Contractual Violations, Obstructions of Justice, etc.)	<u>23</u>
TOTAL	<u><u>2,187</u></u>

Table 7. New Investigation Cases Opened by Category of Investigation Matter - Fiscal Year 1980

### 3. PENDING CASES

A pending case refers to the status of an investigation during that period between opening of the case and dissemination of the report(s) to a HUD official for action. Investigations in this category would include those wherein the investigation has not been completed by the OIG, the FBI or another agency.

At September 30, 1980, we had 2,201 investigation cases either in process or awaiting investigation. Of these cases, 1,363 were FBI cases and 838 were OIG cases.

### 4. ACTIONS ON PENDING INACTIVE OR COMPLETED CASES

Pending inactive refers to the status of an investigation during that period between completion of field investigation activity and acceptance of a Disposition Report executed by the appropriate HUD official. Investigations are pending inactive when in the hands of a HUD official for review, action and execution of a Disposition Report. A pending inactive investigation is closed when all final action has been taken and reported by the proper authority.

Under HUD's Executive Management Reporting System (EMR), which tracks key administrative aspects of HUD operations, actions on completed investigations are monitored and controlled. Under this System, HUD program officials are allowed 120 days to initiate initial administrative action on completed investigation cases.

The number of cases in FY 1980 for which the time frame for initial administrative action had expired totaled 1,343. Initial administrative action was taken on 1,309 or about 97 percent of these cases as of September 30, 1980.

### B. ACTIONS ON INVESTIGATION RESULTS

Action on investigation results comes in many forms. The most common of these are:

- Indictment and prosecution within the courts.
- Civil relief through the filing of a civil court action or the claims collection process.
- Suspension or debarment in accordance with HUD's regulations.
- A "temporary denial of participation," which is a procedure similar to suspension/debarment, but less severe.

- Withdrawal of approval for a mortgage company to originate and/or service HUD-insured mortgages.
- An adverse action up to and including possible dismissal of an agency employee.
- No action warranted, for those situations wherein the evidence will not sustain an action, or the available evidence disproves the original complaint or allegation.

It is also important to keep in mind that final action with respect to any given investigation may not occur within the same fiscal or calendar year in which the investigation was completed. Actions reported in this section of the report were accomplished during FY 1980 and may have resulted from investigations completed before and during FY 1980.

1. PROCESSES FOR REFERRING MATTERS FOR PROSECUTIVE CONSIDERATION

The referral of investigation matters for prosecutive consideration by United States Attorneys and the Criminal Division of the Justice Department is accomplished in a number of ways. Currently, matters are brought to the attention of the appropriate United States Attorney in the following ways:

- Through Other Enforcement Agencies. Fraud and other types of violations of HUD programs have been historically referred to appropriate law enforcement agencies (e.g., the IRS, Postal Inspection Service, Secret Service, and the FBI) for investigation, when: (1) the complaint or allegation is specific enough to indicate the matter falls within the investigative jurisdiction of the particular agency; (2) our investigation develops information similar to that described in (1) above; or (3) we are requested to do so by a United States Attorney following our preliminary investigation. The vast majority of cases falling into this category are directed to and processed in cooperation with the FBI.
- Direct Presentation by the OIG. Our investigators present information on ongoing investigations to United States Attorneys for consideration of criminal prosecution in situations wherein: (1) legal advice with respect to criminal procedures is needed; (2) guidance with respect to the direction of any specific investigation is needed; and (3) a decision as to whether or not to prosecute a given matter is needed.

## 2. PROSECUTION DECLINATIONS

During FY 1980, United States Attorneys declined prosecution in 851 HUD-related cases referred to them by the FBI or HUD's OIG. The primary reasons for declining prosecution during FY 1980, as well as in previous years, are:

- The matter lacked jury appeal.
- There was no evidence of a Federal crime.
- A technical violation may have existed, but there was no evidence of real harm to the government or the public.
- The particular matter was not part of a pattern and when viewed as an isolated incident would not warrant Federal prosecution.
- There was nominal dollar loss to the government.

## 3. INDICTMENTS AND CONVICTIONS

OIG investigation efforts during FY 1980 aided in the indictment of 161 persons or firms having business with HUD, including indictments of two HUD employees (Table 8). Moreover, 125 persons or firms, including three HUD employees, were convicted of offenses during FY 1980 ranging from the submission of false statements to bribery (Table 8). Fines assessed against these offenders totaled over \$151,000. Convictions obtained in FY 1980 resulted in 45 persons receiving prison sentences totaling nearly 208 years and 91 persons receiving probated sentences totaling nearly 226 years. (In some instances, persons were sentenced to prison in addition to having a portion of their sentence suspended in lieu of probation.)

Section V of Part 1 of this report (page 22) provides further details on the prosecutive actions taken against persons indicted/convicted during the current reporting period April 1, 1980 to September 30, 1980.

<u>Region</u>	<u>Total Indictments*</u>	<u>Sentenced/ Fined</u>	<u>Dismissed/ Acquitted</u>
1	13	9	-
2	7	6	2
3	12	14	-
4	52	38	3
5	26	17	-
6	8	9	-
7	13	13	-
8	4	1	1
9	20	17	1
10	6	1	-
TOTAL	<u>161**</u>	<u>125</u>	<u>7</u>

Table 8. Status of Indictments By Region - FY 1980

#### 4. ADMINISTRATIVE AND OTHER SANCTIONS

HUD management has been aggressive in imposing sanctions or taking other types of administrative actions which complement or otherwise act as an alternative to criminal prosecution. The results of our investigations have contributed to these efforts by supporting HUD managers in their efforts to ensure the integrity of HUD's programs.

During FY 1980, there were 190 debarments and 187 suspensions of persons/firms participating in HUD programs. Savings and recoveries to HUD and others amounted to about \$500 thousand. In addition to these accomplishments, HUD managers initiated personnel actions against 60 agency employees, and issued 97 warning letters to persons/firms involved in HUD programs.

#### C. SECURITY OPERATIONS

##### 1. DEPARTMENTAL PERSONNEL SECURITY PROGRAM

Under HUD's personnel security program, we monitored 305 Full Field Investigations and 1,806 National Agency Checks and Inquiries, reinvestigated 119 incumbents holding critical-sensitive positions and conducted 221 preappointment National Agency Checks during FY 1980. HUD's personnel security program is aimed at determining the suitability, integrity, and character of HUD employees and prospective employees in accordance with Executive Order 10450: Security Requirements for Government Employees.

\* An indictment in one fiscal year does not always result in a sentencing in the same fiscal year.

\*\* Includes two HUD employees.

## 2. CLASSIFIED DOCUMENT SECURITY PROGRAM

We also administered a document security program during FY 1980 covering 341 classified documents. The program is designed to provide some constraints on the dissemination of information or material which is classified as top secret, secret, or confidential in accordance with Executive Order 12065: National Security Information.

### D. STANDARDS OF CONDUCT BRIEFINGS

During FY 1980, we held 81 Standards of Conduct briefings for the benefit of HUD employees. These briefings are part of our continuing program to promote Departmental integrity. The briefings are instrumental in familiarizing HUD employees with the conduct that is expected of them as stipulated in Section 735, Title 24 of the Code of Federal Regulations. (A copy of the OIG's Fraud Information Bulletin on HUD employee's Standards of Conduct responsibilities is included as Appendix 4.)

### III. FRAUD CONTROL OPERATIONS

#### HIGHLIGHTS OF FY 1980 ACTIVITIES

During 1979, some major fraud control activities were initiated by our Fraud Control Division that continued into FY 1980. Highlights of these FY 1980 activities are as follows:

- Coordinated and conducted six monthly meetings of HUD's Committee on Fraud, Waste, and Mismanagement and participated in the initiation and/or completion of eight Committee-sponsored projects (page 73).
- Continued to maintain systems for receiving and processing of HUD employee hotline calls and GAO hotline complaints involving HUD programs. Received 323 complaints and closed 325 complaint cases during the fiscal year (pages 80 and 81).
- Implemented a Fraud Vulnerability Assessment System designed to shut off opportunities for fraud and abuse in all new or substantially revised HUD programs (page 76).
- Established and coordinated a new HUD management system to evaluate the controls in HUD's existing programs on a continuing and systematic basis. This system, called the Management Control Assessment System, will be tracked as a management goal in HUD's Executive Management Reporting (EMR) System (page 77).
- Carried out an employee awareness program to alert OIG and program personnel to program vulnerabilities by preparing Fraud Information Bulletins, Fraud Alert Memos, HUD-OIG Training Courses, and a video tape presentation for all HUD employees (page 77).
- Participated in the preparation and evaluation of HUD's plan to improve controls over consulting service contracting and general procurement practices in response to OMB's July 2, 1980 directive (page 79).

#### A. COMMITTEE ON FRAUD, WASTE, AND MISMANAGEMENT

The Secretary of HUD established a Departmental Committee on Fraud, Waste, and Mismanagement in November 1978. The Committee was formed to advise the Secretary on policy matters associated with minimizing occurrences of fraud, waste, and mismanagement in HUD programs and activities.

The Committee consists of representatives from all principal offices in HUD, including Regional and Area Office managers. The Inspector General, as Chairperson, coordinates and guides Committee activities. Our Fraud Control Division provides technical assistance and support to the Committee in undertaking its various projects. During FY 1980, the Division coordinated six monthly meetings and participated in the initiation and/or completion of eight Committee-sponsored projects.

Some of the significant Committee accomplishments during the year that have placed an increased emphasis on the detection and prevention of fraud and program abuse in HUD programs and activities are described below.

#### 1. IMPLEMENTATION OF FRAUD VULNERABILITY ASSESSMENT SYSTEM

A major study by the Committee on Fraud, Waste, and Mismanagement culminated in HUD's implementation of a new policy and an improved management system which provide for the appropriate recognition of effective management controls when designing programs and developing related procedures for their implementation. The system, known as the Fraud Vulnerability Assessment System, began on November 1, 1979, and applies to all new or substantially revised programs. Additional details on the system and actions taken during the year are described on page 76.

#### 2. REVISIONS TO BASIC REGULATORY AND MANAGEMENT AGENT AGREEMENTS

A Committee work group, consisting of representatives from the Offices of Housing, General Counsel, and Inspector General, has made substantial progress in revising the agreements that govern multifamily housing management operations. This task has received impetus because experience has shown that multifamily operations are a highly vulnerable area from the standpoint of fraud and abuse. Moreover, for various reasons, the current agreements have seldom been enforced in either criminal or civil matters.

In May 1980, the full Committee endorsed the revised Regulatory Agreement prepared by the work group and forwarded it to the Secretary recommending its adoption by the Office of Housing. Subsequently, the Office of Housing, with only minor modification, placed the document in Departmental clearance and made arrangements to publish it in the Federal Register in the near future. Once all comments have been considered, the revised agreement will become effective for all future multifamily projects.

The work group recently completed its work on the revised Management Agent Agreement and obtained full Committee approval on September 26, 1980. The agreement will be forwarded to the Secretary soon. Once these agreements become effective, HUD will be better able to measure performance and take punitive actions where necessary. HUD top management views the revised agreements as a positive step in curtailing the types of abuses that have occurred in the past.



### 3. REVIEW OF HUD'S MONITORING POLICY AND PRACTICES

One of HUD's most persistent problems has been the quality and effectiveness of its monitoring systems (page 15). Consequently, a Committee work group conducted a research study to identify specific areas that need to be addressed in detail by the Committee itself or by various HUD disciplines. The group reviewed and analyzed data from numerous sources relating to monitoring requirements, resources allocated and used, and various reports criticizing past monitoring performance. The results of this research project were reported to the full Committee for consideration of future actions.

The group's report detailed five issue areas that require further detailed study as follows: (1) adequacy of HUD instructions and guidance to employees in detecting and preventing irregularities or abuses; (2) adequacy and use of resources allocated to program participant monitoring; (3) effectiveness of monitoring results; (4) use of sanctions and penalties against program participants; and (5) adequacy of internal monitoring of employee performance.

Based on this research report, the Committee initiated a follow-on study to address the above issues as they relate to program participant monitoring. A work group interviewed top Headquarters and Field Office managers concerning problems and suggested solutions relating to monitoring.

Early in FY 1981, the Committee will submit a report to the Secretary discussing various methods that can and should be used to improve the quality of program participant monitoring.

### 4. REVIEW OF THE CERTIFICATION PROCESS IN THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

State and local governments are primarily responsible for the administration and delivery of Community Development Block Grant (CDBG) Program funds. HUD places reliance on certifications made by local administrators to ensure that funds will be used effectively and in compliance with various statutory objectives. A Committee work group recently completed an analysis of this process to determine whether it adversely impacts on HUD's ability to prevent and detect fraud and abuse. The group concluded that the certification process generally is a useful and effective management control; however, the group also suggested that HUD personnel can and should do more to verify the propriety of certifications made by states and localities.

In this regard, the Committee, at its September 1980 meeting, initiated a research project to determine the feasibility of, and coordination required in, having state and local agencies and other entities actively participate in detecting and preventing fraud and program abuse.

## 5. REVIEW OF HUD'S OVERALL FRAUD CONTROL PROGRAM

Another key initiative undertaken by the Committee during FY 1980 is a "self-evaluation" to determine the Department's progress in meeting the short and long term fraud control goals established about two years ago. A Committee work group is in the process of interviewing key Headquarters and Field officials with a view toward analyzing past efforts in fraud detection and prevention and planning future activities. It is hoped that the group's report will point out areas needing additional attention during FY 1981.

### B. FRAUD VULNERABILITY ASSESSMENT SYSTEM

HUD's Committee on Fraud, Waste, and Mismanagement was instrumental in the implementation of the Fraud Vulnerability Assessment System (FVAS) in November 1979. Basic elements of the system include:

- An analysis of a proposed program's vulnerability which entails summarizing its goals, objectives and delivery systems and comparing them with HUD or another agency's experience with similar or related programs.
- A narrative statement detailing the management controls and/or incentives that will be incorporated into the various delivery cycles to assist in minimizing fraud, waste, and mismanagement. Special attention is to be placed on those areas identified during the above vulnerability analysis.
- A summary statement for top management's consideration that details the risks associated with a given program and the costs of the various levels of management controls that could overcome the identified risks.

Several steps have been taken since November 1979 to make FVAS fully operational. Our Fraud Control Division prepared and issued a Departmental Handbook in July 1980, that describes FVAS and provides guidance for preparing assessments. The Form HUD-22, Departmental Clearance and Approval Record, which is used to clear new or revised policy and procedural documents, was revised to include space for indicating the applicability of FVAS. Although few new or substantially revised HUD programs were initiated after November 1, 1979, two new programs currently are being assessed using FVAS. Additionally, a fraud vulnerability assessment for a substantially revised program was performed and completed during the past six months.

This system is viewed as an important step in HUD's efforts to deter any new opportunities for fraud and abuse in its programs by placing increased emphasis on front-end controls. We anticipate several applications of FVAS during FY 1981.

### C. IMPLEMENTATION OF MANAGEMENT CONTROL ASSESSMENT SYSTEM

Management control evaluations were established as a Departmental goal in HUD's Executive Management Reporting (EMR) System. The EMR is used by top management to measure and track the accomplishment of high level goals on a monthly and quarterly basis. Beginning with the quarter starting July 1, 1980, each HUD Primary Organization Head is held responsible for the completion of management control assessments. The assessments are designed to measure the existence and effectiveness of management controls in HUD's existing programs and functions. To carry out the EMR goals, the HUD Under Secretary implemented the Management Control Assessment System on July 1, 1980. Our Fraud Control Division developed a management control assessment guide to assist HUD Primary Organization Heads in conducting the required assessments. The guide has been field-tested by us in conjunction with Office of Housing program personnel. The guide is to be applied to specific functions, e.g., determination of applicant eligibility, monitoring of recipients, or servicing of accounts receivable.

The guide recommends the utilization of a functional approach in assessing controls. Generally, the recommended procedures for conducting assessments include: (1) a comprehensive study of the function; (2) identification of risks that could occur in the absence of adequate controls; (3) assessment of the likelihood that existing controls are adequate to prevent or detect each risk; and (4) preparation of a report to the appropriate Primary Organization Head on conclusions and suggested corrective action, if necessary. A key element of each assessment is the completion of control questionnaires which are developed by our Fraud Control Division to aid evaluators in identifying control weaknesses.

In addition to preparing the assessment guide and questionnaires, the Fraud Control Division coordinates with HUD program office representatives to select assessment topics, and to provide guidance and assistance during the assessments. To date, the Office of Housing has completed two assessments that resulted in useful suggested corrective actions. In August 1980, we assigned each HUD Headquarters Primary Organization Head three fraud vulnerability assessments. One was to be completed by September 30, 1980, and the other two are scheduled for completion by December 31, 1980.

### D. EMPLOYEE AWARENESS PROGRAM

A key facet of our Fraud Control Division activities is an employee awareness program. The objectives of this program are to: (1) make all HUD employees aware of their responsibilities to detect and prevent fraud and program abuse and report any such indications or allegations; and (2) point out specific areas of potential irregularities for which HUD employees should be alert. During FY 1980, our Fraud Control Division used various methods to meet these objectives as described below.

#### 1. FRAUD INFORMATION BULLETINS

A series of Fraud Information Bulletins was instituted to alert HUD disciplines, primarily program managers, to the various schemes used by program participants to improperly divert or misuse HUD funds for personal

gain. Based on our audit and investigation experience, case examples are described in the bulletins showing not only how various fraudulent schemes occur, but also how such schemes can be detected and prevented in the future. While the bulletins are not intended to replace current operating procedures, we believe they will prove useful to those HUD employees responsible for monitoring HUD programs.

The initial bulletin in this series was issued in February 1980 and covers the management aspects of HUD's Section 8 Program. The bulletin provides case examples and detection techniques for the three major categories in which this program is being abused.

Our second bulletin covers employee Standards of Conduct. This bulletin focuses on employee integrity by informing all HUD staff of the various types of prohibited conduct and possible resultant penalties. Prohibited conduct discussed includes: defrauding the government; conflict of interest; and acceptance of bribes/kickbacks (Appendix 4).

One additional bulletin was prepared during FY 1980 and was distributed to appropriate HUD employees during October. The bulletin deals with problems associated with the procurement contract award process.

## 2. FRAUD ALERT MEMORANDUMS

As a supplement to our Fraud Information Bulletins which address major programs or functions in depth, we initiated a series of memorandums that can be quickly disseminated to appropriate staff. These Fraud Alert Memorandums will be issued on an as needed basis to program managers as a means to discuss potential risks in specific schemes that appear prevalent. The first memorandum in the series covered fraudulent surety bonds.

## 3. VIDEO TAPE TRAINING

HUD has used a system called FOCUS to prepare and distribute video tapes to Field Offices for the purpose of providing generalized training on important Departmental issues. Recently, a FOCUS program was video taped to describe HUD's overall program to combat fraud and program abuse. Our Fraud Control Division, in conjunction with the HUD Office of Public Affairs, was instrumental in developing the program in which the HUD Under Secretary, Inspector General, a Regional Administrator and an Area Office Manager participated in a panel discussion of fraud and abuse in HUD programs.

## 4. FRAUD TRAINING COURSE

In March 1980, we conducted a training course on the "Detection and Prevention of Fraud and Program Abuse," attended by 20 of our auditors and investigators. The objectives of the course were to increase OIG employees' awareness of common fraudulent schemes in HUD programs and to sharpen their knowledge and skills in detecting and preventing fraud and abuse.

Comprehensive case studies, coupled with guest lectures by representatives of the General Accounting Office, Department of Justice, New York State Deputy Attorney General's Office, and HUD's Office of General Counsel, were used to

exchange information and ideas on current and future approaches for protecting the integrity of HUD programs and activities.

This course represented our initial effort at presenting an in-house training course specifically dealing with fraud and program abuse. We plan to present an expanded course to 30 OIG staff members in November 1980. In addition, a modified version of the course will be presented to OIG staff at each of the ten HUD Regional Offices during FY 1981.

#### E. EVALUATION OF HUD'S MANAGEMENT CONTROL SYSTEM FOR PROCUREMENT PRACTICES

In response to OMB's July 2, 1980 directive, we evaluated the Department's proposed plan for implementing improved controls for procurement practices. While we concurred generally with HUD's overall plan, we did provide comments on additional measures to strengthen controls. In August 1980, the Director of OMB approved HUD's submission and recommended that HUD staff work with the Fraud Control Division to incorporate OIG suggestions into the plan.

Although many procedures included in HUD's plan already had been instituted, additional control measures were identified in responding to OMB such as: (1) added communication to HUD employees on ethical conduct standards; (2) handbook revisions requiring additional levels of justification and approval; and (3) additional disclosure requirements for contractors.

Our Fraud Control Division will play a continuing role in assuring the adequacy of HUD's management controls and compliance with Section 307(b) of Public Law 96-304 which requires the OIG to submit to Congress, along with HUD's FY 1982 budget submission, an evaluation of the Department's progress in implementing effective management and procurement controls.

In regard to the above, we have been receiving copies of justifications for all approved consulting service contracts over \$50,000 since August 1, 1980. Moreover, we requested copies of modifications to consulting service contracts of \$50,000 or more and of written performance evaluations of all contractors. In addition, we will monitor the intended performance of a management control assessment by the HUD Office of Procurement and Contracts during the first quarter of FY 1981.

#### F. HOTLINE ACTIVITIES

##### 1. ESTABLISHMENT OF SYSTEMS AND PROCEDURES

Under the Inspector General Act of 1978, employees can talk to the Inspector General or designated representatives without fear of reprisal and with assurance that complaints will be kept confidential unless such disclosure is unavoidable during the course of an investigation.

As reported in our previous Semiannual Report, HUD, through the OIG's Fraud Control Division, established an employee telephone hotline during FY 1979 and coordinated with the General Accounting Office to receive referrals from their hotline. Several steps were taken in FY 1980 to publicize the availability of the hotline and to describe its basic operation. Two HUD

Staff Bulletins were issued during the fiscal year and hotline posters were placed in strategic locations throughout HUD Headquarters and Field Offices. These posters stress employees' responsibilities to report allegations of fraud and program abuse. They not only call attention to the hotline, but also contain wallet-size cards employees may take with them to reinforce established procedures regarding the prompt reporting of indications of fraud, waste, or mismanagement.

## 2. HOTLINE WORKLOAD

During FY 1980, our Fraud Control Division received 323 hotline calls. Of these 323 calls, 147 were received directly through the HUD hotline (77 from HUD employees and 70 from the public) and 176 were referred to the Division from GAO via its hotline.

Table 9 summarizes hotline calls received during FY 1980 by the program area affected and the office responsible for following up on the complaint after preliminary screening by the Fraud Control Division.

<u>By Program</u>	<u>Received</u>	<u>Hotline Complaints</u>	
		<u>OIG</u>	<u>Program Office</u>
Housing	143	96	47
Community Plann. and Develop.	81	46	35
Administration	73	41	32
Other HUD Offices	8	2	6
Non-HUD	<u>18</u>	<u>17</u>	<u>1</u>
TOTALS	<u>323</u>	<u>202</u>	<u>121</u>

Table 9. Hotline Workload by Affected Program Area and Action Office - FY 1980

Of the 323 hotline calls received during the fiscal year, 57 were referred to our Office of Audit, 80 were referred to our Office of Investigation, 65 were handled directly by our Fraud Control Division and 121 were referred to HUD program offices.

A breakdown by program organization showing types of recurring complaints since inception that indicate possible programmatic problems follows:

### Housing - 234

The majority of Housing complaints involve the questionable eligibility of tenants receiving aid under HUD's multifamily programs; 123 such complaints have been received to date.

Also, 46 complaints pertain to the processing of applications for multifamily mortgage insurance and the quality or reasonableness of project construction.

### Community Planning and Development - 175

The prevalent complaints concerning Community Planning and Development involve rehabilitation loans and grants and the Community Development Block Grant (CDBG) Program.

Sixty-two complaints have been received involving rehabilitation loans and grants. Shoddy workmanship, bidding irregularities, contractor favoritism, and local agency mismanagement are the subjects most often mentioned. These complaints parallel the results of the Special Operational Survey of CDBG rehabilitation activities that was completed in FY 1980 (page 5).

Sixty-nine complaints question the administration of the CDBG Program at the local level. Matters such as ineligible activities, improper aspects of third party contracting, and questionable contractor performance have been alleged.

### Administration - 121

Sixty-five of the complaints in the Administration area concern personnel matters such as misuse of leave and overtime, merit staffing irregularities, and payroll problems associated with HUD's new automated payroll system.

### 3. HOTLINE ACTIONS TAKEN

During FY 1980, 325 hotline complaints were closed. Of these complaints, 237 (73 percent) were found to be nonsubstantive and required no further action, and 88 (27 percent) were found to be valid. With respect to the latter, HUD management took actions such as assuring that construction deficiencies were corrected, debarring or denying program participants from doing business with HUD for various periods of time, requiring local agency personnel to improve program administration and correcting administrative problems encountered by HUD employees.

Table 10 presents a summary of all complaints closed through September 30, 1980. Eighty-five (15 percent) of the 590 complaints received to date remained open at September 30, 1980. All were undergoing various stages of review by the OIG or HUD program offices.

<u>By Program</u>	<u>Total Complaints Closed</u>	<u>HOTLINE COMPLAINTS CLOSED</u>		
		<u>No Action Warranted</u>	<u>Corrective Action Generated by</u>	
			<u>OIG</u>	<u>Program Offices</u>
Housing	181	133	19	29
Community Plann. and Develop.	156	120	22	14
Administration	110	72	16	22
Other HUD Offices	12	9	1	2
Non-HUD	<u>46</u>	<u>45</u>	<u>1</u>	<u>0</u>
TOTALS	<u>505</u>	<u>379</u>	<u>59</u>	<u>67</u>

Table 10. Number and Status of Hotline Complaints Closed as of September 30, 1980



## IV. OPERATIONAL SURVEY OPERATIONS

### HIGHLIGHTS OF FY 1980 ACTIVITIES

The following are highlights of some of our more significant activities relating to Operational Surveys during FY 1980:

- Issued seven reports on Operational Surveys of HUD Field Offices which resulted in the opening of 60 investigation cases (page 83).
- Completed field work for a Special Operational Survey of Rehabilitation activities in the Community Development Block Grant Program (page 5).
- Issued seven reports on administrative deficiencies disclosed by Operational Surveys (page 84).

#### A. PURPOSE AND SCOPE

The Operational Survey concept was introduced by us in 1972. It represents a joint audit and investigative effort designed to search out indicators of fraud and program abuse and to determine the need for full-scale audits and investigations. The indicators, when identified, are examined in sufficient depth for the possible presence of bribery, kickbacks, favoritism, or collusion by HUD personnel or by persons or firms having business with HUD. In the process, the survey team also identifies administrative deficiencies which require correction by HUD management.

Our Conventional Operational Surveys cover major operations of selected HUD Field Offices such as multifamily and single family operations, property disposition activities and community development operations. The surveys also include coverage of mortgagees, area management brokers and other external activities when warranted.

Our Special Operational Surveys are directed to identifying, on a national scale, fraud and program abuse indicators relative to specific HUD programs. Whereas our Conventional Operational Surveys search out fraud and abuse within specific HUD Field Offices, the Special Operational Surveys do so with respect to a particular HUD program.

#### B. REPORTS ISSUED AND MATTERS DISCLOSED

During FY 1980, we issued seven reports on the results of our Conventional Operational Surveys. These surveys, in turn, resulted in the opening of 60 investigation cases as of September 30, 1980.

The types of investigative matters disclosed by Operational Surveys in FY 1980 and in prior years have paralleled those shown in Table 7 on page 67. The predominant type of investigative case has involved some type of fraudulent statement made to HUD to induce the Department to take an action of one form or another, usually to the benefit of the maker of the statement.

In addition to the opening of investigative cases in connection with Operational Surveys, which may ultimately result in the referral of certain cases to the Department of Justice, we also identify and report on deficiencies which can be corrected administratively by HUD. Since these deficiencies are administrative in nature, they do not require detailed investigation, but are such that they require prompt corrective action by HUD officials. We issued seven such reports containing 88 findings in FY 1980.

The types of administrative deficiencies disclosed by our Operational Surveys of HUD Field Offices have included, but have not been limited to, the following:

- inadequate repair specifications, bidding practices and irregularities in awarding repair contracts;
- inadequate procedures for accepting certification of mortgagor contractor costs;
- lack of required inspections, support for cost certifications and justifying documentation for waivers because of incomplete and improperly maintained files and records;
- inadequate HUD monitoring of Area Management Brokers (AMBs) and Public Housing Authorities (PHAs);
- insufficient HUD monitoring of fee/staff appraisals and inspections;
- labor standards not monitored or enforced;
- inappropriate administration of escrow and imprest funds; and
- standards of conduct violations.

V. OTHER OPERATIONS AND  
MANAGEMENT IMPROVEMENT EFFORTS

HIGHLIGHTS OF FY 1980 ACTIVITIES

The following are highlights of some of our other supporting operations and management improvement efforts during FY 1980:

- Processed 44,213 requests for information on the previous participation of individuals and firms applying to participate in HUD programs (page 86).
- Processed 223 requests for information under the Freedom of Information Act and 14 requests under the Privacy Act (page 86).
- Pursuant to Section 4(a)(2) of the Inspector General Act of 1978, reviewed 95 proposed new regulations or revisions to existing regulations, an undetermined number of existing regulations and statutes in connection with internal audits, and 166 proposed legislative bills or revisions to existing legislation (page 86).
- Had over 540 enrollments in formal training courses, seminars, and symposiums which resulted in over 2,000 workdays being devoted to employee training and development (page 87).
- Conducted 11 seminars on audits of HUD multifamily project operations and Public Housing Authorities in conjunction with the American Institute of Certified Public Accountants' Continuing Education Programs (page 88).
- Participated in the 1980 Accounting and Audit Workshop and Internal Management Conference held by the Mortgage Bankers Association (page 89).
- Established an Executive Management Reporting System designed to monitor monthly and quarterly accomplishments of OIG major operating groups (page 89).
- Implemented an automated Investigation Case Management System which provides for input and retrieval of investigation case data through the use of remote terminals in OIG Headquarters and Regional Offices (page 89).
- Designed an automated system for audit reports and tracking findings and the resolution of these findings under the Departmental Audits Management System (page 90).

## A. OTHER OPERATIONS

### 1. REQUESTS PROCESSED UNDER THE PREVIOUS PARTICIPATION PROGRAM

The Previous Participation Program provides information as to what previous experience, if any, HUD has had with individuals or firms who are applying for participation in Departmental programs. This is accomplished by searching our alphabetical indices, which contain over 341,000 names of persons involved in an investigation, audit, or a debarment or suspension act.

Applications resulting in 44,213 requests for information on the previous participation of individuals and firms applying to participate in HUD programs were processed in FY 1980. We processed about 43,780 similar requests in FY 1979.

### 2. FREEDOM OF INFORMATION AND PRIVACY ACT REQUESTS

The authority for releasing OIG-maintained information to the public, other than issued audit reports, rests with the Inspector General. The release of issued audit reports is made by the action addressee of the report with the concurrence of the Inspector General and with the knowledge of the appropriate program Assistant Secretary.

During FY 1980, we processed 223 requests for information under the provisions of the Freedom of Information Act and 14 requests under the provisions of the Privacy Act. All requests for information were processed within 10 days of receipt.

### 3. REVIEW OF LEGISLATION AND REGULATIONS

Section 4(a)(2) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed legislation and regulations relating to programs and operations of the Department and to make recommendations in the semiannual reports concerning the impact of such legislation and regulations on the economy and efficiency in the administration of programs and operations or the prevention and detection of fraud and abuse in such programs and operations.

During FY 1980, we reviewed 95 proposed new regulations or revisions to existing regulations, an undetermined number of existing regulations and statutes in conjunction with internal audits, and 166 proposed legislative bills or revisions to existing legislation. In the majority of instances, we provided detailed comments and recommendations to the originator of the regulations and legislation as a result of our reviews. The legislation we reviewed covered such areas as: housing, community development, energy conservation and use, law enforcement and criminal justice, personnel practices, and government financial and administrative practices. Noteworthy comments on legislative and regulatory matters are shown in Part 1, Section VI.

#### 4. EMPLOYEE TRAINING AND DEVELOPMENT

During FY 1980, we continued our efforts to instruct and train our employees in those areas most closely aligned with the objectives of the Inspector General Act of 1978. We presented in-house audit training courses covering such areas as mortgagees, the Community Development Block Grant Program, Assisted Housing and the Property Disposition Program. In FY 1980, we had approximately 540 enrollments in training courses, seminars, and symposiums, accounting for over 2,000 training days. We conducted seven different training courses (total of nine class sessions) at HUD's National Training Center, Columbia, Maryland. During the fiscal year, we had planned to hold seven additional formal in-house courses at the National Training Center; however, they had to be cancelled because of imposed training and travel budgetary restraints (page 21). Consequently, our overall training class enrollments had to be reduced by about 150 persons during FY 1980.

We introduced two new courses in FY 1980 to further develop the skills and abilities of our employees. The "Detection and Prevention of Fraud and Program Abuse" course deals with management control mechanisms, system weaknesses and indicators of fraud and abuse, with particular emphasis on HUD-administered programs, functions and activities. This course is more fully described on page 78 of this report. The "Contract Cost Audits and Price Proposal Evaluations" course provides techniques for auditing costs claimed by contractors and grantees, and for evaluating price proposals and techniques and procedures for identifying unallowable costs.

In addition to our continuing efforts to present formal in-house training courses specifically oriented toward various HUD program areas, emphasis was also placed on management-related training as well as technical skills training for auditors and investigators at both the basic and advanced levels. For example, during FY 1980, we arranged for several of our supervisors and managers to attend various management training courses sponsored by the Department of the Army ("Personnel Management for Executives" course), the Office of Personnel Management, and the HUD National Training Center. In conjunction with other Offices of Inspector General, arrangements were made for the Federal Executive Institute in Charlottesville, Virginia, to present in October 1980, a three-week Executive Leadership and Management Program, targeted specifically for GS-15s and above in the audit and investigative communities. Four of our key staff members participated in this program.

Professional skills training during FY 1980 included courses in auditing techniques and investigative methods, with particular emphasis on accounting controls. New auditors and investigators received familiarization and orientation training appropriate for their professional disciplines by attending either an OIG in-house course or the Criminal Investigator School at the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia. During FY 1980, twelve of our criminal investigators attended the two-week White Collar Crime Seminar presented by the Treasury Department's FLETC.

95  
166  
261

313  
95  
218

OIG staff members were assembled for several formal three-day conferences/training workshops during the past year. For the most part, these conferences are locally developed in order to meet the specific needs of our Regional staffs. The staff conferences concentrate on matters that are normally technical in nature such as: auditing HUD programs, special audit and investigation approaches, results of audits and investigations, and ADP retrieval capabilities. However, other issues of direct interest to professional staff members are also covered.

In addition, our staff produced a compendium of training sources for auditors and investigators. The compendium identifies training and development opportunities for auditors and investigators primarily designed to improve their technical skills; describes the sponsors of such training and development; and includes current training schedules. The compendium has been disseminated to all Inspectors General and will be used by us in implementing a recently established Individual Development Planning System.

Some of our auditors and investigators also took part in a week-long seminar headed by the Workforce Effectiveness and Development Group of the Training Consulting Division, Office of Personnel Management. This project was designed to identify the training needs of auditors and investigators and resulted in the publication in March 1980 of the "Report on the Training Needs of Auditors and Investigators in the Offices of Inspector General."

#### 5. CONTINUING EDUCATION PROGRAMS

As part of the American Institute of Certified Public Accountants' (CPAs) Continuing Education Program, our Office of Audit conducted 11 seminars during FY 1980 on audits of HUD multifamily project operations and Public Housing Authorities.

The seminars concerning audits of multifamily projects were designed to define and describe audit standards, procedures and other compliance requirements mandated by HUD's "Audit Guide for Mortgagors Having HUD-Insured or Secretary-Held Multifamily Mortgages for Use by Independent Public Accountants." The seminar explained the audit scope and coverage needed to determine whether: (1) financial statements fairly present the financial position of the project and the results of its operations; (2) operating practices and controls comply with HUD regulations; and (3) the project is effective in meeting program objectives. During FY 1980, we held nine of these seminars.

The seminars covering audits of Public Housing Authorities (PHAs) were intended to familiarize CPAs with required standards and procedures in auditing low-income housing activities of PHAs and preparing the necessary financial statements and auditor's report. The seminar focused on HUD's "Audit Guide for Audits of Public Housing Agencies," the low-rent housing accounting system, and an introduction to balance sheet analysis. We held two of these seminars during FY 1980.

In addition, our Office of Audit participated in the 1980 Accounting and Audit Workshop and Internal Management Conference held by the Mortgage Bankers Association. The workshop presented information on new developments in accounting rules and audit requirements, including the implementation of the HUD "Audit Guide for Audits of HUD-Approved Nonsupervised Mortgagees," the Federal National Mortgage Association Quality Control Program, and an upcoming Government National Mortgage Association Audit Guide.

Interest in professional development and the advancement of the audit and investigative fields is evidenced by our professional staff's extensive participation in private professional organizations such as the Institute of Internal Auditors, the Association of Government Accountants, the Association of Federal Investigators, the Federal Criminal Investigator's Association, and other similar organizations. Professionalism in OIG is also enhanced by the efforts of our key officials who actively support and hold leadership positions in several Federally-sponsored organizations such as the Federal Audit Executive Council, the Intergovernmental Audit Forums, and the Association of Directors of Investigation.

## B. SPECIAL MANAGEMENT IMPROVEMENT EFFORTS

### 1. ESTABLISHMENT OF OIG EXECUTIVE MANAGEMENT REPORTING SYSTEM

*OIG completed its first full year of operations by March 31, 1981.*

~~During FY 1980, we established an Executive Management Reporting (EMR) System in OIG designed to gather and present monthly and quarterly data on accomplishments of our major operating groups. Data collection for the EMR commenced in February 1980; The System became fully operational in April 1980.~~

*continues to meet its' goals to.*

~~The goals of the EMR System are to:~~ (1) provide OIG management with a well-organized presentation of accomplishments during each month, each quarter and for the entire fiscal year; (2) relate these accomplishments to pre-established goals; (3) establish a framework wherein variances or shortfalls can be examined and explained; and (4) present other informative data to help top management obtain a clear picture of OIG operations.

*It continues to be*

~~The EMR System has proven to be an invaluable aid to OIG management in isolating operating problems. The System, in conjunction with existing HUD personnel evaluation systems, provides a formal means of measuring the effectiveness of OIG managers. It also facilitates and promotes the accomplishment of OIG goals and objectives.~~

### 2. IMPLEMENTATION OF OIG INVESTIGATION CASE MANAGEMENT SYSTEM

In October 1980, the OIG implemented an automated Investigation Case Management System (ICMS) designed to track active investigations, actions resulting from investigations and direct and indirect investigator time. The ICMS will become an historical repository of case information enabling us to retrieve such information for periodic reports and to respond to periodic requests.

This new system has been designed to replace manual reporting procedures previously in existence. While OIG Field Personnel will provide data input on investigations, the system will collect and collate information for periodic reports for the Department's Executive Management Reporting System and the Semiannual Reports to the Congress. It will also enhance OIG operations by improving case management, by making readily available information on investigations such as case aging, referrals to other agencies, types of cases, geographic location and other pertinent data. The ICMS will also serve as an analytical tool for studying trends and patterns, cost projections, and the detection of program schemes or abuses.

### 3. DESIGN OF AUTOMATED SYSTEM FOR AUDIT REPORTS AND TRACKING FINDINGS

Our OIG Office of Audit is currently developing an automated audit reports and findings analysis and tracking system. This automated system will provide for: recording all audit reports processed through the OIG; recording findings controlled under the Department's Audits Management System (AMS); tracking the resolution of findings under revised AMS procedures; recording the recovery or write-off of questioned and disallowed costs; and recording other supplemental information on audit reports and findings.

The system will provide output reports for Regional and Headquarters Audit staffs in place of our manually prepared lists and summaries of audit reports and findings prepared monthly, quarterly, and semiannually. It will produce findings tracking registers, reminder lists for program offices regarding actions due or overdue on findings, and the Regional Operating Plan/Executive Management Report statistical reports on audit findings resolution. The system will also permit preparation of other output reports that are not currently practicable. The most significant of these output reports for Regional audit staffs and program offices will be an analysis of numbers and categories of findings appearing in various types of OIG and non-Federal audit reports.

Implementation of this system is expected to reduce substantially the number of staff hours currently expended in tracking and analyzing both audit reports and findings and will assist the Department in implementing Section 305 of the Supplemental Appropriation and Rescission Act of 1980 which concerns the timely resolution of pending and new audits.



## DESCRIPTION OF MAJOR TERMS

Internal Audits. These are independent reviews of program and operations designed to determine and report whether: (1) financial operations are conducted properly; (2) financial reports are presented fairly; (3) applicable laws and regulations have been complied with; (4) operating procedures are effective and are being carried out; (5) resources are managed and used in an economical and efficient manner; and, (6) desired results and objectives are being achieved in an effective manner. A given internal audit may provide a top to bottom review of a particular activity or program at all OIG organizational levels responsible for the activity or program (vertical audit), or the audit may encompass all or several field locations (horizontal audit). An internal audit may also encompass combinations of these approaches.

## APPENDICES

External Audits. These are reviews or examinations made of the records and performance of grantees, borrowers, obligors, recipients and other contractors in accordance with generally accepted auditing standards and to the extent practicable, the GAO standards for audit of governmental organizations, programs, activities and functions. These audits are made as a means of ascertaining the degree of compliance with the statutes, regulations, and terms and conditions of the agreements under which the Federal funds are made available. Determination is also made as to the appropriateness of OIG disposition of funds granted, loaned, or contributed. These audits also provide OIG management with information on the effectiveness of its administration of program operations. External audits also encompass pricing proposals/evaluations which are reviews made for the purpose of determining the reasonableness of estimates of costs and profit supporting alternatives of proposals submitted by contractors in connection with the award, administration, modification or replication of Government contracts. Another category of external audit is a cost reimbursable contract audit. These audits include a review of incurred costs and overhead (indirect costs) and contractor's policies, procedures, and practices which influence and control contract costs. In addition, external audits include accounting evaluations. The objective of an accounting evaluation is to determine whether the recipient's accounting system is capable of furnishing accurate financial reports on a timely basis consistent with the requirements of the Department.

Surveys. These are fact-finding reviews designed to obtain and analyze working information on an activity or program for the purpose of identifying matters warranting detailed examination or analysis. When conditions disclosed by a survey are in need of immediate attention and corrective action, the survey report, or a summary of such conditions noted, are usually provided to the official responsible for taking the needed corrective action. Otherwise, survey data are used by us in planning audit work.

Operational Surveys. Operational Surveys, encompassing the operations of field offices, were first introduced by the OIG in June 1972. These surveys are made to identify specific program areas, departmental operations, and participants therein, for the purpose of ascertaining any incidences of

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External Audits. These are reviews or examinations made of the records and performance of grantees, borrowers, mortgagors, mortgagees and other contractors in accordance with generally accepted auditing standards and to the extent practicable, the GAO standards for audit of governmental organizations, programs, activities and functions. These audits are made as a means of ascertaining the degree of compliance with the statutes, regulations, and terms and conditions of the agreements under which the Federal funds are made available. Determination is also made as to the appropriateness of the disposition of funds granted, loaned, or contributed. These audits also provide HUD management with information on the effectiveness of its administration of program operations. External audits also encompass pricing proposal evaluations which are reviews made for the purpose of determining the reasonableness of estimates of costs and profit supporting all types of proposals submitted by contractors in connection with the award, administration, modification or repricing of Government contracts. Another category of external audit is a cost reimbursable contract audit. These audits include a review of incurred costs and overhead (indirect costs) and contractor's policies, procedures, and practices which influence and control contract costs. In addition, external audits include accounting evaluations. The objective of an accounting evaluation is to determine whether the recipient's accounting system is capable of furnishing accurate financial reports on a timely basis consistent with the requirements of the Department.

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## APPENDIX 1

fraud, bribery, kickbacks, favoritism and/or administrative irregularities. Such surveys are also designed to reveal patterns of operations conducive to irregularities. Operational Surveys provide a basis for the coordination and referral of allegations or indications of possible criminal violations to the Department of Justice, and assist in identifying matters or areas requiring further audit/investigative attention.

Investigations. An investigation consists of gathering of information, statements from informed persons, and a review of related records in order to ascertain whether a possible irregularity or violation of law exists. There are generally four types of investigations made by the OIG: (1) investigations of criminal matters, e.g., false statements/fraud against the Government; (2) discrimination in HUD employment cases; (3) violations of the Interstate Land Sales Full Disclosure Act (OILSR); and, (4) violations of the HUD Standards of Conduct regulations.

National Agency Check and Inquiry (NACI). An NACI is the minimum type of personnel security investigation conducted of potential applicants to Government positions. It consists of a check of the fingerprint and investigative files of the FBI, investigative files of the Office of Personnel Management and other applicable Government agencies, as well as written inquiries to law enforcement agencies, former employers and supervisors, references, and schools.

Full Field Investigation (FFI). An FFI, which is conducted by Office of Personnel Management investigators, is the maximum type of personnel security investigation. In addition to a check of FBI, Office of Personnel Management and other Government agency files, it includes interviews with present and former knowledgeable associates, and checks of credit and other pertinent records. An FFI is required for all occupants of critical-sensitive Government positions, as well as some noncritical-sensitive positions.

Debarment. Debarment means an exclusion from participation in HUD programs for a reasonable, specified period of time commensurate with the seriousness of the offense or failure, or the inadequacy of performance. However, in connection with Executive Order 11246 on Equal Employment Opportunity, the term debarment also means an exclusion from contracting or subcontracting for an indefinite period of time pending the elimination of the circumstances for which the exclusion was imposed.

Suspension. Suspension means a disqualification from participation in HUD programs for a temporary period of time because a contractor or grantee is suspected upon adequate evidence of engaging in criminal, fraudulent, or seriously improper conduct.

Consolidated List. A list of all contractors and grantees against whom any or all of the measures referred to in this part have been invoked. It includes past performance data and the status of a participant on any debarment, suspension, or ineligibility list.

## APPENDIX 1

Fraud. Fraud is an intentional deception to cause a person or party to give up property or some lawful right. Fraud includes all acts, omissions, and concealments involving a breach of legal or equitable duty, trust, or confidence justly reposed which result in damage to another or by which undue and conscienceless advantage is taken of another.

Mismanagement. Mismanagement means the failure to accomplish the goals and objectives of the activity or organization through the personal fault of those entrusted with managing or administering the activity or organization including its resources.

Waste. Waste means to spend monies or use resources carelessly and inefficiently without gaining a proper, reasonable, or normal return.

Program Abuse. Program Abuse literally means to use Federal programs improperly through deceitful, deceptive, fraudulent or other similar practices, usually for the purpose of improperly benefiting oneself financially.

Disallowed Costs. These are costs which clearly are not allowable, i.e., they are ineligible by law, contract, HUD or local agency policies or regulations. HUD is required to direct the auditee to adjust its project records to reflect such costs and to reimburse the project or Department for any amounts due as a result of the disallowances.

Questioned Costs. These are costs which are not clearly eligible or ineligible, but which warrant being contested by the auditor for any number of reasons (e.g., lack of satisfactory documentation to support the eligibility of the cost, etc.). These costs are brought to the attention of HUD management for a decision as to their eligibility.

AUDITS OF HUD PROGRAM PARTICIPANTS BY  
INDEPENDENT PUBLIC ACCOUNTANTS  
AND STATE OR LOCAL AUDITORS

By law or Secretarial directive, audits of the records of participants in various HUD programs are made by Independent Public Accountants (IPAs), state audit agencies, or local auditing departments. Descriptions of the various programs and related audit requirements are stated below:

1. Multifamily Mortgagors. Multifamily mortgagors are required to submit audited financial statements to HUD, as required by the Regulatory Agreement. These audits are made by IPAs as prescribed in HUD Handbook 4372.1. There are approximately 14,800 multifamily mortgagors. OIG audit efforts usually are directed to problem cases.
2. Nonsupervised Mortgagees. Annual audits of nonsupervised mortgagees (those not supervised or regulated by another governmental agency) are made by IPAs, following audit guidelines prescribed in HUD Handbook IG 4000.3 REV. There are about 1,650 such nonsupervised mortgagees. OIG audits, about 50 nonsupervised mortgagees each year, are selected on the basis of rate of activity, problems and foreclosures.
3. Public Facility Loans. Part II of the Federal Loan Agreement requires the borrower to obtain a financial audit of the facility's operations, and sets forth the minimum acceptable audit coverage. Audits are made by IPAs or State auditors as prescribed in HUD Handbook IG 6230.5. There are 1,550 borrowers required to submit annual audits to HUD.
4. College Housing Loans. There are about 3,400 borrowers required to submit to HUD an annual audit of their operations of the project on which a loan was made. Audit requirements are included in part II of the Loan Agreement. These audits are made by IPAs.
5. Elderly Housing Loans. The Regulatory Agreement provides that the borrower furnish HUD an annual audit report covering its operations of the housing project. There are about 300 borrowers under this program. Audits are made by IPAs.
6. Community Development Block Grants. There are approximately 5,200 recipients in this program. Under the applicable regulations (Part 570 of Title 24 of the Code of Federal Regulations), recipients are required to make or obtain an audit on at least a biennial basis. The audit may be made by IPAs, or state or local auditors, and is to be performed in accordance with the audit requirements in HUD Handbook IG 6505.2.

## APPENDIX 2

7. Model Cities Operating Agencies. Audits of the cities' administration of their Model Cities Programs are made by the OIG. Under the Model Cities Program, funds are sub-granted by the city to operating agencies (OAs) actually carrying out individual activities. Audits of the OAs are made by IPAs, or state or local auditors following the requirements of HUD Handbook MCGR 3100.8. There are approximately 1,200 OAs still operating Model Cities activities.
8. New Communities. There are 13 New Communities for which HUD has guaranteed loans. Under the terms of the Project Agreement for a community, the developer is required to submit annual financial statements, certified by an IPA.
9. Low-Income Housing. There are approximately 3,400 local agencies operating housing projects for low-income persons. HUD guarantees loan repayment on such projects. Audits are required biennially on such projects, to be made in conformity with requirements contained in HUD's "Audit Guide for Audits of Public Housing Agencies" (HUD Handbook IG 7476.3), issued August 1978. These audits may be made by IPAs, or state or local auditors. The OIG may audit a local agency if it is determined that serious problems exist.
10. Urban Renewal. Although this program is being terminated, there are still about 400 local agencies operating urban renewal projects. These agencies are required to obtain audits of their urban renewal projects on a biennial basis, following audit guidelines contained in HUD Handbook 7217.1. HUD may audit some of these projects, primarily to expedite their closeout.
11. Comprehensive Planning Assistance. This program provides grants to planning agencies to carry out overall comprehensive planning for the agency's jurisdiction. There are about 600 planning agencies directly receiving HUD grants. These agencies are required to obtain audits at least biennially, following guidelines prescribed in HUD Handbook IG 6042.2. Audits may be made by IPAs, or state or local auditors.
12. Mortgagor Cost Certifications. Upon completion of the construction of a multifamily insured project, the mortgagor must obtain a certification from an IPA of the cost of constructing the project. HUD Handbook IG 4200.1A contains the requirements for cost certification. There are approximately 1,100 projects currently to be completed.
13. Other Construction Cost Audits. A one-time construction cost audit is required of program participants receiving assistance in the Water and Sewer Grant, Public Facility Loans, Neighborhood Facilities Grant and New Communities guarantee programs. There are about 400 participants which will have to obtain an audit. These audits may be made by IPAs, or state or local auditors, following guidelines contained in the loan agreement or HUD Handbook.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

APPENDIX 3  
Page 1 of 5

September 26, 1980

OFFICE OF THE ASSISTANT SECRETARY  
FOR ADMINISTRATION

IN REPLY REFER TO:

MEMORANDUM FOR: Secretary Landrieu

THROUGH: Under Secretary Marrero and  
Assistant Secretary for Administration *[Signature]*

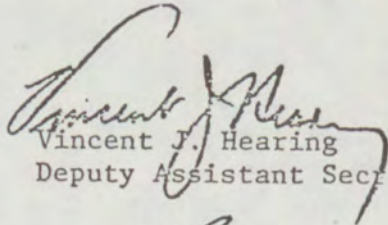
SUBJECT: Property Disposition Contracting

The attached memoranda from the Secretary and the Under Secretary result from our meeting with the Under Secretary, Housing, and the Inspector General on the property disposition contracting deficiencies.

Three memoranda are attached for signature:

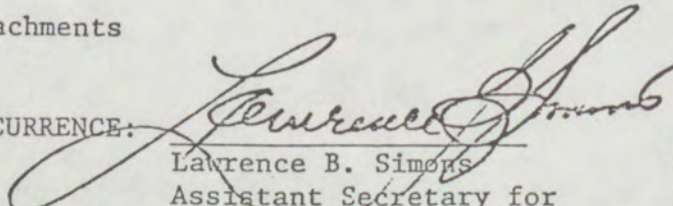
1. Memo to the Assistant Secretaries for Housing and Administration directing establishment of a working group to review the property disposition contracting problems and propose appropriate corrective actions. The working group report would be required by January 1, 1981. You should know that we (Housing and Administration) already have this underway and are currently working on this effort. We have made another review of the Boston Area Office (in addition to the Inspector General's review that was reported to you) and have, with the Regional Administrator, tightened up that operation.
2. Memo to the IG directing that he review the 22 offices he identified as having possible contracting deficiencies and conduct such audits as may be required. This would require that he complete such audits and render reports by February 1, 1981. My understanding is that 13 of these audits are already underway or planned.

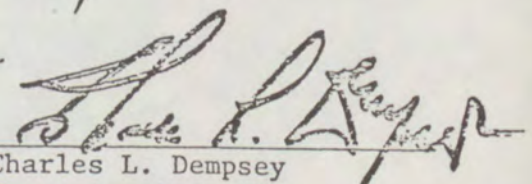
3. Memo to our Regional Administrator in Boston directing that he determine responsibility for the deficiencies and decide what administrative and/or disciplinary action, if any, is appropriate. Since Grand Jury investigations are on-going, prior approval of the Department of Justice would be necessary before any actions are taken.

  
Vincent J. Hearing  
Deputy Assistant Secretary

Attachments

CONCURRENCE:

  
Lawrence B. Simons  
Assistant Secretary for  
Housing Federal Housing  
Commissioner

  
Charles L. Dempsey  
Inspector General





THE UNDER SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

APPENDIX 3  
Page 3 of 5

86 SEP 1980

MEMORANDUM FOR: Shelly Friedman, Regional Administrator, 1A

SUBJECT: Boston Area Office Procurement Activities

As you know, past procurement activities on acquired property operations of the Boston Area Office have been reviewed by elements of HUD and are still under review by elements outside HUD. It is my understanding that the immediate contracting officials involved in the procurement actions under question are no longer serving in those positions. In addition, you have taken actions to correct the situation. Among those actions are:

1. To elevate the level of approval of all contract awards from the Contracting Officer to the Chief, Property Disposition Branch; and
2. To train the Contract Specialists who were recently assigned to the Area Office procurement function in the more complex types of procurement.

The purpose of this memorandum is to direct you to personally review the alleged improprieties of the employees involved and to take whatever additional administrative or disciplinary action, if any, you deem to be appropriate at this time. Any proposed disciplinary actions that result from your review should be firm, but fair, and should provide for full due process for all employees involved. In view of the current situation, prior approval of the Department of Justice would be necessary before disciplinary action may be proposed.

Please keep me informed as to any further actions initiated by the Region in this matter.

A handwritten signature in cursive script, appearing to read "Victor Marrero".

Victor Marrero



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

SEP 3 0 1980

MEMORANDUM FOR: Lawrence B. Simons, Assistant Secretary  
for Housing, H

William A. Medina, Assistant Secretary  
for Administration, A

SUBJECT : Housing/Administration Working Group-  
Property Disposition Contracting

As you know the Inspector General's operational survey of July 28, 1980 disclosed numerous deficiencies in property disposition contracting. I understand that members of your staffs have met several times to address this situation.

You are hereby directed to formally establish a joint working group which will:

1. Immediately conduct evaluations of the Detroit and Chicago Area Offices' property disposition contracting operations;
2. Conduct any other field evaluations deemed necessary;
3. Examine the entire property disposition contracting process in terms of staffing, organization and procedures; and
4. Report to me by January 1, 1981 with comprehensive findings and recommendations.

The working group should report to you monthly concerning its progress in accomplishing these objectives.

~~7/8~~ Moon

Moon Landrieu



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

September 30, 1980

Fraud Information  
Bulletin

MEMORANDUM FOR: Charles L. Dempsey, Inspector General, Z

SUBJECT: Property Disposition Contracting

As a direct consequence of the August 6 meeting concerning the problems in property disposition contracting, I have directed the Assistant Secretaries for Housing and Administration to establish a formal working group. The group will immediately conduct evaluations of the Detroit and Chicago offices and will review the entire property disposition contracting process to identify problems and solutions.

It is imperative that I know the complete extent and nature of the problems to effectively correct the situation. Therefore, I am directing your Office to immediately commence a review of the 22 offices identified as having possible contracting deficiencies in your July 1980 Special Survey on Property Disposition Contracting, and to conduct such audits as may be required. Any additional audits which you feel are necessary to define the problem should also be undertaken.

A comprehensive report summarizing your findings and conclusions should be submitted to me by February 1, 1981.

A handwritten signature in cursive script that reads "Moon Landrieu".

Moon Landrieu

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



June 1980

# Fraud Information Bulletin

80-2

"It is up to everyone to familiarize themselves thoroughly with the Standards of Conduct and to abide by those standards. No one in this Department is exempt."  
--Secretary Landrieu, January 1980

## Standards of Conduct

### Purpose

All HUD employees are responsible for honesty and professional conduct in carrying out assigned duties. This bulletin reemphasizes the importance of that responsibility and discusses various aspects of HUD's Standards of Conduct so that employees will be more aware of required actions.

HUD, with its numerous programs and decentralized organization, places a great deal of trust in its staff to administer programs efficiently and with integrity. Most employees do so, complying with both the letter and the spirit of federal laws, professional ethics and the Standards of Conduct. This bulletin will assist employees in avoiding trouble by reminding them of their responsibilities and by acquainting them with various types of prohibited conduct and possible resultant penalties. While the bulletin is not intended to list all the rules governing employee conduct, it does address the basic values which employees have a right to expect from each other.

The case histories discussed later represent examples of the types of investigations conducted by the Office of Inspector General or the FBI. They are based on information developed or

made available during those investigations. Changes were made to prevent the disclosure of information which might (a) be identifiable with any person or (b) allow for any type of unwarranted invasion of privacy. Any similarities with actual persons, places or organizations are unintentional.

### Background and Applicability

Various reference documents that discuss employee conduct are available to HUD employees. The Standards of Conduct are detailed in the Code of Federal Regulations, Title 24, Part 0, Section 0.735 and are also contained in HUD Handbook 735.1. HUD Handbook 752.2 CHG 1, Adverse Personnel Actions Handbook, and HUD Handbook 2000.3A, Office of Inspector General Audit and Investigation Activities also address issues relating to employee personal conduct and responsibilities. Pertinent sections and subsections of those documents provide guidance for (a) employee financial interests, (b) outside employment and activities, (c) the acceptance of gifts, favors, or anything of monetary value, and (d) disciplinary actions that might be taken for employee misconduct.

## APPENDIX 4

Moreover, certain Sections of the U.S. Criminal Code, including those regarding bribery, graft, and conflicts of interest, refer to the more serious violations of criminal law regarding employee conduct and responsibilities.

The General Counsel serves as Department Counselor and the Administrative Law Branch of OGC is prepared to give advice and guidance to employees concerning the Standards of Conduct. In each Regional Office, the Regional Counsel serves as Deputy Counselor.

### Prohibited Conduct

Three general categories are presented below that cite examples of the more serious types of prohibited conduct and summarize illustrative case histories. Later, we discuss various elements of personal misconduct.

#### Defrauding the Government

Staff who misuse or steal Government property or cheat in their dealings as employees may be engaging in criminal conduct. Examples of these acts include:

- Personal use of Government property or services such as vehicles, franking privileges, telephones, or photocopiers.
- Stealing Government property such as office equipment, supplies, and federal funds.
- Giving false information to the Government (or causing same) such as falsifying time and attendance records, travel vouchers, SF-171s and other Government documents.

Case History--A construction analyst was angered by disallowances on past travel vouchers. To get even, he made inflated lodging and mileage claims on subsequent vouchers. When this was discovered, the employee received a 14-day suspension without pay.

#### Conflict of interest

Employees who directly or indirectly (a) engage in prohibited outside employment

or activities, (b) have prohibited financial interests, or (c) act in a matter affecting a personal financial interest may violate the Standards of Conduct. Some examples of potential conflicts are:

- Employment which overlaps with official duties, such as having connections with persons or firms doing business with the Department; or engaging in the broad field of real estate, mortgage lending, construction, etc.
- Buying, selling, or managing real estate including the financing of such transactions (except for personal use or investment on a moderate scale).
- Buying stock or securities in the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), or Community Development Corporation.
- Participating in an official capacity in any matter in which the employee, a family member, partner, prospective employer or organization in which the employee is an officer or director has a financial interest.

NOTE: There are numerous restrictions as well as exemptions. Employees with questions should seek advice from the Office of General Counsel.

Case History--A former realty specialist had set the sales price on a HUD-acquired property. Later, he used a friend to purchase the property for him. The scheme was discovered and the specialist was prosecuted and fined \$500.

Case History--A HUD occupancy specialist resigned prior to dismissal action for conflict of interest violations. The specialist had entered into agreements to manage apartments. Also, without prior approval from the Regional Counsel, the specialist maintained a publicly listed place of business as an attorney.

## Acceptance of Bribes/Kickbacks

Employees who request or accept any gift, favor, or anything of monetary value which could influence an official act violates the Standards of Conduct and possibly criminal statutes. Frequently, these acts involve agreements or schemes which widen the offense to charges of conspiracy to defraud. A related abuse in this area is favoritism which occurs when the employee does not act in an independent or impartial manner.

Particularly susceptible to these type of abuses are jobs involving: (a) selecting and approving firms for contracts; (b) administering contracts; and (c) making inspections or appraisals.

Case History--An Insuring Office Director was convicted of giving false testimony to a Federal Grand Jury because he lied about receiving an automobile and other things of value from a construction firm doing business with HUD. In addition to being incarcerated for two years, the Director resigned, was debarred, and lost all retirement benefits. The construction firm members were sentenced to a total of seven years (actual and probated) and were fined \$11,000.

Case History--A Construction Analyst was convicted and sentenced to 18 months in prison for conspiracy and extortion. The employee had solicited building materials, paints, appliances, and electrical supplies valued at over \$3,000 from a PHA during a four-year period. After conviction, the employee was also dismissed.

## The Penalties

As a result of their actions, employees who have violated the Standards of Conduct and/or criminal law, have been prosecuted or administratively disciplined. Following is a table showing the results of prosecutive actions:

HUD Job Position	Indicted	Sentenced	Dismissed/ Acquitted
Director/Deputy Director	16	13	3
Division Chiefs/Deputies	13	10	3
Appraiser	22	18	4
Realty Specialist	16	15	1
Mortgage Credit Specialist/Underwriter	8	7	1
Construction Analyst/ Inspector	16	12	4
Administrative Clerks	4	4	-
Miscellaneous	7	6	1
<b>TOTAL</b>	<b>102</b>	<b>85</b>	<b>17</b>

Of the 85 employees convicted, 42 were sent to prison for terms ranging from 2 months to 10 years, and 33 more were placed on various periods of probation. The remaining 10 employees were fined. Total fines for the 85 employees exceeded \$165,000 and ranged from \$500 to \$40,000. Most of the employees were sentenced for violations of laws concerning bribery, conspiracy, income tax evasion, false statements, and aiding and abetting.

## Personal Misconduct

In addition to prosecutive actions, there have been over 900 disciplinary actions taken against employees since 1972. These actions include removal, demotion, suspension, and reprimand.

These disciplinary actions represent the penalties given for violations of the Standards of Conduct and offenses against the employer-employee relationship. (These latter offenses are listed in HUD Handbook 752.2 CHG 1, Appendix 2, Adverse Personnel Actions Handbook.) They cover, among other matters:

- Offensive behavior, such as fighting, abusive language, or sexual harassment.
- Being on duty while under the influence of drugs or alcohol.
- Unlawful betting on Government premises.

## APPENDIX 4

- Harassing, threatening, or taking reprisals on others to prevent a grievance or a referral to the OIG.

Case History--A staff appraiser resigned before being dismissed after it was found that he made improper sexual suggestions while at residences he was to appraise. He also phoned women and requested they meet him if they wanted the appraised value increased.

### Who's Responsible

Very simply, we are all responsible. Employees have an obligation not only to maintain their own personal integrity but also to assure that HUD is neither cheated nor used as a means to cheat others. Individuals who might violate the Standards are deterred when others who know and disapprove of their actions make that position known. In some cases, simply reminding co-workers that their action (or proposed action) is not right (let alone worth the risk) is sufficient. However, when actions have progressed beyond the point of being prevented by some friendly advice, then employees are responsible for reporting wrongdoing.

HUD Handbook 2000.3A, Office of Inspector General (OIG) Audit and Investigation Activities, provides that it is an employee's responsibility to report any indication of wrongdoing or irregularity. The Handbook also requires OIG to handle any such complaints and conduct investigations when warranted. This process protects the public and HUD against employee violations and protects employees against ill-founded accusations. If necessary, confidentiality can be afforded by OIG under the IG Act of 1978. This Act provides in part that the identity of employees who make complaints shall not be disclosed ". . . without the consent of the employee, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation."

As an extension of the procedures contained in HUD Handbook 2000.3A when normal channels cannot be used, a telephone hotline is available (FTS 472-4200).

\* \* \* \* \*

Comments or other pertinent information regarding this bulletin should be forwarded to the Director, Fraud Control Division, Office of Inspector General (Room 8280, Phone: 202-755-6383).

HISTORICAL TABLE 1. Monetized Audit Findings Concurrred in by HUD and Resultant Cash Recoveries - Fiscal Years 1972 - 1980

<u>Fiscal Year</u>	<u>Monetized Findings Concurrred in by HUD</u>	<u>Cash Recoveries</u>
1972	\$ 7,984,678	\$ 4,135,507
1973	9,446,571	5,052,352
1974	16,101,956	8,131,077
1975	14,807,141	7,511,005
1976	33,799,805	18,765,109
1977	34,580,444	10,550,285
1978	29,169,089*	8,305,564
1979	27,451,587*	13,053,071
1980	<u>79,768,969</u>	<u>25,656,766</u>
TOTAL	<u>\$253,110,240</u>	<u>\$101,160,736</u>

\* Reflects adjustment in amounts previously concurrred in by HUD program officials and subsequently reversed based on proper documentation of costs.

HISTORICAL TABLE 2. Comparison of Independent Public Accountant (IPA) Monitoring Staff Years with Number of IPA Reports Accepted - Fiscal Years 1973 - 1980

<u>Fiscal Year</u>	<u>IPA Reports Accepted</u>	<u>Monitoring Staff Years Used</u>
1973	103	2.5
1974	1,223	11.0
1975	1,584	18.6
1976	2,113	19.3
1977	2,621	18.8
1978	4,037	26.2
1979	3,977	26.1
1980	<u>4,917</u>	<u>29.3</u>
TOTAL	<u>20,575</u>	<u>151.8</u>



APPENDIX 5

HISTORICAL TABLE 3. Status of Indictments by Regions -  
Fiscal Years 1972 - 1980

<u>Region</u>	<u>Total Indicts.</u>	<u>Sentenced/ Fined</u>	<u>Dismissed/ Acquitted</u>	<u>Pending</u>
I	96	75	7	14
II	288	206	41	41
III	226	154	56	16
IV	315	232	31	52
V	578	440	79	59
VI	204	153	25	26
VII	63	46	6	11
VIII	35	31	1	3
IX	346	261	36	49
X	69	46	8	15
TOTAL	<u>2,220</u>	<u>1,644</u>	<u>290</u>	<u>286</u>

HISTORICAL TABLE 4. HUD Employees Indicted/Sentenced -  
Fiscal Years 1972 - 1980

<u>HUD Job Position</u>	<u>Indicted</u>	<u>Sentenced</u>	<u>Dismissed/ Acquitted</u>	<u>Pending</u>
Director	12	10	2	-
Deputy Director	4	3	1	-
Division Chief and Deputy	13	10	3	-
Underwriter	2	1	1	-
Appraiser	22	18	4	-
Realty Specialist	16	15	1	-
Mortgage Credit Specialist	6	6	-	-
Construction Analyst	9	7	2	-
Inspector	7	5	2	-
Administrative Clerk	4	4	-	-
Miscellaneous	9	8	1	-
TOTAL	<u>104</u>	<u>87</u>	<u>17</u>	<u>-</u>

HISTORICAL TABLE 5. Operational Survey Reports Issued and Cases Opened - Fiscal Years 1973 - 1980

<u>Fiscal Years</u>	<u>Operational Survey Reports Issued</u>	<u>Investigation Cases Opened</u>
1973-1974	20	542
1975	10	258
1976	8	142
1977	9	292
1978	11	119
1979	11	281
1980	<u>7</u>	<u>60</u>
TOTAL	<u>76</u>	<u>1,694</u>

HISTORICAL TABLE 6. Hotline Calls Received by Program Area - Fiscal Years 1979 - 1980

<u>By Program</u>	<u>Received</u>		<u>Total Calls</u>
	<u>FY 1979*</u>	<u>FY 1980</u>	
Housing	91	143	234
Community Planning and Development	94	81	175
Administration	48	73	121
Other HUD Offices	6	8	14
Non-HUD	<u>28</u>	<u>18</u>	<u>46</u>
TOTAL	<u>267</u>	<u>323</u>	<u>590</u>

\* Calls received since the establishment of the hotline in February 1979.

