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# Office of Inspector General Report to the Congress

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for the six month period  
October 1, 1981 to March 31, 1982

Pursuant to  
Public Law 95-452

#7





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Submitted by:  
Charles L. Dempsey, Inspector General

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



Charles L. Dempsey  
Inspector General

## Foreword

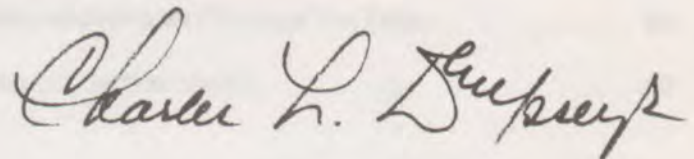
This is our seventh report to the Congress. Cash savings and recoveries, sustained audit findings, and prosecutive efforts continue to be significant. Perhaps more important than all the statistics and individual narrative items in this report, however, are the common denominators that link this report to Congress with all our prior ones. Almost all of our significant items in current and past reports can be categorized into two broad areas. The Department has problems with: (1) program management (including planning, execution and monitoring); and (2) resource and asset management (including accounting and purchasing). This report deals with a number of major weaknesses in program monitoring and accounting functions. Our prior semiannual reports contained specifics on other aspects of these two broad areas. The Department has had a long history of these problems.

Several reviews of HUD have begun or soon will start. The General Accounting Office has started a management advisory review of the entire Department. The Private Sector Survey Group, formed by the

President, will soon begin its review of HUD. We plan to coordinate closely with these groups and provide whatever assistance we can. HUD managers themselves are looking at HUD's programs and administration with a commitment to finding and correcting long-standing problems.

This report and the ones to come from these other reviews will identify ways to improve on the efficiency and effectiveness of the Department's operations. Although these intensive efforts will ultimately aid the Department, it should be observed that deep-rooted problems cannot be corrected overnight nor can they all be addressed at one time. As a matter of perspective, we would like to comment on the unprecedented cooperation we have received from the current management team. We commend the attitudes and actions of those managers who are dedicated to addressing the problems in HUD.

This is not to minimize the seriousness of the problems contained in this report, but rather to acknowledge that improvements are being made and to encourage these efforts.



Charles L. Dempsey  
Inspector General



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The Inspector General Act of 1978 (P.L. 95-452) requires semiannual reports describing seven areas of activity. Two more requirements were added by the Senate Report No. 96-829 on the Supplemental Appropriations and Rescission Bill (P.L. 96-304). The citations for the required items are shown in brackets.

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## Profile of Performance

Department of Housing and Urban  
Development  
Office of Inspector General

October 1, 1981 to March 31, 1982	Amount	Page Reference
<b>Audit Activities</b>		
Cash Recoveries/Savings (OIG and Non-Federal Audits)	\$27,045,000	55
Questioned and Disallowed Costs Sustained (OIG and Non-Federal Audits)	\$66,314,000	55
Internal Audit Reports Issued	54	79
External Audit Reports Issued	281	79
Non-Federal and Other Agency Reports Accepted	2,711	—
Audit Findings Issued	4,071	55
Audit Findings Resolved	4,719	55
Staff Years of Assistance to U.S. Attorney	4.4	—
<b>Investigation Activities</b>		
Investigation Cases Opened	797	28
Investigation Cases Pending	1,824	28
Investigation Cases Referred for Prosecution	172	29
Persons/Firms Indicted	152	30
Persons/Firms Convicted	145	30
Total Fines Levied	\$188,942	30
Total Years of Prison Sentences	160	30
Total Years of Probated Sentences	271	30
Cash Recoveries	\$725,000	30
Debarments of Persons/Firms Doing Business with HUD	157	—
Suspensions of Persons/Firms Doing Business with HUD	127	—
Personnel Actions Initiated Against HUD Employees	51	—
<b>Fraud Control Activities</b>		
Management Control Assessments Received	52	41
Special Fraud Control Projects Undertaken in Cooperation with HUD's Committee on Fraud, Waste and Mismanagement	5	—
Hotline Calls Received	262	42
Hotline Calls Processed and Closed	203	43
Proposed Legislative Bills and Regulations Reviewed	136	49
Proposed HUD Handbooks/Issuances Reviewed	71	—
Fraud Training Courses Conducted	5	41



## Synopsis

This report contains selected operating results for the period October 1, 1981, to March 31, 1982. Significant weaknesses disclosed by audits and investigations, and fraud

control activities conducted by our office or in cooperation with others, are also discussed. The following synopsis provides the highlights of this report.

## Significant Problems, Abuses, Deficiencies and Recommendations

**1. Over \$15 Billion Idle on Old Obligations.** Over \$15.6 billion remained obligated 15 months or more without physical construction starting on more than 2,600 multifamily housing projects (page 11).

**2. Faulty Accounting Systems.** Accounting managers are hampered from effectively administering their operations because certain management practices and procedures are lacking or are not followed (page 12).

**3. HUD Monitoring – Accountability Needed.** HUD's monitoring has failed to assure accountability of the program participants that receive or handle HUD funds, seriously jeopardizing program goals and permitting waste and mismanagement of HUD funds (page 12).

**4. Promised Actions on Closed Findings Not Taken.** Audit findings were closed on promises by HUD managers that they would follow certain plans for corrective action. However, these plans for corrective action are not always implemented (page 13).

**5. Rental Assistance Fraud – Remedies Needed.** Tenants can cheat HUD by misrepresenting eligibility data. Unless material improvements are made, HUD will

continue to be defrauded of housing subsidies while needy and eligible families must wait for help (page 14).

**6. Indian Housing Authorities Let Architects Overbill \$1.5 Million.** Indian Housing Authorities rely too much on architects for help on new projects, permitting them to prepare development programs, budgets, and oversee the development of the projects. This has allowed overbillings by architects and charges for services not contracted (page 15).

**7. Section 8 Housing – Substandard Units Still Exist.** A substantial portion of the units in the Section 8 Existing Housing Program is substandard (page 16).

**8. Cuyahoga Housing Authority Poorly Administered.** The Cuyahoga Metropolitan Housing Authority depleted its operating funds by charging tenants excessively low rents, paying excessive wage and procurement rates, and failing to efficiently allocate or maintain resources (page 17).

**9. \$16.5 Million in Subsidies Improperly Claimed by Housing Authority.** The Atlanta Housing Authority has claimed operating subsidies of about \$16.5 million that were inaccurately calculated or insufficiently supported. As a result,



HUD did not fairly distribute operating subsidies among the various Housing Authorities (page 17).

**10. HUD Recovers \$593,000 from Lowell Housing Authority.** The Lowell Housing Authority, Lowell, Massachusetts, failed to return a \$329,500 cash advance for a subsequently cancelled community center, along with \$173,000 in interest it earned by investing the money and \$90,000 in interest expense to HUD (page 18).

**11. Poor Construction Continues on HUD Projects.** Area Offices are not doing enough to find construction defects in HUD projects and are not taking action against supervisory architects or the contractors who are involved in poor quality work (page 19).

**12. HUD Not Collecting Excess Rental Income.** HUD is failing to identify and collect large amounts of excess rental income from multifamily project owners (page 20).

**13. Tenants Overcharged \$887,000.** The owners of the Park Lane Apartments, Monterey, California, overcharged tenants for rent and collected unauthorized fees totaling nearly \$887,000, and made unauthorized cash distributions of over \$464,000 to themselves (page 21).

**14. Funds Diverted from Housing Projects-Defaults Likely.** Mortgagors have misspent and diverted over \$1 million from five insured projects jeopardizing the ability of the projects to be financially viable (page 21).

**15. Clifton Terrace Mismanaged.** Neither HUD's project manager nor the Washington Area Office adequately managed the Clifton Terrace Apartments, Washington, D.C., resulting in a loss of project funds and making the project an unfit place to live (page 22).

**16. Tax Benefits on Project Sales Need To Be Considered.** In most cases, transfers in ownership of insured multifamily projects are being approved by HUD without considering the tax benefits to the proposed owners. Without an analysis of the tax consequences of a transfer, HUD cannot effectively negotiate the amount of new capital to be placed into the projects by the owners (page 23).

**17. Fraud and Abuse in the Mobile Home Loan Program.** HUD's Mobile Home Loan Program is highly susceptible to fraud, waste and abuse from the dealers, borrowers and lenders who participate in the program (page 24).

**18. HUD and Grantees Not Monitoring Subrecipients.** Neither HUD nor its grantees have established a working system for monitoring the use of funds by subrecipients in the Community Development Block Grant Program. (page 25).

**19. \$430 Thousand Questioned on UDAG Grants.** The City of Hartford, Connecticut, did not adequately monitor the use of Urban Development Action Grant funds by subgrantees and had no assurance grant objectives would be met. Subgrantees collected \$430



thousand in grant funds without maintaining acceptable accounting records (page 26).

## 20. \$278 Thousand in Community Development Block Grant Costs

**Not Supported.** The Town of Austin, Indiana, did not maintain adequate financial records and procedures to assure that Community Development Block Grant costs are reasonable, necessary and allowable (page 26).

## Fraud Control Activities

**Task Forces** – The OIG participated in two special Task Forces during the reporting period as follows:

*Alien Issues* (page 36). This project consisted of a group formed by the Secretary to develop regulations for a new law prohibiting housing assistance to certain ineligible aliens. Key policy decisions have been made, and proposed regulations will soon be published in the Federal Register. Procedural changes included in the regulations provide for establishing local program administrators' responsibilities, prescribing the evidentiary documents acceptable for eligibility, and establishing HUD's post-verification methods and processes.

*Program Participant Monitoring* (page 37). The second Task Force established by the Secretary was to institute a concept of "Accountability Monitoring" into the Department. This monitoring concept resulted from a study conducted by HUD's Committee on Fraud, Waste, and Mismanagement. Accountability Monitoring is a general term used to describe the purpose and intent of this effort which is to conserve our limited resources and target them for high risk recipients and high exposure areas, i.e., those program areas that historically have been shown to be susceptible to fraud, waste, and mismanagement.

During the period the Task Force has:

- Overseen issuance of policy changes by the Offices of Community Planning and Development (CPD) and Housing;
- Provided guidance to the Field Offices and established responsibilities;
- Developed and provided training to 102 Public Housing staff and 41 CPD staff.

**Committee on Fraud, Waste, and Mismanagement** – This committee advises the Secretary on policy matters relating to prevention and detection techniques. Significant work during this six-month period includes:

*Fraud Reform Legislation* (page 38). This working group developed recommendations for legislation that would help HUD establish computer matching techniques. Included are provisions to require participants to provide their Social Security numbers or employer identification numbers, and signed releases to verify eligibility. A change to the Social Security Act is requested so we may access State wage data files. Penalties to be invoked for fraud at the local level are also included. The respective House and Senate Bills are H.R. 6020 and S. 2361.



*Whistleblowing* (page 39). This group reviewed the report by the Merit Systems Protection Board on

Whistleblowing and developed a plan to assure that HUD employees were aware of their rights and responsibilities.

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## Cooperative Efforts

*President's Council Projects.* We participated in several projects sponsored by the President's Council on Integrity and Efficiency.

*Unliquidated Obligations* (page 44). This was an interagency project led by our office to review the status of unliquidated obligations on "inactive projects." The review was conducted at 17 Executive Departments and agencies. Weaknesses were apparent in agency accounting and management information systems, goals accomplishment and measurement standards, and participant monitoring. These three items were primary factors contributing to the high number of "inactive" projects and corresponding unliquidated obligation balances at agencies surveyed. About \$19 billion in unliquidated obligations were found which were idle for 15 months or more. The final report transmitted November 6, 1981, to the Council recommended that the Office of Management and Budget (OMB) issue a directive for agencies to develop and implement a management control plan. OMB has started actions on these issues.

*Housing Suspensions and Debarments* (page 45). This is a project to examine the method of devising a uniform system of suspensions and debarments among HUD, the Veterans Administration, and the Farmers Home Administration. Since initiation of the project, reviews have been made of the statutes, regulations and procedures of the three agencies to identify changes needed to achieve consistency among systems and to provide lists of suspended and debarred entities. This project is being merged with others and will examine methods for achieving a governmentwide system.

*Intradepartmental Projects* (page 46). The OIG and HUD management are cooperating on two important projects, described as follows:

- The Joint Accounting Review is a project established to review the vulnerabilities in current accounting systems.
- OMB Circular A-123 is being implemented through a joint effort of the OIG and the Assistant Secretary for Administration.



# Chapter 1

## Significant Problems, Abuses, Deficiencies and Recommendations

As required by the Inspector General Act, this chapter details the significant problems, abuses and deficiencies relating to the Department's operations and programs for the current period. Recommendations for corrective action are also provided as required.

This chapter is divided into five areas: General Administration; Assisted Housing; Multifamily Housing; Single Family Housing; and Community Planning and Development.

### General Administration

Problems in general administration or programs with overlapping issues are discussed below.

erroneous. Management subsequently found almost another \$4 million upon receipt of information developed during the survey.

#### Over \$15 Billion Idle on Old Obligations

We recommended that HUD improve controls for tracking obligations and terminate projects and deobligate funds where appropriate.

##### *Problem*

##### *Status*

Over \$15.6 billion remained obligated 15 months or more without physical construction starting on more than 2,600 multifamily housing projects.

The Survey Report on Unliquidated Obligations for Selected Construction-Related Activities was issued on February 18, 1982. As a result of the Field work, HUD deobligated over \$16 million as of March 31, 1982.

##### *Discussion*

On February 16, 1982, the Comptroller General rendered an opinion that HUD's use of reservation and notification letters as obligation documents for the purpose of reporting to the Congress was inappropriate. GAO determined that HUD's system of obligating funds based on its preliminary approvals of projects was legally insufficient to commit the government. Based on our survey of HUD, we estimated that a minimum of \$15 billion of budget authority was obligated using the reservation and notification letters.

As part of an interagency project of the President's Council on Integrity and Efficiency, HUD's Annual Contributions for Assisted Housing Account was reviewed to determine the status of unliquidated obligations. This account was selected because it was the largest account for construction-related activities. In fact, this account alone represents about one-third of the total governmentwide unliquidated obligations. Limited tests indicated that contract and budget authority has been obligated for as long as four years without physical construction starting. Nearly \$26 million was eligible for immediate deobligation.

The review also disclosed conditions in the accounting system requiring further review and corrective action. Nearly \$7 million was eligible for deobligation because some obligations were duplicate or



HUD management informs us that beginning October 1, 1982, the method of recording obligations will be changed to comply with the Comptroller General's opinion.

- Work measurement systems are ineffective and inaccurately portray actual operations; and
- Written procedures detailing key daily duties are outdated or nonexistent.

### **Faulty Accounting Systems**

#### *Problem*

Accounting managers are hampered from effectively administering their operations because certain management practices and procedures are lacking or are not followed.

Consequently, employees are not aware of how their jobs relate to overall operations, accounting records are unreliable, and managers cannot determine if organizational goals and objectives are being achieved.

#### *Status*

#### *Discussion*

For a number of years, our audits have noted many problems in Office of Finance and Accounting (OFA) operations. Most of the problems stemmed from a general failure to emphasize close coordination between the system users (program offices) and the system operators (OFA) and to continually stress the need for sound, reliable and effective accounting systems. Consequently, little attention was placed on organizational design or on detailed practices and procedures.

The problems noted during this audit were discussed on several occasions with OFA officials. As a result of the discussions and their own initiative, these officials have taken action to correct a number of these problems. For example, the work measurement system is being revised to reflect a more comprehensive picture of operations and a training and development program is being formulated. Another initiative is the establishment of a joint OFA/OIG review of selected HUD accounting systems. As discussed in the chapter on Cooperative Efforts, this review started in December 1981. It is planned that the audit report will be issued in April 1982.

Four specific problems identified during our review that illustrated inadequate levels of coordination and emphasis were:

### **HUD Monitoring – Accountability Needed**

- Training and development programs that could identify and respond to both organizational and individual needs do not exist;

#### *Problem*

- Accounting systems are fragmented and data is inaccurate and incomplete;

HUD's monitoring has failed to assure accountability of the program participants that receive or handle



HUD funds, seriously jeopardizing program goals and permitting waste and mismanagement of these funds.

#### *Discussion*

In the past, the Department's production goals overshadowed concerns for management oversight. Over the years, monitoring objectives have become blurred by the addition of diverse and sometimes conflicting directives from Headquarters. When staffing and travel constraints were placed on the Department, the monitoring function was among the first areas to suffer. Field staff took on conflicting responsibilities for program production, management, and monitoring, causing review skills and knowledge to decline. When monitoring did uncover problems, findings addressed symptoms rather than the underlying cause. Participants learned that they need not worry about HUD monitoring. This departmentwide problem included, among others, reviews of mortgagees, mortgagors, housing authorities, and Block Grant recipients.

In April 1981, the Secretary formed a Monitoring Task Force to institute a concept of "accountability monitoring." In general, the thrust is to make monitoring a first line of defense against abuse of HUD programs and funds. Specifically, revised monitoring will mean that available resources will be targeted at vulnerable program activities and high risk participants. Monitoring techniques and skills will be developed to conduct comprehensive reviews of identified high risk areas. The new thrust on accountability monitoring is an important step in reversing past deficiencies.

#### *Status*

This problem has been noted in each of our Semiannual Reports. Each area in this chapter in some manner contains problems related to faulty oversight by HUD staff. We will continue to report on specific monitoring problems and work with the Department to correct them. The Department's Task Force has several accomplishments to date. These are discussed in our chapter on Fraud Control Activities.

#### **Promised Actions on Closed Findings Not Taken**

#### *Problem*

Audit findings were closed on promises by HUD managers that they would follow certain plans for corrective action. However, these plans for corrective action are not always implemented.

#### *Discussion*

In our September 30, 1981 Semiannual Report to Congress, we reported that, in some cases, HUD officials were not carrying out promised actions to correct deficiencies cited in audit reports. Based on the results of this preliminary analysis, we expanded our review to all ten Regions and made an analysis of promised actions for 305 audit findings that were closed at December 31, 1981. For 64 of the 305 (21 percent) audit findings reviewed, promised actions were not adequately implemented by HUD officials. This was especially true for Regions V (Chicago) and VIII



(Denver). More significantly, 20 of the 64 findings for which promised action had not been taken were post audit verified. Post audit verification is management's means of checking that resolved findings are indeed closed.

Regional Administrators had been advised by us during the audit that actions had not been taken, and follow-up should be made.

We provided the Under Secretary the results of our review on March 29, 1982. On March 30, 1982, the Under Secretary sent a memorandum to the Regional Administrators emphasizing the need to close the findings. In addition, the Deputy Under Secretary for Field Coordination is planning to send a memorandum to those Regional Administrators whose audit findings were post audit verified but promised action was not taken.

#### *Status*

Follow-up was made March 31, 1982, to determine how many of the 64 audit findings were not implemented. As of March 31, 1982, promised corrective action had not been taken for 32 of the 64 audit findings. Appendix 4 lists the 25 reports and the officials who were responsible for the promised actions on these 32 findings.

#### **Rental Assistance Fraud – Remedies Needed**

##### *Problem*

Tenants can cheat HUD by misrepresenting eligibility data, and

have little worry over being caught because HUD has not adopted effective quality control systems. Unless material improvements are made, HUD will continue to be defrauded of housing subsidies while needy and eligible families must wait for help.

##### *Discussion*

Past studies and audits conservatively estimate that about 12 percent of all tenants receiving housing subsidies make false statements in order to gain benefits. In the past, HUD has been reluctant to devote sufficient time or effort to attack these systemic problems. Quality control is needed at HUD.

Recent events indicate that top management is willing to tackle several previously imposed legal and administrative obstacles that impede an effective quality control program. Some of these include:

- HUD's submission of 1983 legislative amendments that would lead to post verification of eligibility data through computer matching. The involvement of our office is detailed in the chapter on Fraud Control Activities.
- The Secretary's Study Group on Alien Issues development of improved pre and post verification procedures and techniques that should aid in the detection and prevention of ineligible benefit payments. The involvement of our office is detailed in the chapter on Fraud Control Activities.
- HUD's commitment to the development of a single recertification form for all its rental assistance programs and automation of this form.



These initiatives are viewed as important steps; however, much remains to be done before HUD will be able to have an effective and operational quality control program.

#### *Status*

At March 31, 1982, several of HUD's initiatives were in the approval/

clearance processes. Key regulations and application forms are being reviewed by OMB. Legislative proposals were submitted to Congress on March 26, 1982.

Thereafter, top HUD management will need to continue to lend active support to drafting and implementing integrated systems that can assure the economical delivery of housing benefits.

### **Assisted Housing Programs**

HUD has programs for providing rental units or rent subsidies to low and moderate income families. This includes the development and management of Conventional Public Housing and the Lower Income Rental Assistance Program (Section 8). In the Conventional Public Housing Program, there are about 1.2 million units in management receiving fixed annual contributions in excess of \$1 billion, and 1.16 million units receiving operating subsidies in excess of \$1.5 billion. Payments on the 1.4 million Section 8 existing units exceed \$3 billion annually. Current funding would allow for the development of 31,000 units of low rent housing at a cost of approximately \$55,000 per unit.

#### **Indian Housing Authorities Let Architects Overbill \$1.5 Million**

#### *Problem*

Indian Housing Authorities rely too much on architects for help on new projects, permitting them to prepare development programs, budgets, and oversee the development of the projects. This has allowed overbillings by architects and charges for services not contracted.

#### *Discussion*

Indian Housing Authorities develop public housing on their reservations. They receive funding for the development of large numbers of new units annually. The projects are fully funded by HUD and are approved only if the Indian Housing Authorities have the capacity to administer the development programs.

The Indian Housing Authorities contract for architectural services in the development of housing projects. The architectural firms primarily provide design and inspection services and are to be paid only for these services according to a standard contract approved by HUD.

The Indian Housing Authorities were not enforcing the terms of the contracts, exercising control over development funds or obtaining HUD approval before awarding contracts. As a result, architects overcharged for basic architectural services, and billed for unsupported and excessive amounts and for services not authorized. Over \$1 million was questioned and \$469,000 was disallowed in ten Indian Housing Authorities with 44 projects. There are over 320 projects in development



involving more than \$900 million in the three Regions we reviewed. The problem, if widespread, could be a multimillion dollar waste of funds. Recommendations to the Assistant Secretary for Housing will be to change the system and strengthen the contracts to avoid the continuance of this problem.

#### *Status*

We briefed the Deputy Assistant Secretary for Public Housing and Indian Programs on the above problems in January 1982. Resolution of the findings is pending on the results of a legal opinion requested from the Office of General Counsel. Also, one of the major architectural firms participating in this program is challenging our audit in administrative hearings.

### **Section 8 Housing – Substandard Units Still Exist**

#### *Problem*

A substantial portion of the units in the Section 8 Existing Housing Program is substandard.

#### *Discussion*

A follow-up review of the Section 8 Existing Housing Program was performed to determine whether the quality of housing had improved since our July 1979 Special Operational Survey of the Section 8 Program. At that time, we reported that 40 to 45 percent of the units in the program contained Housing Quality Standard (HQS) violations and that 31 percent contained serious HQS violations

that affected the health and safety of the tenants or the livability of the units. We estimated that HUD was paying \$21 to \$24 million a month for units with HQS violations and \$19 million a month for units with serious HQS violations.

The results of our current review indicate that the quality of housing in the Section 8 Existing Housing Program has not improved but, in fact, may have deteriorated since July 1979. We found that 122 of 222 units or 55 percent passed by Public Housing Authority (PHA) inspections should have failed because of substandard conditions. In addition, we found that 43 percent or 21 of the 49 units passed by HUD inspectors should have failed because of the substandard conditions. Although the results of our review cannot be statistically projected, HUD could be paying as much as \$60 million monthly for substandard housing.

We recommended that HUD establish a system of penalties to impose on PHA's, PHA employees, and HUD employees who allow substandard units into the program; that HUD train inspectors to perform quality inspections or contract out this function to qualified inspectors; and that HUD establish a toll free tenant complaint telephone number for tenants to complain about substandard conditions in their units.

#### *Status*

Our report was submitted to the Assistant Secretary for Housing on March 31, 1982. Corrective action is needed because the Modified Section 8 Program, pending before Congress, will continue to rely on the



PHA's to select only standard units for the program.

### **Cuyahoga Housing Authority Poorly Administered**

#### *Problem*

The Cuyahoga Metropolitan Housing Authority depleted its operating funds by charging tenants excessively low rents, paying excessive wage and procurement rates, and failing to efficiently allocate or maintain resources.

#### *Discussion*

HUD provides operating subsidies to Housing Agencies through an Annual Contributions Contract. Under the contract provisions, the Housing Agency must follow sound management practices as well as specific requirements for personnel employment, contracting, and providing decent, safe, affordable housing.

Despite these requirements, Cuyahoga paid annual wages of \$650,000 for 115 employees which were excessive when compared to local wages for similar positions. Moreover, Cuyahoga undercharged tenants and live-in custodians \$1,324,776 over four years. In addition, maintenance and security employees were mismanaged and equipment was not used efficiently. Tenants were provided housing out-of-turn from their place on the waiting list, and procurements were made noncompetitively and without regard to cost for services, materials and equipment.

To provide adequate funds for operations, HUD has increased the operating subsidy to Cuyahoga by almost \$5 million or 50 percent since 1976.

Recommendations were to: (1) take actions designed to reevaluate and limit employee wages to acceptable levels; (2) revise rental rates on the basis of current tenant income and the fair market value of rental units; (3) provide greater control over the use of maintenance employees and equipment; (4) provide better security protection for tenants; (5) house applicants in sequence from the waiting lists; and (6) establish purchasing procedures that require competitive selection of contractors.

#### *Status*

The audit report, "PHA Operations Problems, Deficits, and Living Conditions," was issued on March 30, 1982, to the Acting Regional Administrator of HUD's Chicago Region and the Acting Supervisor, Cleveland Multifamily Service Office. Comments on the audit are not due until May 28, 1982.

### **\$16.5 Million in Subsidies Improperly Claimed by Housing Authority**

#### *Problem*

The Atlanta Housing Authority has claimed operating subsidies of about \$16.5 million that were inaccurately calculated or insufficiently supported. The procedures governing these calculations are called the Performance Funding Formula. As a



result, HUD did not fairly distribute operating subsidies between the various Housing Authorities as intended by the Formula.

#### *Discussion*

HUD has developed the Performance Funding Formula to determine the amount of operating subsidy due to each Housing Authority. The Housing Authorities estimate the gross rental income as part of the calculation. They also obtain documentation to support the cost of their utilities which is a major element in determining the amount of the operating subsidy.

A major element of the Performance Funding Formula is the estimated rental income. The Authority consistently understated the rental income per unit which caused the subsidy to be larger than it should have been. In our January 27, 1982 report on the financial viability of recently developed low income housing, we reported that the Atlanta Housing Authority had inaccurately computed the amount of the operating subsidy for Fiscal Years 1980, 1981 and 1982. The overstated subsidy for Fiscal Year 1982 amounted to \$2 million, but had not yet been paid by HUD.

An Independent Public Accountant's (IPA) audit of the Atlanta Housing Authority for the two-year period ended June 30, 1981, also showed that \$14.5 million in subsidy payments were inaccurately computed by the Authority. The IPA questioned insufficiently supported utility subsidies of \$12 million paid by HUD for Fiscal Years 1977 through 1981, and operating subsidies of \$2.5 million paid HUD for Fiscal Years 1980 and 1981.

#### *Status*

In response to our January 27, 1982 audit report, the Atlanta Area Office reduced the Housing Authority's subsidy for Fiscal Year 1982 by \$1.5 million. The amount was reduced from the \$2 million shown in our report based upon the Area Office's review of the subsidy calculations. The Area Office is working on the resolution of the findings for the remaining \$14.5 million in the IPA's report.

#### **HUD Recovers \$593,000 from Lowell Housing Authority**

#### *Problem*

The Lowell Housing Authority, Lowell, Massachusetts, failed to return a \$329,500 cash advance for a subsequently cancelled community center, along with \$173,000 in interest it earned by investing the money, and \$90,000 in interest expense to HUD.

#### *Discussion*

HUD advances funds to Public Housing Authorities for developing public projects and pays the principal and interest on bonds and notes issued to finance the projects. Whenever projects are cancelled or reduced in size, the Public Housing Authority is required to refund HUD any monies that are no longer needed to cover the cost of the project.

On June 25, 1975, HUD advanced the Lowell Housing Authority \$329,500 to construct a community center. The advance was



subsequently refinanced in 1975 through the sale of project notes. As part of the financing agreement, HUD has paid over \$90,000 in interest on the notes since 1975. In 1979, the Housing Authority cancelled construction of the community center. In May 1980, the Housing Authority and HUD formally cancelled the project, but the advance for the community center was not returned as required. The Housing Authority invested the monies in Treasury bills and government-backed securities which earned \$173,000 in interest income.

We recommended that HUD recover the cash advance and interest earned on the advance, and determine

whether related interest costs could also be recovered.

#### *Status*

The audit report, "Lowell Housing Authority, Excess Development Funds Held," was issued February 3, 1982, to the Area Manager of the Boston Area Office. As a result of the audit, HUD ordered the Housing Authority to refund nearly \$593,000. On March 1, 1982, the Housing Authority refunded the monies. Based upon our findings at the Lowell Housing Authority, we have initiated a nationwide audit of development and modernization funds held by Public Housing Authorities.

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### **Multifamily Insured Programs**

HUD administers several programs that provide insurance protection or direct loans for the purpose of financing the construction or rehabilitation of multifamily projects. There are approximately 19,000 multifamily projects with \$40 billion in mortgages which are insured or held by HUD. For 2,000 of these mortgages, valued at nearly \$4 billion, the projects experienced financial difficulties which resulted in the mortgages being assigned to HUD. In addition to projects with HUD-held or insured mortgages, the Department also directly owns some 300 multifamily projects acquired through its insurance and loan programs.

Under the multifamily housing programs, HUD, in some cases, also subsidizes the rents for eligible low income households through Section 8, Rent Supplement and Rental Assistance Payments. These subsidy programs provide assistance to 682,000 households in privately-owned housing.

### **Poor Construction Continues on HUD Projects**

#### *Problem*

Area Offices are not doing enough to find construction defects in HUD projects and are not taking action against supervisory architects or the contractors who are involved in poor quality work.

#### *Discussion*

The approval of competent construction contractors and supervisory architects and the monitoring of their work by the HUD Field Office staff is critical in obtaining quality construction of HUD-insured multifamily projects. To ensure quality construction, HUD can take administrative actions, sanctioning further participation of unsatisfactory program participants.



As a follow-up to a recent audit of HUD inspections of project construction, three projects were reinspected after construction was completed to evaluate the performance of the contractors and architects. The previous audit disclosed serious construction defects that were not reported by HUD inspectors. For each of the projects reinspected, significant defects noted during the initial inspection were not reported by the supervisory architects employed by the projects' owners. Despite the poor performance by the contractors and supervisory architects, no action had been taken to prohibit their continued participation in the construction of HUD-insured projects.

Recommendations were to use the denial of future participation in HUD programs more often as an effective deterrent to noncompliance with HUD requirements. Strong policy statements should be issued from the Assistant Secretary for Housing to clarify the importance of the Field Offices' role in monitoring the performance of participants and taking administrative sanctions when warranted.

#### *Status*

The audit report on the "Quality of Construction of Insured Multifamily Projects" was issued on January 19, 1982, to the Assistant Secretary for Housing. The Office of Housing concurred in the recommendations and is taking action on them.

#### **HUD Not Collecting Excess Rental Income**

#### *Problem*

HUD is failing to identify and collect large amounts of excess rental income from multifamily project owners.

#### *Discussion*

Under the Rental Assistance Payments Program for Low Income tenants, the owners must pay rents which are computed at the greater of 25 percent of their adjusted income or the basic rents approved by HUD. On a monthly basis, project owners must pay to HUD all rental charges collected in excess of the basic rental charges.

The following types of deficiencies are occurring in the reporting and remittance of excess income to HUD:

- Approximately 20 percent of 161 projects reviewed for timely submission of excess income reports were at least three months late in reporting to HUD.
- For 24 of the 28 projects reviewed, project owners underreported excess income during a three-month period by a total of \$81,340.
- Four of 28 projects reported excess income of \$147,222 due HUD but had not remitted those funds to HUD as required.

Although many of the accuracy problems encountered with excess income reports were caused by complicated computations and instructions for determining excess income, HUD is not performing reviews of excess income reports for accuracy.

Generally, recommendations were made to ensure: (1) prompt



implementation of the automated monitoring system for excess income reports; and (2) issuance of demand letters to owners for reports and amounts due HUD.

Recommendations were also made to simplify the reporting requirements and to require a review of the excess income reports in HUD Field Offices.

#### *Status*

The audit report, "Section 236 Excess Rental Income," was issued on November 6, 1981, to the Assistant Secretary for Housing and the Assistant Secretary for Administration. Program officials have concurred with the report and are in the process of taking corrective action.

#### **Tenants Overcharged \$887,000**

##### *Problem*

The owners of the Park Lane Apartments, Monterey, California, overcharged tenants for rent and collected unauthorized fees totaling nearly \$887,000, and made unauthorized cash distributions of over \$464,000 to themselves.

##### *Discussion*

HUD enters into a Regulatory Agreement with owners of multifamily projects which controls rents and other fees that may be charged. In violation of this Agreement, owners of the Park Lane Apartments charged tenants nearly \$887,000 in excess

rental rates and unauthorized fees between January 1, 1979, and June 30, 1981. These charges were for meals, cleaning, sewerage, furniture rental, move-in and pet deposit fees, and excess security deposits. In addition, the owners did not reduce rental rates until 18 months after they were told to do so by HUD. We recommended that the owners refund excess rents and fees collected and charge rents and fees as approved by HUD.

The owners withdrew over \$464,000 between June 1976 and June 1981, without authorization. The owners should not have received these funds since they can only be distributed if the project is in a cash surplus position. The project has not had a surplus since 1976. We recommended that the owners deposit \$464,175 to the project's operating account.

##### *Status*

The audit report was issued on November 20, 1981, to the San Francisco Area Manager who agreed with our recommendations. The target date for completing the recommended action is June 30, 1982.

#### **Funds Diverted from Housing Projects-Defaults Likely**

##### *Problem*

Mortgagors have misspent and diverted over \$1 million from five insured projects jeopardizing the ability of the projects to be financially viable.



### *Discussion*

As a condition of providing insurance on multifamily projects, owners (mortgagors) sign a Regulatory Agreement with HUD. Provisions in the Agreement specify that expenditures must be reasonable and necessary to the project. The Agreement also limits the ability and manner in which cash may be taken out of the project by the mortgagors.

Three mortgagors of five projects in the Boston area have not followed these provisions. The projects are: Franklin Park Development I and II; Theroch I and II; and Port Antonio.

The mortgagor for the Franklin Park projects improperly diverted \$137,000 and spent \$254,000 on unsupported or questionable expenses. The mortgagor for Theroch I and II likewise had unauthorized transfers of \$43,000 and unsupported expenses of \$238,000. A petition for bankruptcy was filed by the mortgagor because of the projects' weak financial status. The mortgagor for the Port Antonio project had \$353,000 in unsupported and improper expenses.

A default of these projects would cost HUD nearly \$4 million out of its insurance fund. Recommendations were to seek reimbursement of all monies spent improperly and to obtain support for questionable expenses.

### *Status*

Reports issued to the Boston Area Office were: "Franklin Park Development I and II" on November 19, 1981; "Theroch I and II" on

December 23, 1981; and "Port Antonio" on February 23, 1982. For the Franklin Park I and II and Theroch I and II projects, HUD has requested payment. Further, by April 1982, the mortgagor of Franklin Park I and II must sell the projects or HUD will initiate foreclosure action. Comments on the Port Antonio audit are not due until April 23, 1982.

### **Clifton Terrace Mismanaged**

#### *Problem*

Neither HUD's project manager nor the Washington Area Office adequately managed the Clifton Terrace Apartments, Washington, D.C., resulting in a loss of project funds and making the project an unfit place to live.

#### *Discussion*

The project manager for Clifton Terrace Apartments substantially breached its contract with HUD by failing to provide required management services and resources.

Failure of the project manager to maintain proper controls over project funds and property, cost the project an additional \$234,000 for repairs, \$37,000 to replace missing appliances and \$96,000 in lost rent revenues. Also, the project manager failed to correct the unacceptable conditions which were identified in our audit report of September 26, 1980.

The Washington Area Office allowed the increased deterioration of the Clifton Terrace Apartments by failing



to effectively monitor the project manager and the physical condition of the project. We recommended that the Washington Area Office develop a management plan including specific actions, target dates, and follow-up requirements to alleviate the unacceptable project conditions, and that the project manager be debarred from doing business with HUD.

#### *Status*

Two reports, "Audit of Hunneman and Company, Inc.," and "Audit of Washington Area Office Actions Relating to the Management of Clifton Terrace Apartments," were issued on March 19, 1982. The Washington Area Office is required to respond to the recommendations by May 19, 1982.

In a related matter, five officials associated with the prior property owner, P.I. Properties, were indicted on February 22, 1982. The 30-count indictment alleges conspiracy, false statements, mail fraud, wire fraud, and income tax evasion concerning operation of the project.

#### **Tax Benefits on Project Sales Need To Be Considered**

#### *Problem*

In most cases, transfers in ownership of insured multifamily projects are being approved by HUD without considering the tax benefits to the proposed owners. Without an analysis of the tax consequences of a transfer, HUD cannot effectively

negotiate the amount of new capital to be placed into the projects by the owners.

#### *Discussion*

Transfers of physical assets, which represent the sale of properties with HUD-insured or HUD-held mortgages, require HUD's approval. By permitting a change in ownership, HUD can benefit by the infusion of capital by the new owners. These funds can be used to correct financial and physical problems which otherwise may require increased subsidies, or lead to a claim on HUD's insurance fund.

Ownership of a project provides considerable tax shelters for investors who are in high tax brackets. Existing residential properties have become more attractive by the change in the depreciation rules under the Economic Recovery Tax Act of 1981. The Act allows a taxpayer to depreciate used and new property, acquired after December 31, 1980, over a 15-year recovery period. For low income residential property, the accelerated depreciation rate is approximately twice that allowed before passage of the new Act.

An analysis of the proposals for the transfer of ownership for seven projects located in New Jersey indicated that the proposals were not adequately evaluated by HUD. An analysis of the purchasers' potential investment rate of return was not performed for these seven projects. To effectively negotiate the amount of owner contributions for these transfers, the Department must have some knowledge of the purchaser's investment rate of return.



### *Status*

A comprehensive audit is currently underway to evaluate the negotiation process and other requirements surrounding the transfer of HUD projects. In the interim, we

recommended that the Assistant Secretary for Housing consider implementing an approach for analyzing proposed transfers which would include an evaluation of the investor's rate of return when negotiating the required amount of owner contribution.

## **Single Family Insured Programs**

HUD's best known program is FHA mortgage insurance for single family homes. This program area also includes insurance on home improvement loans and loans for mobile home purchases. During Fiscal Year 1981, HUD insured 309,355 of these types of loans valued at \$1.77 billion. This section discusses a major problem in the latter area.

### **Fraud and Abuse in the Mobile Home Loan Program**

#### *Problem*

HUD's Mobile Home Loan Program is highly susceptible to fraud, waste and abuse from the dealers, borrowers and lenders who participate in the program.

#### *Discussion*

About \$397 million in Mobile Home Loans were endorsed for insurance by HUD during Fiscal Year 1981. Our survey was conducted because of concerns expressed by program management, in addition to our identification of problems from prior investigations. About 60 percent of the loans were originated by eight high volume lenders. A special survey was conducted at four of these lenders who accounted for 21 percent of the activity. This survey showed

that fraud may have been involved in about one-half of 134 loans reviewed. The possible fraudulent acts involved the preparation and handling of loan origination documents and the repossession and sale of mobile homes.

HUD has paid insurance claims of \$154,957 on loans where mobile home dealers misrepresented information to HUD or lenders acted imprudently in originating or servicing the loans.

HUD-insured mobile home loans are based on the manufacturer's invoice costs plus certain additional noninvoice items. Yet discounts, routinely given by manufacturers, and actual costs for add-ons were not reported by dealers.

Lenders' servicing of HUD-insured loans was also weak. In many cases, lenders were not personally contacting delinquent borrowers, and the collection efforts that were made were usually limited to written and telephonic payment demands. Loans with small delinquencies were foreclosed and borrowers were not assisted in selling homes when foreclosure was imminent.

Lender and dealer responsibilities for providing reliable information have not been sufficiently emphasized by HUD. Poor monitoring by lenders also contributed to these problems.



*Status*

Individual audit reports have been issued on the four lenders who were reviewed. We met with the Deputy

Assistant Secretary for Single Family Housing and Mortgage Activities to discuss the results on November 23, 1981. A nationwide survey report is in process.

**Community Planning and Development**

Title I of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to make grants to units of general local governments and States for the funding of local community development programs. The 1982 budget appropriation of \$3.7 billion is intended to provide assistance to about 2,100 small cities and 700 entitlement communities.

used properly. HUD, in turn, is required to monitor the grantees to assure they are performing their oversight role of subrecipients.

Included in the \$3.7 billion is \$675 million for Urban Development Action Grants to assist severely distressed cities in the revitalization of deteriorated neighborhoods.

Grantees have not established adequate controls that would permit them to monitor subrecipients' use of funds. Many grantees failed to obtain performance and accounting reports, and had no means of testing the accuracy of what was received. Likewise, HUD monitors failed to find out that the grantees did not track subrecipients. In only two of the 20 grantee reviews did HUD monitors look for a system to be in place. This has led to costly errors and in some cases mismanaged funds. Disallowances of \$850,000 and questioned costs of another \$2 million were made. This means almost one dollar in every five spent by subrecipients was challenged.

**HUD and Grantees Not Monitoring Subrecipients**

*Problem*

Neither HUD nor its grantees have established a working system for monitoring the use of funds by subrecipients.

A review of 63 subrecipients at the 20 grantees disclosed that money was spent on ineligible activities, improper costs, and unsupported accomplishments.

*Discussion*

HUD provides block grant funds to various grantees to carry out approved projects or services. Often the grantees subcontract with various groups (subrecipients) to do the work for them. HUD requires that the grantees have a means of watching or monitoring the work of the subrecipients to assure the funds are

Some subrecipients were worse than others. Fifty percent or more of the contract costs disputed above was spent by 15 of the subrecipients. Another 14 had over ten percent of their costs questioned or disallowed.

Recommendations were to develop procedures for HUD monitors to use



in reviewing grantee management systems, and issue clearer rules to grantees emphasizing their oversight responsibilities.

*Status*

The audit report entitled, "Monitoring and Controlling of Operating Agencies," was issued to the Assistant Secretary for Community Planning and Development in draft on March 30, 1982. Discussions have been held with Headquarters officials to resolve these findings.

**\$430 Thousand Questioned on UDAG Grants**

*Problem*

The City of Hartford, Connecticut, did not adequately monitor the use of Urban Development Action Grant (UDAG) funds by subgrantees and had no assurance grant objectives would be met. Subgrantees collected \$430 thousand in grant funds without maintaining acceptable accounting records.

*Discussion*

Subgrantees are required to keep accurate and complete accounting records for funds received to assure that they are spent for authorized purposes.

Hartford received two UDAG grants for three improvement projects. These totaled \$1,450,000 to rehabilitate 29 housing structures, establish a corporation to manufacture and market solar components, and develop a shopping center.

Grant funds of \$430,000 were provided to a subgrantee to accomplish the grant's objectives. The Hartford Area Office did not monitor the subgrantee's use of the funds and the subgrantee did not maintain adequate accounting records. For example, on one project the subgrantee spent 92 percent of the grant funds yet accomplished only 25 percent of the work.

Recommendations were for the grants to be terminated and all grant funds recovered if legally possible. If this is not possible, an analysis should be made of the expenditures and all funds not properly accounted for should be recovered.

*Status*

The grantee suspended all contracts with the subgrantee and requested a full accounting for the \$430 thousand. An Independent Public Accountant was employed to reconstruct the subgrantee records and prepare an audit report. After reviewing the City's response, the Area Office has recommended that two grants be terminated and that unsupported expenses of \$273 thousand be recovered.

**\$278 Thousand in CDBG Costs Not Supported**

*Problem*

The Town of Austin, Indiana, did not maintain adequate financial records and procedures to assure that Community Development Block Grant costs are reasonable, necessary and allowable.



*Discussion*

Community Development Block Grants (CDBG) are awarded to local governments for developing urban communities. The local governments are required to maintain accounting records and procedures to control and account for all CDBG funds.

Austin's accounting records and controls were inadequate and did not properly support expenses. As a result, some costs were not allowable, reasonable or supportable and others were incorrectly charged to certain projects. Also, reports explaining the ways CDBG monies were spent were inaccurate, incomplete and outdated. Due to these deficiencies, over \$47 thousand was spent improperly and

almost \$278 thousand in expenses were not supported by documents to show that the expenses were allowable.

Recommendations were to improve the financial management system, recover monies improperly spent and submit documents verifying unsupported costs.

*Status*

The audit report, "Community Development Block Grant Program, Town of Austin, Indiana," was issued November 12, 1982, to the Acting Regional Administrator of the Chicago Region. The Acting Regional Administrator agreed with the recommendations.





## Chapter 2

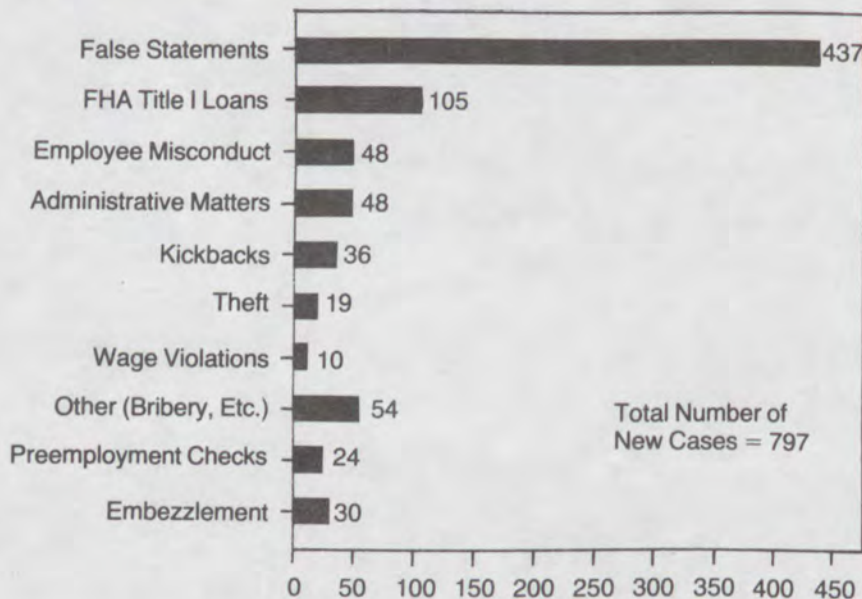
### Investigation Activities

The following is a summary of matters referred to prosecutive authorities and resulting prosecutions and convictions during the period October 1, 1981, to March 31, 1982.

### Investigation Cases Opened

We opened 797 new investigation cases involving HUD personnel and/or persons or firms doing business with HUD (48 investigations involved alleged misconduct on the part of HUD personnel). The table below provides a breakdown of these cases by category of investigation.

**New Investigation Cases Opened by Category of Investigation**  
October 1, 1981 to March 31, 1982



### Pending Cases

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

FBI or another agency, or in which a completed investigation is pending with a prosecutive official. At March 31, 1982, we had 1,824 investigation cases either in process or awaiting investigation. Of these cases, 1,084 were FBI/other cases and 740 were cases of the OIG.



## Closed Cases

A case is closed when all official actions have been accomplished. An investigation case may be closed when prosecutive or administrative action has been accomplished, and when a Disposition Report has been completed by the designated action official. The OIG closed 1,106 investigation cases during the reporting period.

## Cases Referred for Prosecution

The OIG referred 172 investigation cases for prosecutive consideration, including 5 cases relating to HUD employees, as shown in the table below.

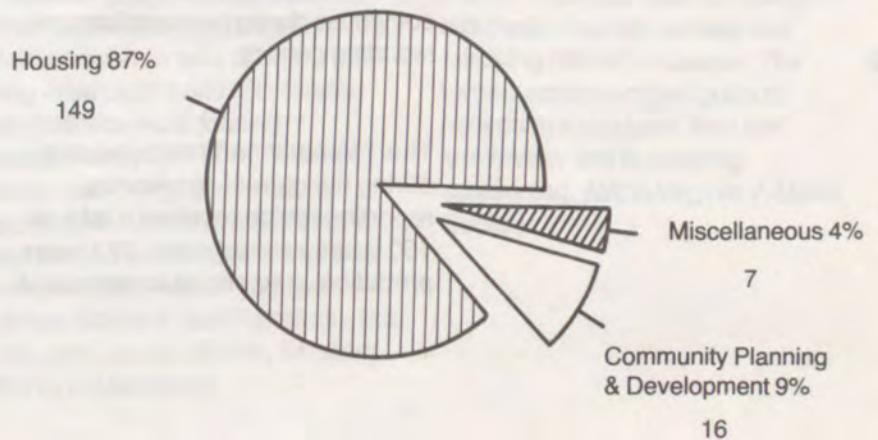
<i>Referred by OIG to:</i>	<i>No. of Cases</i>
FBI (No Investigation by OIG)	50
FBI (Prima Facie Investigation by OIG)	31
Department of Justice	91
<b>Total</b>	<b>172</b>

## Investigation Cases Referred for Prosecutive Consideration

Although the FBI is not a prosecutive authority, referrals to it may result in the presentation of a case for prosecutive consideration.

A breakdown of the 172 investigation cases by major HUD organizational component is shown below.

**Distribution of Cases Referred for Prosecution by Program Area**  
October 1, 1981 to March 31, 1982

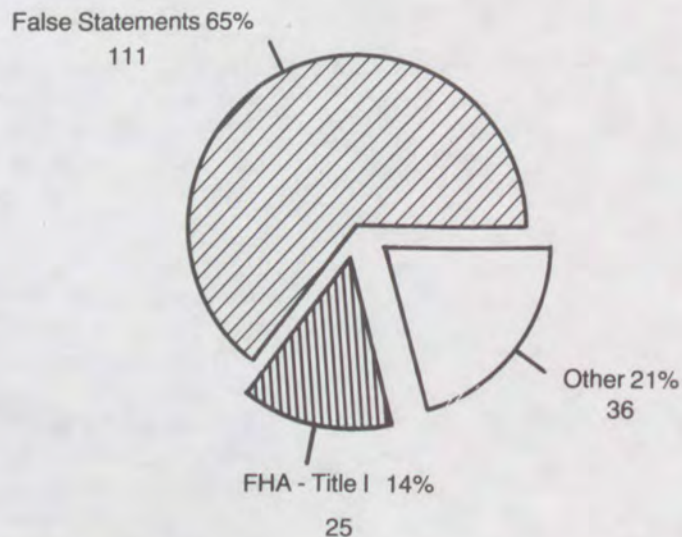




A summary of the 172 investigation cases by major category of investigation is shown below.

The "Other" category above consists of embezzlement (4 cases), kickbacks (5 cases), theft of government property (8 cases), wage violation (3 cases), and miscellaneous subjects (16 cases).

**Distribution of Investigation Cases Referred for Prosecution by Type**  
October 1, 1981 to March 31, 1982



### Prosecutions and Convictions

Investigation cases involving HUD resulted in 152 indictments and 145 convictions of persons/firms having business with the Department. Some of the indictments and convictions were on cases referred to prosecutive authorities during prior semiannual reporting periods.

The 145 persons/firms convicted during the current semiannual reporting period received a total of 160 years imprisonment, 271 years probation, suspended sentences of

48 years and fines amounting to \$188,942. In addition, monetary recoveries to HUD and others from investigations amounted to about \$725,000.

Prosecution was declined on 528 investigation cases during the semiannual reporting period. Many cases for which prosecution was declined involved those referred to prosecutive authorities in prior reporting periods.



## Description of Selected Prosecutive Actions

Below is a brief description of some of the indictments and/or convictions which occurred during the reporting period. Some of these resulted from investigation cases referred to prosecutive authorities prior to October 1, 1981.

### Embezzlement

- The former bookkeeper of the Business Development Corporation, an organization contracted to implement the Community Development Block Grant Program in Oakland, California, was indicted by a Federal Grand Jury on January 27, 1982, for embezzlement. The bookkeeper wrote checks on the agency account totaling over \$13,000 and deposited the funds in her personal account. (United States v. Jacqueline A. Sharpe, Northern District of California.)

- The Mayor of Benton Harbor, Michigan, his nephew and a store owner were indicted by a Federal Grand Jury on October 23, 1981, for embezzlement and submission of false claims to HUD. The Mayor was charged with the theft of \$2,000 of HUD funds and for bank fraud and misuse of loan proceeds from the Small Business Administration. The Mayor's nephew was charged with filing false claims on HUD-funded rehabilitation work totaling approximately \$18,000. The store owner was charged with falsely applying for a HUD grant of \$2,815 after he had received funds for the same work from other sources. (United States v. Joel Patterson, Eric Ford, and James Gideon, Western District of Michigan.)

### Kickbacks and Conspiracy

- A Rehabilitation Program Director, a Rehabilitation Officer, and two contractors in Leesburg, Florida, were indicted by a Federal Grand Jury on September 30, 1981, and November 3, 1981, for conspiracy and kickbacks from rehabilitation contracts funded by HUD. Kickbacks were paid by the contractors after the program director authorized full payment on unsatisfactory or incomplete work, and for inflating costs on work performed. Both program officials and one contractor have entered guilty pleas and are awaiting sentencing. Trial of the second contractor, who paid in excess of \$24,000 to program officials, is continuing with the program officials providing testimony on behalf of the prosecution. (United States v. Thomas John Moscoso, Lyman Michael Hatcher, Peggy C. Durden and David King Owens, Middle District of Florida.)

- A former Urban Redevelopment Authority employee in Charleston, West Virginia, entered a guilty plea on January 22, 1982, to State kickback charges. A State indictment returned on September 13, 1980, charged the former employee with accepting kickbacks from relocatees and falsifying relocation claims. The former employee pled guilty to accepting a kickback from her stepfather, and is awaiting sentencing. (West Virginia v. Marie Curtis.)



### **Funds Misappropriated**

- A contractor in Baltimore County, Maryland, was indicted by a Maryland State Grand Jury in December 1981, for misappropriating over \$187,700 of HUD Section 8 and Section 23 funds. The contractor was awarded a contract to administer HUD rental assistance programs in the early 1970's. A State police investigation, with the assistance of the Office of Inspector General, resulted in the State indictment. Plea negotiations have been initiated and one component of the agreement is for the contractor to reimburse the State of Maryland for the amount of the defalcation. The State has already reimbursed HUD for the money the contractor is alleged to have taken. Other provisions of the plea agreement call for a suspended sentence, 1,000 hours of community service, and filing of amended tax returns with payment of additional taxes, penalties and interest on unreported income discovered during the investigation. (Maryland v. Ross B. Diffenderffer.)

### **Impersonation**

- An individual who misrepresented himself as a real estate broker for HUD was found guilty on February 11, 1982, of one count of theft by deception concerning his receipt of \$7,500 from a family for the purchase of HUD-owned single family property. The guilty verdict was based upon the facts that the impostor secured and retained \$7,500 from the family with a promise that the HUD-owned property would be conveyed to them. The family never received title or possession of the HUD-owned property. He was sentenced on March 8, 1982, to five years imprisonment for theft by deception.

This sentence will run concurrently with another five-year sentence he received on March 18, 1982, for violation of parole. (State of Illinois v. Alan J. Kent.)

### **Misrepresentation**

- Fifty-six recipients of HUD Housing Assistance have been indicted by a Federal Grand Jury for submitting false information to the government since the initiation of Project Match, Memphis, Tennessee. Project Match is a computer-assisted matching technique participated in by the Offices of Inspector General of the Departments of HUD, Health and Human Services (HHS) and Agriculture. The 56 individuals were indicted for not reporting their true family income in order to qualify for housing assistance. An additional 85 indictments have been returned against individuals who furnished false information to the Departments of HHS and Agriculture. (Western District of Tennessee.)

- A real estate salesman was sentenced on October 20, 1981, for submitting false statements to HUD during the period October 1975 to May 1978. The salesman was charged with purchasing four HUD properties using strawbuyers. A strawbuyer is someone who has no intention of purchasing HUD properties for his/her own use. Titles were subsequently conveyed to others ineligible to buy the properties. The salesman was sentenced to three years probation, fined a total of \$55,000 and ordered to make restitution to HUD amounting to \$25,000. (United States v. Robert E. Nellis, Eastern District of Michigan.)



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- A Section 8 recipient and a Section 8 landlord pled guilty on November 16, 1981, to one count of an indictment charging that they made false and fraudulent representations to the Peoria Housing Authority in order to obtain Section 8 Housing Assistance. On January 6, 1982, the Section 8 recipient and the landlord each received sentences of five years probation. They were ordered to make restitution amounting to \$11,994 within four years, in payments of \$3,000 per year. Failure to make the yearly payments will result in five-year jail sentences. The recipient was required to withdraw from any present or future welfare programs. (United States v. Roger D. Lee and Deanne Morrow, Central District of Illinois.)

- A Deputy Sheriff (landlord) and a Section 8 tenant in Montgomery County, Pennsylvania, were indicted by a Federal Grand Jury on January 5, 1982, for submitting false statements to HUD and conspiracy in connection with the Section 8 Rental Assistance Program. The landlord and tenant purchased the assisted property in 1978 as co-owners by representing that they were married when in fact the landlord was already married to another woman. The landlord collected \$6,408 in Section 8 rental assistance on behalf of the tenant from 1978 to 1980. The landlord was terminated from his employment with the Sheriff's Department shortly after the indictment. On March 2 and 3, 1982, both parties pled guilty to one count of submitting false statements and one count of conspiracy. Sentencing has been deferred. (United States v. Edgar H. Boggs and Margaret B. Walker, Eastern District of Pennsylvania.)

- A Section 8 recipient in Boston, Massachusetts, was charged in a criminal complaint on March 22, 1982, with submission of false statements and aiding and abetting. The recipient concealed income from 1978 to 1980 resulting in overpayments of Section 8 rental assistance totaling \$4,000. She was sentenced to four years probation and ordered to make \$4,000 restitution. (United States v. Maureen T. Lancaster, District of Massachusetts.)

#### **Title I Fraud**

- Six Title I loan recipients were convicted and sentenced on December 2, 1981, for submitting false statements to HUD and a bank. The sentences imposed ranged from one to two years imprisonment for each person. This matter was originally referred to the FBI by the OIG in 1976. It became part of a major investigation conducted by the FBI and the Kansas City Organized Crime Strike Force from 1976 to 1981 which centered on 19 direct Title I home improvement loans, all in the amount of \$7,500. A bank official, a home improvement contractor and two other Title I loan recipients were also convicted in 1979 as a result of this investigation. (United States v. Joseph Sivigliano, Anthony Serrone, Louis Ribaste, Jimmie Solome, Anthony Biondo, and Lonnie Roccaforte, District of Kansas.)

#### **False Documents**

- A real estate broker was sentenced on October 20, 1981, to two years imprisonment and ordered to make over \$40,000 restitution to



HUD for falsifying credit reports, verifications of deposits and employment, assets earned, and cash on hand for closing. The false documents were submitted in conjunction with the purchase of nine HUD-insured single family properties by ineligible buyers. These transactions occurred from March 1977 to March 1979. The broker was previously convicted in 1975 for similar offenses. (United States v. Ralph Edward Thomas, District of South Carolina.)

#### Mail Fraud

- An electrical company pled guilty on January 14, 1982, in United States District Court, New Orleans,

Louisiana, to fifteen counts of mail fraud in which the company admitted to the falsification of records to defraud the Housing Authority of New Orleans (HANO) and HUD of about \$27,000. In addition, an official of the company pled guilty to two counts of submitting false statements to HUD. On February 17, 1982, the electrical company was fined \$5,000. The fine was suspended, and the company was placed on inactive probation for three years and ordered to pay restitution of over \$21,700 to HANO. The company is also prohibited from doing business with the government for three years. The company official was fined \$1,000 and placed on probation for two years. (United States v. Robinson Electric Company, Eastern District of Louisiana.)

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#### Administrative Actions Against HUD Employees

In its report on the Fiscal Year 1981 Supplemental Appropriations and Rescission Bill, the Senate Committee on Appropriations indicated that if fraud within the government is to be contained and curtailed, then appropriate administrative action must be taken in cases where employees have been found to have acted improperly. Accordingly, the Committee directed the Inspectors General to recommend administrative action against employees who have engaged in fraudulent or *other improper activities* associated with the execution of their official duties.

Examples of administrative actions taken against HUD employees during the semiannual reporting period, in connection with audits and investigations, are shown below.

- A HUD Division Director was suspended for 14 days for violating HUD Standards of Conduct. The Director, by using internal information and manipulating the personnel process, was able to preselect a friend for a vacant position. The suspension also cited that the Director provided the Office of Inspector General with false statements and concealed material facts in connection with the investigation. In a separate matter, the same employee was issued a letter of caution on February 12, 1982, for improperly checking the time cards he submitted for his friend. The time cards did not accurately reflect the leave taken. The friend also received a letter of caution regarding the same incident.

- The Deputy Director of a HUD Area Office approved mortgage insurance on five Section 234 condominiums without requiring any mortgagor



occupancy. This is against HUD regulations. The employee received a verbal reprimand for exceeding his authority.

- A Deputy Regional Administrator and a Director of Regional Housing received letters of reprimand for attempting to obtain overtime payment for the Director of Regional Housing who had forfeited annual leave. The time and attendance records claiming \$2,600 of overtime worked were never submitted for payment.

- A GS-15 Housing Director falsified his travel voucher resulting in a portion of his claim being disallowed. As a result of the falsification, he was suspended for 14 days without pay.

- An Assistant Branch Chief was issued a memorandum of caution for failing to make assignment of single family fee inspectors in compliance with HUD directives.

- A Loan Specialist received a letter of admonishment for intervening on behalf of a personal friend which resulted in the friend's obtaining immediate occupancy in a HUD cooperative housing project. The Loan Specialist was also reminded of the prohibition from contacting owners or managers of HUD-related projects regarding any proposed tenancy of a relative, friend or acquaintance.

- A contracting officer was officially reprimanded for violating Federal Property Management Regulations

and HUD Standards of Conduct. The contracting officer hired a contractor at his own expense to install a partition around his office. This was accomplished without approval of GSA. The appearance of a conflict of interest was created because the partition was installed by a contractor who was transacting a substantial amount of business with HUD.

- A construction analyst who claimed the maximum allowable amount of per diem on virtually every occasion received an official letter of reprimand when he was unable to produce receipts for lodging costs.

- Two HUD employees were reassigned from supervisory positions and given marginal performance ratings after an investigation disclosed their actions resulted in excessive payments for repairs on a HUD project.

- An employee was terminated for misuse of the government franking privilege while lobbying against the Department's budget by sending unofficial correspondence to all members of Congress.

- A timekeeper in a HUD Area Office altered her time card to reflect that she did not take annual and/or sick leave on two occasions. The employee was removed from her duties of official timekeeper and given a letter of warning.



### Fraud Control Activities

The HUD Secretary and Principal Staff continue to maintain a high interest in obtaining the involvement of all departmental managers and employees in the fight against fraud and program abuse. Several

activities during the past six months are worthy of mention. Many of the activities described are crosscutting in nature and have been initiated in an attempt to overcome problems discussed in Chapter 1 of this report.

### Special Projects or Task Forces

#### 1. Alien Issues

The Omnibus Reconciliation Act of 1980 denied nonimmigrant student aliens access to federally-assisted housing. A Fraud Vulnerability Assessment, conducted to assure that proper controls were put in the implementing regulations, disclosed several risks and weaknesses in the Department's proposed procedures for identifying student aliens. During the last year, the Congress introduced as part of the Omnibus Reconciliation Act of 1981 an amendment to broaden the prohibition to all recipients unless they are U.S. citizens or aliens in one of five specified categories.

Because of the preliminary findings on the student alien issue, and the likelihood of passage of the 1981 amendments, a Secretary's Work Study Group on Alien Issues was formed in August 1981. The study group identified major policy options and strategy decisions involved in implementing proposed 1981 amendments.

Subsequent to passage of the Act, the work group was instrumental in adopting policies, preparing draft regulations, revising forms and handbooks, and establishing post-verification procedures. Among the key policy decisions are:

- To apply the law prospectively, i.e., after the effective date, requirements will apply immediately for new and pending applications and at the time of recertification for existing tenants.

- To require that all persons be eligible at the time of review.

- To make eligibility contingent on the basis of documentation, i.e., applicants/tenants are responsible for providing HUD required qualifying documents. HUD, not program administrators, will test for document authenticity.

Procedural changes included in the regulations provide for establishing local program administrators' responsibilities, prescribing the evidentiary documents acceptable for eligibility, and establishing HUD's post-verification methods and processes.

The amended regulations were recently cleared by the Office of Management and Budget (OMB). Thus, over the next few months, activities will accelerate to implement the law.

Items that remain to be completed are: obtaining OMB approval of revised eligibility forms and



handbooks; developing and distributing desk guides for HUD staff and local program administrators; modifying data collection programs and HUD computer systems; and executing cooperative agreements with Immigration and Naturalization Service and Social Security Administration officials for computer matching projects.

It is estimated that the law and HUD's implementation procedures will result in over one half billion dollars of housing subsidies, or about 250,000 units, being freed up for families that currently are eligible and on waiting lists for assistance.

## **2. Program Participant Monitoring**

One of the major efforts undertaken by the OIG's Fraud Control Division (FCD) during the current semiannual reporting period was assisting a Task Force established by the Secretary in April 1981, to institute a concept of "Accountability Monitoring." This recommended monitoring concept resulted from a study conducted by HUD's Committee on Fraud, Waste and Mismanagement. Accountability Monitoring is a general term used to describe the purpose and intent of this effort which is to conserve our limited resources and target them for high risk recipients and high exposure areas, i.e., those program areas that historically have been shown to be susceptible to fraud, waste, and mismanagement.

During this reporting period, the following was accomplished by the Task Force to implement Accountability Monitoring:

### *A. Changing departmental monitoring policies and procedures:*

- Notices were issued to the Field staff on October 28 and December 8, 1981, by Community Planning and Development (CPD) and Office of Housing officials, respectively, providing policy guidance to all monitors;
- The Task Force coordinated with an Office of Policy Development and Research contractor in a Section 8/ Voucher Monitoring Project to incorporate Task Force recommendations; and

- Changes to CPD operating procedures were initiated for the Community Development Block Grant Program.

### *B. Directing Regional and Field Office efforts in implementation activities:*

- Provided interim guidance which included data on areas vulnerable to fraud and common fraud schemes;
- Developed a special communications network between Headquarters and Field staff for this project;
- Designated Accountability Monitoring as a Secretarial priority objective of the Department's goals;
- Established accountability for the effort by revising Regional and Field Managers' Executive Performance Appraisals.



*C. Training accomplishments and plans:*

- During February and March 1982, our staff participated with Office of Housing personnel in training 102 Housing Management Officers and Maintenance Engineers from all Field Offices. These sessions were designed to provide an overview of the Accountability Monitoring concept and methods monitors should employ to identify indicators of fraud, waste, and mismanagement in Public Housing Authorities (PHA's).

After completing the course, the attendees will train their respective Field Office staffs. A total of 586 PHA monitors will receive this training. Our Regional Inspectors General will participate in the local courses. At the

close of the reporting period, these classes had been scheduled in four Regions.

- A similar presentation, to 41 Senior CPD representatives, is scheduled for early April. As with the PHA course, attendees will be advised that the Regional Inspectors General for Audit and Investigation will be available to present the FCD training session locally.

While much has been accomplished during the past six months, much more remains to be done in overcoming HUD's past monitoring weaknesses. The Task Force will continue to coordinate efforts so that Accountability Monitoring can serve to make HUD's monitors the first line of defense against fraud, waste, and mismanagement.

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**Committee on Fraud, Waste and Mismanagement**

As outlined in prior Semiannual Reports, the Committee on Fraud, Waste, and Mismanagement advises the Secretary on policy matters relating to prevention and detection techniques. The more significant Committee activities initiated or completed during the last six months are described below.

**1. Fraud Reform Legislation**

A Committee work group, consisting of members of various HUD program offices, was formed to research, develop, and recommend legislative changes to strengthen HUD's ability to identify fraud, waste, and mismanagement in various programs.

The group considered HUD's current systems and procedures and compared them with other Federal agencies with similar programs and problems.

In the past, the Department has not identified individuals participating in various HUD programs due to Privacy Act considerations. Thus, HUD has had little statutory basis for initiating effective quality control systems that use computer matching techniques to verify applicant supplied eligibility data.

The work group coordinated its efforts with the Alien Issues Group and another group doing a Fraud Vulnerability Assessment on the



proposed modified certificate revisions in the Section 8 program. The work group also developed a series of legislative changes that are included in HUD's submission of Fiscal Year 1983 legislative amendments to Congress. House and Senate Bills introduced were H.R. 6020 (March 31, 1982) and S. 2361 (April 13, 1982), respectively.

The legislation proposes:

- As a condition of initial or continuing eligibility for participation in any departmental program involving loans, grants, interest subsidies, mortgage/loan insurance or other financial assistance of any kind that:

- Applicants, including members of their household if the Secretary so requires, include their social security number or employer identification number on forms designated by the Secretary; and

- Applicants sign a consent form to authorize the verification and audit of the information furnished through other government agencies or private sources. The verification process may include wage data, unemployment compensation, Social Security benefits, food stamps, and veterans' benefits.

- A revision be made to the Social Security Act authorizing State unemployment agencies to release information to HUD and public housing agencies concerning applicants' wage information and unemployment benefits.

- The entity responsible for determining eligibility have statutory authority to deny program benefits to applicants who misrepresent income and other eligibility factors.

The use of Social Security numbers and employer identification numbers will allow the Department to make efficient and effective reviews of assistance eligibility and level of assistance, to reduce administrative errors, and detect fraudulent transactions. The implementation of these legislative changes will aid the Department in combating fraud in HUD programs.

## 2. Whistleblowing

In October 1981, the Merit Systems Protection Board (MSPB) issued a report on whistleblowing. A Committee work group was established to analyze the results of the survey and prepare an action plan for HUD to address the report recommendations. The group concluded that while HUD fared well in the MSPB report, the Department could take various actions to improve employees' awareness of current statutes and regulations regarding the whistleblowing concept. Subsequently, the following actions were initiated:

- On February 12, 1982, the Secretary issued a memorandum to all HUD employees which highlighted employees' rights and responsibilities under various statutes.

- An article in the Department's monthly newsletter to employees contained a feature article on the HUD Hotline.

The group plans to monitor related activities in the future to determine if additional steps are needed to assure that HUD employees understand and



have confidence in the various HUD systems to report instances of fraud, waste, and mismanagement.

### **3. In Process – HUD Sanctions**

Recently, the Committee established a work group to identify and evaluate the various sanctions HUD uses to discipline employees or program participants. The primary purpose of this assignment is to determine whether current sanction mechanisms are an effective deterrent to fraud, waste, and mismanagement in HUD programs.

After reviewing and analyzing current sanctions, the work group will develop proposed rules or regulations to improve HUD's ability and effectiveness in taking appropriate action when HUD programs/activities are abused.

Phase 1 of this project is complete. The group has identified twelve sanctions presently available to HUD. Phase 2, expected to start in April 1982, will focus on managers' views of current sanctions including the need for refinements or new sanctions. Based on these results, the group will prepare recommendations to the Secretary.

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**Management Control Improvements** Top HUD management recognizes the need for, and value of, evaluating management controls to determine their adequacy in preventing and detecting irregularities. During the last six months, our staff has played a key role in coordinating and advising on activities involving the Fraud Vulnerability Assessment System (FVAS) and the Management Control Assessment System (MCAS), summarized as follows:

#### **1. Fraud Vulnerability Assessment System**

Knowledgeable administrators have long recognized the need to design programs with strong and effective management controls. Such controls can serve as the best defense against the misuse of resources.

The conduct of a front end assessment, or Fraud Vulnerability Assessment, has formed the basis for both legislative proposals and improved regulations. In addition,

assessment results will be used in drafting more detailed control procedures later regarding the Alien and Housing Assistance Fraud statutes.

In the near future, the FVAS system should be applied frequently. Those proposed programs identified as potential subjects of similar assessments are: enterprise zones; rental rehabilitation grants; and shared appreciation, graduated payment, and adjustable rate mortgages.

The FVAS will also be used to ensure that needed management controls are not discarded in HUD's deregulation efforts.

#### **2. Management Control Assessment System**

The MCAS provides for systematic evaluation of controls in ongoing programs by program managers.



HUD program personnel conduct the assessments with the Inspector General staff serving as advisors and coordinators.

Fifty-two assessments were completed in the first half of Fiscal Year 1982. Another 29 assessments were in process at March 31, 1982.

Experience with the system indicates that it aids in identifying control strengths and weaknesses, and provides constructive suggestions for improvements. Positive benefits have accrued to HUD management. One such example is an assessment that resulted in streamlining a required, annual congressional report for a major HUD organization at an estimated annual savings of over \$225,000. While other system results cannot be as readily monetized, they do suggest that operations can be administered more efficiently.

The system has prepared HUD for implementing the OMB Circular No. A-123 that requires all Federal agencies to establish and maintain methods to evaluate, strengthen, and update controls in their program and administrative activities. Since the Circular's requirements for performing internal control reviews are similar to HUD's system, HUD will be in a good position to apply the experiences and techniques learned from its MCAS.

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### Employee Awareness Program

Our office continues to play an active part, along with other departmental components, in attempting to heighten all employees' awareness of their responsibilities to prevent, detect and report on the occurrence of fraud and program abuse. Recent activities in carrying out this program include:

and leave statements. This message will be repeated every six weeks over the next year.

- A February 1982 memorandum was issued to all HUD employees by the Secretary. This memorandum urged employees to report suspicions of fraud or program abuse, described the various methods that can be used for such reporting and outlined the statutory and procedural protections available to those who seek confidentiality.

- Our training course on the "Detection and Prevention of Fraud and Program Abuse" was presented five times. OIG staff in eight of our ten Regions attended these sessions. This course increases OIG professionals' awareness of fraudulent schemes and sharpens their skills and knowledge in techniques for protecting the integrity of HUD programs.

- Starting in March 1982, a short message regarding the reporting of fraud, waste, and mismanagement was printed on employees' earnings

- Our staff conducted numerous briefings of top and middle HUD managers in an attempt to explain respective roles and to solicit their active support in freeing HUD programs from waste and inefficiency.

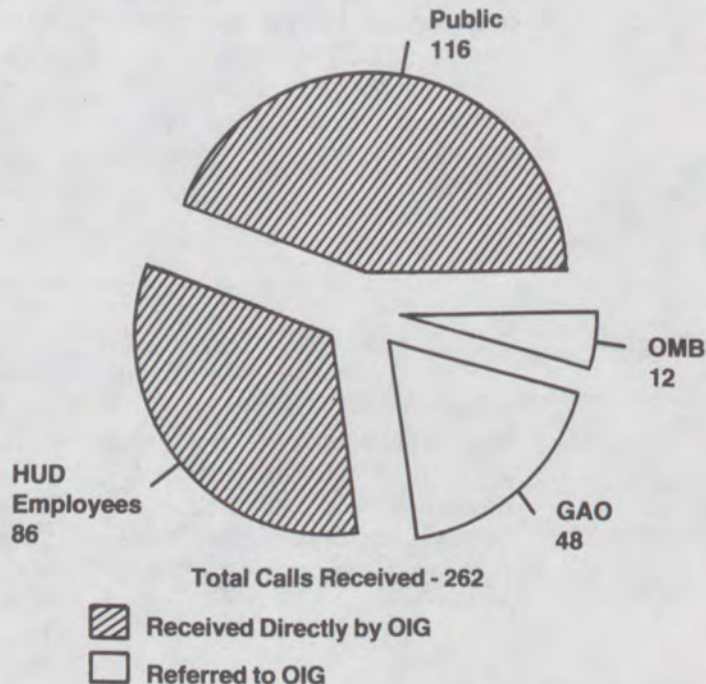


## Hotline Activities

From October 1, 1981, to March 31, 1982, we experienced an overall 15 percent increase in the number of hotline complaints received. Calls received on the HUD hotline increased about 67 percent from the prior six-month period. The accompanying charts break down the

origin of the complaints, the programs affected, and the offices responsible for follow-up action on the complaints. Ninety of the complaints shown as OIG follow-up were closed by our Fraud Control Division. The remainder were referred to our Offices of Investigation (38) and Audit (17).

**Sources of Hotline Calls Received  
October 1, 1981 to March 31, 1982**



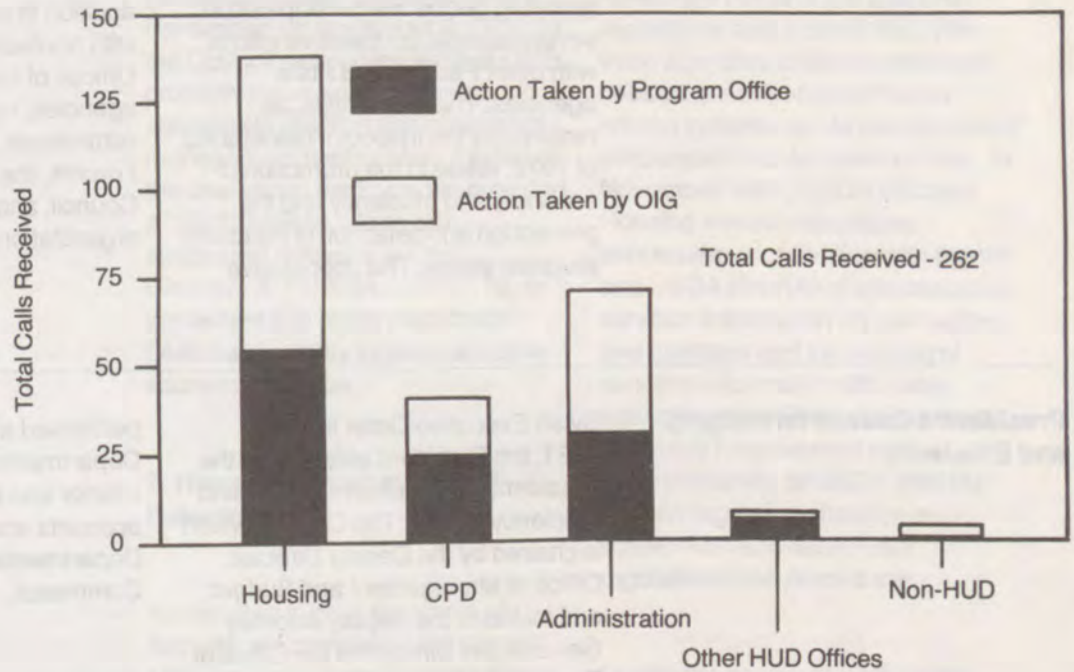
The following synopses typify the complaints we receive on a recurring basis:

- A complainant alleged that a HUD-subsidized housing project was being mismanaged. It was disclosed that \$51,490 was spent in violation of the Regulatory Agreement. Action is now being taken to recover these disallowed costs.
- A caller alleged that an individual misstated his income to qualify for Section 8 rental assistance. Subsequent review found that Section 8 assistance had been overpaid by \$2,674. Action is being taken to recover this amount from the individual.
- A former employee of a city alleged improprieties in the administration of the Community Development Block



Distribution of Hotline Calls Received

By Affected Program Area  
October 1, 1981 to March 31, 1982



Grant (CDBG) Program. Follow-up actions disclosed over \$26,000 of CDBG rehabilitation costs were paid for work not completed. Inspection reports showed that the work was complete. This matter was subsequently referred to our Office of Investigation.

correspondence. It was found that although the employee's supervisors were aware of these activities, they took no actions to stop it. The employee was suspended for ten days, two supervisors were issued written reprimands, and one supervisor was issued a letter of warning.

- An anonymous complainant alleged that a HUD employee was conducting unofficial business at the office and paying kickbacks to keep the supervisor from reporting this violation. An investigation confirmed that the employee was in fact conducting a private real estate business during normal work hours. The employee was: (1) receiving business visitors in the office; (2) using government telephones and copy machines for unofficial purposes; and (3) using a HUD address to receive business

During this reporting period, 203 hotline complaints were closed. In addition to the 90 calls closed by the Fraud Control Division after preliminary screening, 81 were closed as invalid or nonsubstantive after review by OIG or program personnel. The remaining 32 complaints, 16 percent of all calls closed and 28 percent of those referred for action, were found to be valid and have resulted in various forms of corrective action.



## Chapter 4

### Cooperative Efforts

During the current semiannual reporting period, we participated in several special cooperative efforts with other Federal and State agencies. These activities, as required by the Inspector General Act of 1978, relate to the promotion of economy and efficiency and the prevention and detection of fraud and program abuse. The cooperative

efforts, as described below, are in addition to our regular coordination with nonfederal auditors, other Offices of Inspector General and agencies, various congressional committees, Intergovernmental Audit Forums, the Federal Executive Audit Council, and professional organizations and societies.

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### President's Council on Integrity and Efficiency

By an Executive Order in March 1981, the President established the President's Council on Integrity and Efficiency (PCIE). The Council, which is chaired by the Deputy Director, Office of Management and Budget, and includes the Deputy Attorney General, the Director of the Office of Personnel Management, the Executive Assistant Director of Investigations of the FBI, all statutory Inspectors General and other key officials, was established as an integral part of a broader plan to attack fraud, waste, and inefficiency in Federal programs.

#### 1. Review of Unliquidated Obligations

In July 1981, we began work on an interagency project to review at 17 Executive Branch departments and agencies, construction-related obligations that were unliquidated at September 30, 1980. On-site survey work was conducted at the Departments of Defense, Transportation, Housing and Urban Development, the Environmental Protection Agency, and the Veterans Administration. We also requested relevant statistical information, obligation processes, audit reports, and applicable program descriptions from 12 additional agencies. Based on agency responses, we also

performed additional work at the Departments of Commerce and Interior and surveyed selected accounts and operations at the Departments of Agriculture and Commerce.

Weaknesses were apparent in agency accounting and management information systems, goal accomplishment and measurement standards, and participant monitoring. These three items were primary factors contributing to the high number of "inactive" projects and corresponding unliquidated obligation balances at the agencies surveyed. During Fiscal Year 1981, unliquidated obligations increased \$46.7 billion governmentwide to a total of \$543.5 billion at September 30, 1981.

We found numerous instances where obligations have been "idle" in excess of four years. For five agencies surveyed, there were in excess of 18,300 projects, approximating \$19 billion in unliquidated obligations that were identified as being "inactive" for a minimum of 15 months or more. This represented 9.2 percent of those agencies' total unliquidated obligations for the appropriation accounts/funds reviewed.



To correct the identified weaknesses governmentwide, the survey report transmitted on November 6, 1981, to the Council recommended that OMB promptly issue a directive requiring all agencies to develop and implement a management control plan. As part of the final report package, we provided a "draft" bulletin, along with suggested revisions to OMB Circulars A-11, A-34, and A-112, to implement this recommendation. OMB has recently initiated action to address this issue.

## **2. Housing Suspensions and Debarments**

As reported in prior Semiannual Reports, we completed in February 1981 a review of activities relating to the suspension and debarment of Federal housing program participants. The review was coordinated with the Offices of Inspector General of the Department of Agriculture (Farmers Home Administration-FmHA) and the Veterans Administration. Following completion of the February 1981 review, an Anti-Fraud and Waste Project on Housing Suspension and Debarment Systems was initiated in August 1981 under the direction of the HUD Office of Inspector General (OIG) with assistance from the OIG's of the Department of Agriculture (USDA) and the Veterans Administration (VA). The purpose of the project is to achieve consistency among the three agencies in suspension and debarment systems applicable to housing program participants and to facilitate the exchange and use of suspension and debarment information among the three agencies in order to provide better protection for the government and the public from individuals and entities abusing Federal housing programs.

Since initiation of the project, reviews have been made of the statutes, regulations and procedures of the three agencies to identify changes needed to achieve consistency among systems and to provide lists of suspended and debarred entities. In November 1981, HUD's Office of Housing issued instructions concerning coordination with the VA and USDA (FmHA) of administrative sanction information on contractors and grantees and the sharing of sanction information with those agencies. In addition, project team members have worked with representatives of USDA (FmHA) and VA regarding changes in suspension and debarment regulations and procedures.

During the course of work on the project, we noted other similar efforts relative to suspensions and debarments and the gathering and dissemination of information in an effort to prevent the government from doing business with irresponsible individuals and entities. Because of these other activities, including the Procurement Suspension and Debarment project of the PCIE as well as congressional interest in the form of proposed legislation (S. 1882) for a governmentwide suspension and debarment system, we recommended on January 19, 1982, that the PCIE adopt a single project, including the Housing Suspension and Debarment Project, to achieve a governmentwide suspension and debarment system and list applicable to all individuals and entities who do business with the government either as contractors or participants in Federal programs, or who receive government assistance and/or benefits. The basic premise for such a system should be that an entity or individual determined to be unfit to deal with one agency/department is



unfit to deal with the government except in demonstrated exceptional cases.

### **3. Long Term Computer Matching**

Several members of our staff are participating actively in a computer matching effort headed by the Inspectors General of the Departments of Labor and Health and Human Services. Because of the notable lack of information flow among Federal agencies and between Federal and State governments, the project has established an information clearinghouse for computer matching. More importantly, representatives from Federal and State agencies are working together in the following four areas: (1) Legal and Administrative Problems – to confront the spectrum of legal and administrative impediments to computer matching and to develop

legislative proposals that, while protecting individual rights, will aid in detecting the abuse of Federal benefit programs; (2) Technology and Programming – to serve as a forum for technicians in developing new computer aided procedures and techniques; (3) Match Opportunities – to identify interagency match possibilities that can then be spun off to Federal and State agencies; and (4) State/Federal Cooperation – to inventory State technical capabilities and resources and to determine the impact of or problems created by increased Federal requirements.

As discussed in several sections of this report, HUD needs to improve both its data collection systems and its ability to use computers in developing quality control programs. Consequently, the initiatives taken by this project are of vital interest to HUD.

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## **Intradepartmental Projects**

### **1. Office of Inspector General/ Office of Finance and Accounting Joint Review**

At joint sessions between the OIG's and the Assistant Secretaries for Management Group held in Quantico, Virginia, participants agreed to initiate a joint project to address a major concern of each Department. (The Assistant Secretaries for Management Group was established in April 1981 under the leadership of OMB, to improve the management and operation of the Executive Branch. Membership includes the Assistant Secretaries for Management or equivalent positions at 16 Federal agencies.) As part of this joint effort, the HUD Assistant

Secretary for Administration and the HUD Inspector General decided that a project should be started to assess the internal controls of the accounting systems within HUD's Office of Finance and Accounting (OFA). The objective of the review would be to establish a systematic approach to identify selected vulnerable accounting systems, document existing internal controls and assess their effectiveness in preventing fraud, waste, abuse and mismanagement.

The joint project, staffed with auditors from the OIG and officials from OFA, started in December 1981. Currently, OFA and OIG representatives are working to identify risks,



vulnerabilities and controls related to the Department's accounting systems. The team has identified five major types of financial management systems: (1) insurance; (2) grants; (3) loans; (4) subsidies; and (5) administrative accounting. Also, the team subdivided these systems into major "life cycle" phases. For example, the insurance system includes preinsurance, insurance operations, claims, post insurance and accounting phases. The team will identify vulnerabilities to fraud, waste, abuse and mismanagement within these systems, and work with management to develop recommended actions for improving accounting and administrative controls. The results of the review will be reported by December 31, 1982.

**2. Office of Management and Budget Circular No. A-123, Internal Control Systems**

The Director of the Office of Management and Budget issued a directive to government agencies on October 28, 1981, requiring a tighter system of internal controls. This directive, OMB Circular A-123, sets standards for internal controls and directs each agency to review and update its present system.

On March 31, 1982, HUD issued its Internal Control Directive and Plan to implement the Circular. The Directive's objective is to ensure that internal controls for all programs and functions are in place and operating

properly. The Assistant Secretary for Administration is responsible for developing HUD's overall internal control policies and procedures as well as monitoring and administering the requirements of the Circular. These include, among others, completion of Vulnerability Assessments by December 31, 1982, and commencing Internal Control Reviews immediately afterwards.

Consultation and technical advice from our office facilitate the Office of Administration's development and issuance of the required Internal Control Directive and Plan. This will be followed by several organizing and coordinating activities together with a training program to assist key officials in performing comprehensive vulnerability assessments of the long term process.

To carry out the IG's independent overview of agency compliance with the Circular, the OIG plans to conduct a comprehensive review of the vulnerability assessment phase of the Directive requirements during 1982. Further, technical advice and guidance will be furnished to the Assistant Secretary for Administration's staff as needed. Ongoing audits will continue to include reviews of internal controls and we are jointly participating with the Assistant Secretary for Administration on assessing vulnerability in HUD's accounting systems as described in the previous paragraph.

**Interagency Projects**

**1. Cooperative Agreement with the FBI**

On January 15, 1982, the OIG and the Federal Bureau of Investigation

(FBI) signed a Memorandum of Understanding establishing guidelines for cooperation between the HUD-OIG and the FBI on matters



of mutual interest. The Memorandum acknowledges the role of the FBI in investigating criminal violations of Federal law and the statutory mandate imposed upon the Inspector General to investigate and report on matters which involve the programs and operations of HUD.

The spirit and thrust of this Memorandum are an equitable distribution of investigative responsibilities so as to most efficiently utilize the limited resources available. To that end, it is recognized that the efforts of the FBI will be directed toward the investigation of criminal activity which involves HUD programs and functions, either referred by the OIG or initiated by the FBI. The efforts of the OIG will be directed toward detection and prevention of fraud, waste and inefficiency and the conduct, supervision and coordination of OIG audits and investigations relating to the programs and operations of HUD.

The Memorandum presents both agencies with the opportunity to exhibit a true spirit of cooperation and improve the investigative results at the same time. This will be accomplished by a close and continuous liaison between the two agencies. A copy of the Memorandum is provided in Appendix 3.

## 2. Project MATCH

In our last two Semiannual Reports, we reported on a cross-match effort undertaken by Department of Agriculture auditors in Tennessee concerning recipients of food stamps in Memphis. More than 1,500 cases of potential fraud had been identified at March 31, 1981. During the current semiannual reporting period, we participated in a joint investigative effort called Project MATCH, with the OIG's of the Departments of Agriculture and Health and Human Services. A comparison of fraudulent food stamp cases with appropriate HUD tenant records resulted in our opening 112 cases for investigation. The investigations concerned the possible submission of false information to obtain rental subsidy payments.

Since this project was initiated, a Federal Grand Jury in Tennessee has indicted 56 recipients of HUD Housing Assistance Payments for submission of false statements to the government. To date, the total amount of suspected fraud in these cases is \$185,777. An additional 85 indictments have been returned against individuals who allegedly furnished false information to the Departments of Agriculture and Health and Human Services.

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## Other Projects

During the reporting period, we also participated, on a limited basis, in other cooperative efforts in conjunction with the President's Council on Integrity and Efficiency. These included: (1) Imprest Fund Review; (2) Government-Owned Property; (3) Space Acquisition and

Utilization; and (4) Federally-Funded Construction Projects. We also participated in the development of training courses for auditors and investigators through the Council's standing committee on training activities.



### Review of Legislation and Regulations

During the current semiannual reporting period, we reviewed a number of legislative bills and regulations relating to the economy and efficiency of programs and operations and the prevention and detection of fraud and abuse. This

included a review of 52 proposed/ revised regulations, and 84 legislative bills.

Some of the more significant legislative proposals on which we commented are described as follows.

### Legislation

*H.R. 5610* provides that United States citizenship shall be an eligibility requirement for any benefits funded or administered by the Federal Government, and that benefits to noncitizens shall be terminated. We favor legislation to limit benefits to noncitizens; however, we are concerned that this provision is too broad based for achieving efficient administration of the Bill. The principal matters that concern us are:

- Eliminating any legal impediments regarding access to other agency data concerning citizenship, such as that of the Immigration and Naturalization Service.
- Adding provisions to penalize persons who make false statements or provide false documentation regarding the status of their citizenship.
- Including loan guarantee or insurance programs, such as Federal Housing Administration mortgage insurance and home improvement loans programs, as well as those programs involving direct cash payments in Section 1 of the Bill.
- Clarifying entitlement provisions for permanent resident aliens who are lawfully present in this country and currently have the rights of citizens.
- Clarifying and limiting the provisions regarding ineligibility for assistance to incidences where

agency officials either knowingly or through gross negligence provided benefits to noncitizens.

*S. 1630 and H.R. 1647* codify, revise and reform the Criminal Code, Title 18 of the U.S. Code. We support the Senate version of the Bill; however, we believe *H.R. 1647* weakens or eliminates the provisions needed to combat white collar crimes in HUD programs. The primary matters which concern us are that *H.R. 1647*:

- Classifies false statements as misdemeanors, except during the course of an investigation or audit;
- Does not retain the necessary Conspiracy to Defraud provisions in 18 U.S.C., Section 371; and
- Does not provide sufficient penalties to deter fraud in HUD programs.

*S. 1882* prohibits Federal agencies from soliciting offers from, awarding contracts to, extending contracts with, or approving subcontracts for, any person who has been debarred or suspended by another Federal agency. We strongly favor a governmentwide system of suspensions and debarments to effectively reduce the potential for fraud, waste and mismanagement in procurement activities. We are also



seeking resolution of this and other matters through the President's Council on Integrity and Efficiency, as described in the chapter on Cooperative Efforts. Several administrative and legal matters concern us about this Bill as follows:

- Review of proposed suspensions and debarments by the Office of Inspector General or its equivalent is needed during criminal investigations of serious offenses to avoid premature compromise of subsequent criminal prosecution actions.
- Appeal rights of debarred contractors should be clarified where the procuring agency is not the same as the debarring one.
- The definition of contractors should be broadened to include those performing functions of an agent such as mortgagees, management agents and mortgagors.
- The legislation should be expanded to suspend or debar Federal program participants who act irresponsibly as contractors.
- Contractor principals as well as contractors should be made accountable for acts contributing to suspension or debarment.
- Agencies should be required to adopt and implement standard debarment and suspension procedures with appropriate monitoring by the Inspector General or equivalent to ensure complete and timely implementation.
- Contractors should be protected from invalid or unwarranted reasons for suspension or debarment.

- The Bill's language should be revised concerning doing business with a debarred or suspended contractor from only under ". . . a compelling reason. . ." to where it is in the best interest of the government.

S. 1780, The Program Fraud Civil Penalties Act of 1981, provides civil penalties for false claims and statements made to the United States by recipients of property, services, money, parties to contracts and for other purposes. We support the intent of the Act; however, we are concerned over the apparently increased level of evidence required as well as certain other administrative ramifications. Specific matters which are of concern are:

- The government is required to establish intent to make a false claim on the part of the defendant which is a level of evidence used for criminal rather than civil practice.
- The requirement to report certain frauds (Section 806) to the Inspector General for referral to the Attorney General may conflict with agency agreements with the Federal Bureau of Investigation, such as the HUD-OIG/FBI Memorandum of Understanding as described in the chapter on Cooperative Efforts. It could also be interpreted as granting the OIG investigative authority under departmental proceedings. The Attorney General may also find HUD actions adversely affect pending Department of Justice actions and stay any HUD proceedings with a possible impact on the six-year statute of limitations provision. This would additionally burden our limited investigative resources to meet the criminal level of evidence required by the Act.



- The "Authority Head" definition should be clarified as to who is responsible for making findings and determinations under Section 801 of the Act.

*H.R. 6020, Section 322*, amends and repeals certain sections of the Real Estate Settlement Procedures Act (RESPA) of 1974. This Bill is part of the FY 1983 budget proposal for HUD. Section 8, pertaining to kickbacks and unearned fees, would be repealed because Federal intervention cannot be justified when abuses occur so infrequently. We favor repeal of Section 8 unless the penalties are strengthened to obtain prosecutive interest. Substantial investigative resources have been expended on RESPA cases. RESPA violations, which are misdemeanors,

have not been given prosecutive priority by the Department of Justice.

*H.R. 6020, Section 321, Prevention of Fraud and Abuse in HUD-Assisted Programs*, is also part of the HUD FY 1983 budget proposal. Our staff was instrumental in researching, developing and preparing this amendment. The amendment, discussed in more detail on page 39, would provide HUD managers with the tools needed to overcome past quality control deficiencies. It would also help prevent fraud and program abuse and allow for better local administration of the programs. An identical provision was introduced in the U.S. Senate on April 13, 1982, as S. 2361. We strongly support the passage of this provision.

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## Regulations

*24 CFR (Parts 200, 215, 235, 236, and 812)* are the implementing regulations for barring financial assistance in HUD programs to certain aliens. Our office participated with a task force formed by the Secretary to accelerate issuance of the regulations and assure strong

management controls. The regulations have received OMB approval and have been sent to the Congress for concurrence. These regulations and our involvement are detailed in the chapter on Fraud Control Activities.



### **Requests for Information and Assistance**

As required to be reported by law, the following describes any instances in which information or assistance requested by the Inspector General

was unreasonably refused or not provided. It also includes cases during the reporting period in which we exercised subpoena authority.

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#### **1. Unreasonable Refusal or Non-Provision of Requested Information or Assistance**

There were no instances reported to the HUD Secretary during the semiannual reporting period in which information or assistance requested by the Inspector General was unreasonably refused or not provided.

#### **2. Subpoenas Issued**

During the reporting period, we found it necessary to exercise our subpoena authority in nine cases. Four of the subpoenas were issued with respect to investigations, and five were issued in connection with audits. In all instances, use of the subpoena authority resulted in obtaining the necessary records or documents.



### Debt Collection

The Supplemental Appropriations and Rescission Act of 1980 and related Appropriations Act of 1981 with respect to HUD and other Independent Agencies require each applicable agency to take immediate

action to: (1) improve collection of overdue debts; (2) bill interest on delinquent debts; and (3) reduce the amounts of debts written off as uncollectible.

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The actions being taken by HUD in response to the Acts were initially reported in our report to the Congress for the six months ended September 30, 1981. Significant actions taken since that date include:

- The Final Action Plan for Debt Collection sent to the Office of Management and Budget (OMB) was approved on January 4, 1982.
- On November 17, 1981, HUD sent the Department of Treasury and the OMB a completed Schedule 9 for the SF-220 report. (Schedule 9 is the Report on Status of Accounts and Loans Receivable due from the Public. It is a support schedule for the SF-220. The SF-220 is the Statement of Financial Condition filed by HUD with Treasury.) This document aged HUD's accounts receivable for the first time and established a critical baseline against which debt collection progress can be measured.
- Organizational changes were made in the Office of General Counsel to better track the legal work needed to enforce the collection of major debts.
- The Office of General Counsel completed regulations to implement the Multifamily Foreclosure Act of 1981. This Act will help accelerate resolution of delinquent multifamily

mortgages, particularly in those States that otherwise require an expensive and lengthy judicial process.

- Work is in process to obtain private sector contractors for loan processing services on the Title I and Single Family Programs.
- The Housing Management Information System that tracks multifamily projects in the Field, and the Accounting System that controls the billings and receivables for those projects, have been made compatible with each other. The combination will now be used to monitor the largest category of HUD's delinquent debts.
- HUD has sent an updated package of Schedule C data to the OMB, projecting the collections and write-offs for each major category of debt over the next three fiscal years. (Schedule C is part of OMB Bulletin 81-17. It establishes agency reporting requirements for a debt collection action plan to be submitted to OMB.)

Information contained in the above narrative and in the accompanying table was provided by HUD's Task Force on Debt Collection and Loan Servicing. This data has not been audited by our Office. The statistical data, as of December 31, 1981, is the latest data available.



**Debt Centers Ranked by Priority Tiers  
(Dollars in Millions)**

December 31, 1981  
(Prepared 3/18/82)

	Total Debt from Public			Seriously Delinquent Debt	
	No. of Accounts	Dollars Owed Total	Dollars Owed Delinquent	No. of Accounts	Dollars Owed
<b>I. First Tier</b>					
MF Mortgage Notes	2,084	\$ 4,119.93	\$ 1,008.91 2/	1,203	\$ 890.87 2/ 3/
Title I Defaulted Notes	60,290	154.71	154.71 2/	60,290	154.71 2/
SF Mortgage Notes	23,029	511.85	73.97 2/	20,098	62.87 2/
Section 312 Loans	66,761	764.04	16.04 4/	1,739	14.34 4/
Section 202 Loans	1,556	3,103.82	35.06	161	19.46
<b>II. Second Tier</b>					
<b>Housing:</b>					
MF 106b Nonprofit Loans	117	1.98	.91	45	.91
MF Premiums	182	6.37	.73	22	.08
SF Premiums	5,221	257.54	8.44	2,608	4.63
<b>Public Housing:</b>					
<b>Loan Fund (86X4098):</b>					
Permanent Loans	2,150	237.82	26.09	235	21.42 5/
Preliminary Loans	906	27.01	4.61	52	3.13
Administrative Loans	3	3.38	3.38	3	3.38
Off-Site Community Facilities	5	.28	.28	5	.28
Loan Fund Subtotal	3,064	268.49	34.36	295	28.21
<b>Housing Payments (86-0139):</b>					
Section 8	163	9.07	5.57	24	1.34
Section 23	14	.73	.67	6	.54
Residual Receipts	305	3.28	3.32	270	2.44
Capitalized Interest	7	.23	.23	7	.23
Rent Supplement	58	.09	.04	22	.02
235 Mortgage Interest Overpayments	27	.03	.02	14	.01
236 Interest Reduction	2	.29	.29	1	.29
Housing Payments Subtotal	576	13.72	10.14	344	4.87
<b>GNMA:</b>					
Emergency Mortgage Purchase Assistance	2,720	927.30	8.62	22	8.38
Mortgage-Backed Securities	810	13.44	3.91	15	3.58
Special Assistance Fund	55,333	3,690.80	18.11	412	17.49
Management & Liquidation	29,195	122.44	.59	164	.50
<b>III. Third Tier</b>					
<b>CPD:</b>					
Urban Renewal	17	5.70	.02	4	.02
CPD Sustained Audit Findings	172	80.83	80.80	145	72.30
NCDC	30	25.27	19.60	3	19.28
<b>Housing:</b>					
<b>Public Housing (86X4015)</b>					
Public Facility Loans	1,557	435.53	8.00	48	7.07
Public Works Planning	1,420	31.62	.51	32	.40
Public Agency Loans	12	2.54	.59	2	.58
Other	12	1.39	-0-	-0-	-0-
Public Housing Subtotal	3,001	471.08	9.10	82	8.05
SF Deficiency Judgments	N/A	N/A	N/A	N/A	N/A
Title I Premiums	513	.27	.27	101	.08
MF Appalachian Housing Assistance	16	.40	.39	15	.39
Sustained Audit Findings	43	26.36	26.36	42	26.31
Other	N/A	22.55	11.64	N/A	5.20
Administration	705	.50	.50	618	.46
<b>Total</b>	<b>254,685</b>	<b>14,589.39</b>	<b>1,523.18</b>	<b>88,428</b>	<b>1,342.99</b>
<b>Other Receivables</b>					
<b>Housing:</b>					
MF Delinquent Rents (Tier II)	7,407	3.26	3.26	7,407	3.26
SF Delinquent Rents (Tier II)	4,479	5.01	5.01	4,479	5.01
Alaskan Remote Housing Program (Tier III)	1	.80	.80	1	.80
<b>Administration:</b>					
Travel Advances (Tier II) 6/	1,926	.57	.27	232	.08
Emergency Salary Advances	67	.03	.03	63	.03
Subtotal	13,880	9.67	9.37	12,182	9.18
<b>Grand Total</b>	<b>269,315</b>	<b>14,599.06</b>	<b>1,532.55</b>	<b>100,610</b>	<b>1,352.17</b>

1/ Represents amounts overdue for more than ninety days. Report does not include \$5 million owed to the Department by the Federal Emergency Management Agency in the wake of the transfer to FEMA of HUD's disaster activities.

2/ Includes debt delinquent under the terms of the original debt instrument, i.e., rescheduled or work-out agreements are not represented.

3/ Includes accelerated debt in foreclosure of \$554.8 million. At September 1981 debt in foreclosure was \$521.4 million.

4/ Estimated by CPD.

5/ Delinquent debt was understated at September 1981. The debt delinquent over ninety days should have been shown as \$17.5 million.

6/ Does not include Chicago Regional information.



**Audit Resolution**

The Inspector General Act requires the reporting of all significant recommendations described in previous Semiannual Reports to Congress which remain unresolved, and for which corrective action has not been completed.

Resolution has been achieved and corrective actions have been completed on all significant recommendations reported in previous Semiannual Reports to Congress.

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**Cash Recoveries/Savings**

During the semiannual reporting period, Office of Inspector General and nonfederal audits of HUD program participants were instrumental in recovering significant amounts of improperly used funds and identifying possible waste, noncompliances and program abuses. The tables on page 56 provide this information. Highlights for the six-month period are as follows:

- Cash recoveries/savings resulting from audits – \$27 million.
- Questioned/disallowed costs sustained by HUD management – \$66.3 million.
- Value of unresolved audit findings – \$50,760,535.

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**Follow-Up on Audit Findings**

- Open audit findings at 9/30/81 – 2,347.
- Audit findings issued during six-month period – 4,071.

- Audit findings resolved during six-month period – 4,719.
- Audit findings unresolved at 3/31/82 – 1,699.

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**Resolution of Audit Findings**

The Supplemental Appropriations and Rescission Act of 1980 and Appropriations Act of 1981 require that any new audits involving questioned costs be resolved within six months, and that the Inspectors General include in their reports to Congress a summary of unresolved audits including total numbers, dollars amounts, status, age and other related information. Of the 1,699 open findings, eight were over six months old, with a value of \$1,451,362. Two of these eight are over twelve months old. They are the

Community Development Block Grant audits for Santa Paula, California, and Mercedes, Texas. The value of these audits is \$493,575 and \$419,175, respectively.

Both the President and the Congress have stressed that resolution of audits is to be given a high priority by Federal managers at all levels. The Secretary of HUD has made it clear that audits resolution will be a performance evaluation factor for responsible managers.





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

Report to Congress by the Office of the Inspector General for the Period  
October 1, 1981 to March 31, 1982

The Office of the Inspector General is responsible for audit, investigation, fraud control and designated security services relating to the programs and operations of the Department of Housing and Urban Development. Program management and management of assets and resources by the Department have been a source of Congressional concern. In line with the Administration's commitment to a program of reform and systematic improvement in government, steps have been taken to remedy overall management problems, and to identify and correct specific inadequacies in the accounting and purchasing areas. Further, the Under Secretary has responsibility for managing implementation of the recommendations of the Committee on Fraud, Waste and Mismanagement, and is working with the Office of the Inspector General and each office within the Department to make needed changes. The Department cooperates with the Inspector General on all issues, and will continue to provide requested information and suggest possible areas for investigation.

As the report shows, the Inspector General identified a number of areas where management improvements were necessary and the Department has accepted most of these recommendations. In several cases, negotiations on recommendations are still underway or responses to audits reports are not complete. A few examples of recent corrective actions include:

Rental Assistance Fraud (Page 14)

In November 1981 the Department published Handbook 4350.3, Occupancy Requirements for Multifamily Projects. The Handbook provides owners and project managers with: 1) guidance on how to interview tenants so as to identify all sources of income; 2) detailed instructions on how to verify information supplied by tenants; and 3) authority to pursue termination of assistance payments when fraud is found. Training on the procedures in this Handbook began on May 4, 1982 and will continue through August. This training will be offered in all cities having HUD offices. Nearly all projects will be represented and fraud issues will be discussed at these training sessions.

Section 8 Housing - Substandard Units Still Exist (Page 16)

While the Department believes that the methodology used for this study precludes nationwide generalizations, we agree that some PHAs are permitting substandard units to be leased under the program. We have taken the following corrective actions which we believe will be sufficient to prevent continuation of the problem:



- o Issuance of a Notice establishing sanctions against people who approve substandard units.
- o Issuance of a Memorandum to our field staff encouraging development of performance standards for qualitative monitoring.
- o Provision of training for our field staff on Housing Quality Standards.
- o Preparation, under a contract awarded by the Office of Policy Development and Research, of a model quality control audit to identify key operational problems and assist our field staff in taking corrective actions.

#### Excess Rental Income (Page 20)

A management information system is being developed in cooperation with the Office of Finance and Accounting and other Departmental offices to establish an automated monitoring system for excess income reports.

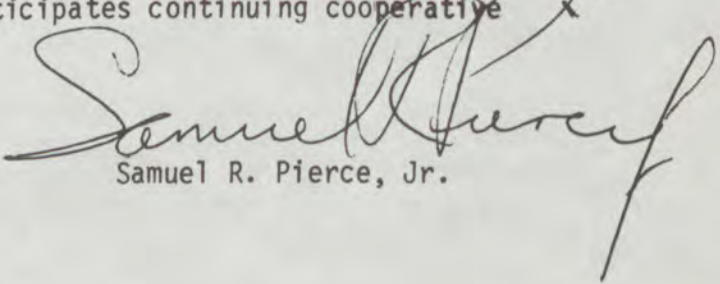
#### Overall Management Improvements

The Department has also undertaken several overall management improvement efforts. These include:

- o Development of a new Departmental Internal Control process, as part of HUD's implementation of OMB Circular A-123 on Internal Control Systems to aid recovery of funds owed the government, save program and administrative dollars, and reduce risk of fraud and waste.
- o Alteration of internal systems for operational planning and reporting in response to concerns expressed by the General Accounting Office in its recent report, "Improving the Credibility and Management of the Federal Work Force through Better Planning and Budgetary Controls."
- o Conduct of performance evaluations of program administration and management in the 10 HUD Regions during FY 1982. The reviews are designed to examine the quality, timeliness and effectiveness of program administration.

We have attached further detailed comments on other corrective actions.

HUD shares with the Office of Inspector General the interest in improving the management of the Department and anticipates continuing cooperative efforts.

  
Samuel R. Pierce, Jr.

Attachment



Additional Comments on the Report to Congress by the Office of Inspector General for the period of October 1, 1981 to March 31, 1982

Over \$15 Billion Idle on Old Obligations (Page 11)

The Department is pleased to report that most of the \$15 billion available for immediate deobligation is committed and will be obligated to multifamily housing projects in the pipeline.

As a result of the Inspector General's Survey Report on Unliquidated Obligations for Selected Construction - Related Activities, the Department is initiating steps to modify its Assisted Housing Report on obligations to list projects which have been inactive for a period longer than twelve months.

Faulty Accounting Systems (Page 12)

In addition to the corrective actions mentioned, it should be noted that:

- o An internal Task Force has begun to develop a joint handbook on Section 202 with updated and synchronized housing and accounting procedures, and to identify requirements for the Section 202 automated system.
- o On Section 530, Monthly Collection of Mortgage Insurance Payments, procedures are being developed for implementation in September 1982.
- o Procurement actions have started for acquisition of minicomputer equipment to automate critical manual accounting, record keeping and reporting functions in the General and Program Accounting areas.
- o Efforts to modernize or replace the accounting systems for single family mortgage notes, administrative accounts and Title I Loan Servicing have begun.

Cuyahoga Housing Authority Poorly Administered (Page 17)

The Department appreciates the Inspector General's concern for under-charging live-in custodians. However, this practice has been proved the most cost-effective approach to both anti-crime and maintenance programs.

Tax Benefits on Project Sales Need to be Considered (Page 23)

Substantial changes have been initiated by the Department in the Transfer of Physical Assets procedures since 1981. The Inspector General's office is still conducting an evaluation of aspects of the Transfer of Physical Assets. Thus, additional changes in the procedures cannot be made until this evaluation has been completed and the Department has reviewed it.



### Fraud and Abuse in the Mobile Home Loan Program (Page 24)

Corrections are being finalized which will change the monitoring activity of lenders, strengthen the underwriting guidelines, and alter the appraisal procedures.

### HUD and Grantees Not Monitoring Subrecipients (Page 25)

The Department has provided guidance to the field staff to improve procedures for monitoring the use of funds by subrecipients.

### Accounting and Management Information System (Page 44)

The Department is working to improve its accounting and information systems, and has taken the following actions:

- o Several major systems are being redesigned or developed.
- o The current redirection of HUDMAP will improve upon the mortgage insurance accounting systems. OFA and Housing are working closely together to redefine the systems requirements and to improve the current accounting systems responsiveness to management needs.
- o Planning has started to improve the data interfaces between the several ADP systems in support of Single Family Housing programs.
- o The Assisted Housing System is being improved by expanding its capability to maintain additional data and automate postings for the Section 8 Housing program.
- o The ADP organization has been consolidated into one major unit rather than being contained in three separate organizational units. This action should make the new structure more responsive to data user needs in the program area as well as in OFA.
- o Steps are also being taken to increase the security precautions of the ADP equipment and systems to safeguard unauthorized access to financial and program data.





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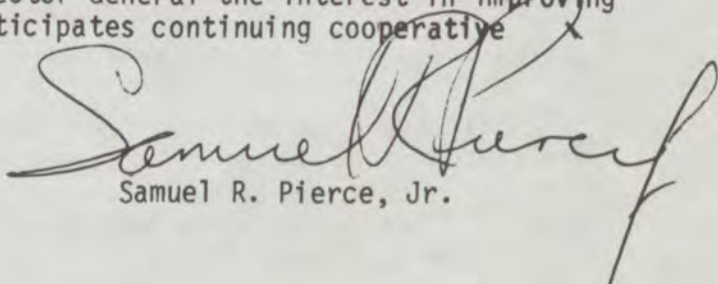
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- o Steps are also being taken to increase the security precautions of the ADP equipment and systems to safeguard unauthorized access to financial and program data.



**Resolution of General Accounting Office Findings**

In addition to internal and external audit finding follow-up and clearance, HUD managers are responsible for taking appropriate action on the recommendations addressed to the Department in GAO reports. The corrective actions are to be initiated promptly on recommendations in draft as well as published reports. Our GAO Liaison Officer acts as a focal point for accumulation of information from primary organization heads on actions promised and/or taken by HUD on GAO recommendations. Using the input from various offices in HUD, we furnish the Under Secretary with a summary report each quarter on the status of corrective actions on all GAO report recommendations. Information furnished is measured against established criteria for resolving GAO findings. When HUD's

response satisfactorily addresses a GAO recommendation, or when HUD management concurs in a recommendation for valid reasons, the recommendation is reported as closed. The final authority for resolving GAO audit findings is vested in the Under Secretary who is HUD's audit follow-up official.

On October 1, 1981, there were 95 GAO recommendations outstanding. Between October 1, 1981, and March 31, 1982, 30 recommendations were closed and 11 new recommendations were reported. Prior to review of actions taken during the quarter ending March 31, 1982, there were 76 GAO audit recommendations requiring departmental action.

(Dollars in Thousands)

	Dollar Value of Reported Audit Findings			Audit Findings Sustained			Cash Recoveries/Savings			Amounts Due		
	OIG	Non-Federal Total		OIG	Non-Federal Total		OIG	Non-Federal Total		OIG	Non-Federal Total	
<b>Activity on Audits Issued During Last Six Months</b>												
Housing	15,938	21,104	37,042	9,833	2,889	12,722	2,501	1,860	4,361	7,121	1,004	8,125
CPD	13,893	33,725	47,618	3,545	3,057	6,602	287	871	1,158	3,258	2,281	5,539
Admin.	157	0	157	0	0	0	0	0	0	0	0	0
Subtotal	29,988	54,829	84,817	13,378	5,946	19,324	2,788	2,731	5,519	10,379	3,285	13,664
<b>Activity on Audits Issued Prior to October 1, 1981</b>												
Housing	39,687	42,260	81,947	10,508	2,844	13,352	847	2,523	3,370	19,631	31,104	50,735
CPD	76,776	178,948	255,724	24,075	8,074	32,149	3,391	14,692	18,083	27,146	45,647	72,793
Admin.	5,539	0	5,539	1,489	0	1,489	73	0	73	2,419	0	2,419
Other	21	0	21	0	0	0	0	0	0	1	0	1
Subtotal	122,023	221,208	343,231	36,072	10,918	46,990	4,311	17,215	21,526	49,197	76,751	125,948
<b>Total</b>	<b>152,011</b>	<b>276,037</b>	<b>428,048</b>	<b>49,450</b>	<b>16,864</b>	<b>66,314</b>	<b>7,099</b>	<b>19,946</b>	<b>27,045</b>	<b>59,576</b>	<b>80,036</b>	<b>139,612</b>



## Background, Organization, and Staffing

### Establishment

The Office of the Inspector General (OIG), Department of Housing and Urban Development (HUD), was established on January 29, 1972, and became a matter of law with the signing of the Inspector General Act of 1978, P.L. 95-452, on October 12, 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 has authority to inquire into all programs, grants and activities of HUD and related parties. These inquiries may be in the form of audits, surveys, criminal and other investigations, personnel security checks or other inquiries, as appropriate.

Pursuant to the Inspector General Act of 1978, the Inspector General is responsible for providing leadership, supervision and coordination; for recommending policies to promote economy, efficiency, and effectiveness; and for detecting and preventing fraud and abuse in the administration of programs and operations of the Department. In this regard, the Inspector General is responsible for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies in HUD programs and operations, and the necessity for, and progress of, corrective actions.

### Organization and Staffing

During this semiannual reporting period, the HUD-OIG realigned its Headquarters staff to more effectively address the increasing responsibilities placed on the Inspector General by Congress and the Office of Management and Budget.

The Office of the Inspector General 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.

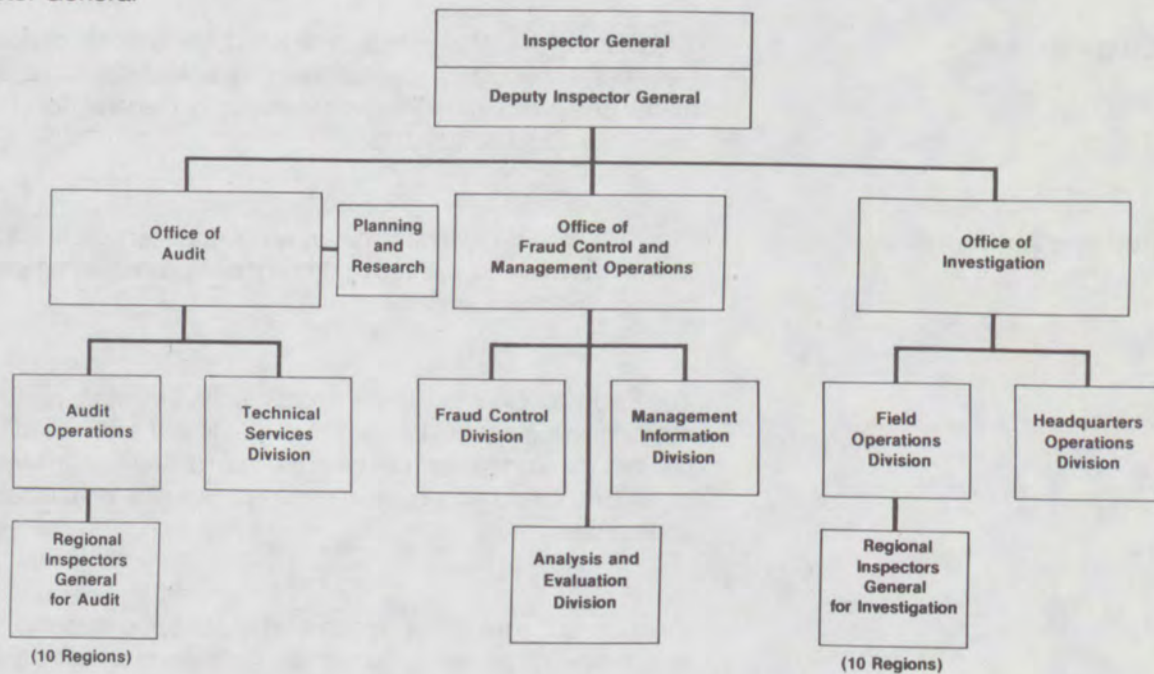
Within each of HUD's ten Regions is a Regional Inspector General for Audit and a Regional Inspector General for Investigation who direct a staff of auditors and investigators, respectively, and who report to the appropriate Assistant Inspector General in Headquarters.

Organizational and Staff Distribution Charts follow.



**Department of Housing and  
Urban Development**

**Office of Inspector General**



**Staffing Distribution  
FY 1982**

	Headquarters	Field	Total
<b>Inspector General</b>	6	-	6
<b>Office of Audit</b>	64	300	364
<b>Office of Investigation</b>	20	84	104
<b>Office of Fraud Control &amp; Management Operations</b>	36	-	36
<b>Total</b>	126	384	510



### Glossary of Terms

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**Accounting System Evaluation**

An external review to determine whether a recipient's accounting system is capable of furnishing accurate and timely financial reports consistent with the requirements of the Department.

**Cash Recoveries/Savings**

Cash recoveries and cash savings include those sustained questioned or disallowed costs for which money is: (1) returned to HUD; (2) reimbursed to programs or projects funded by HUD; (3) reimbursed to projects whose mortgage loans are made or insured by HUD; or (4) offset against future grants. These recoveries/savings result from external, and in some cases internal, audits and are reported only after evidence has been received that the Department's program costs have actually been reduced.

**Committee on Fraud, Waste, and Mismanagement**

A departmental committee established in November 1978 to advise the Secretary on policy matters associated with minimizing occurrences of fraud, waste, and mismanagement in HUD programs and activities.

**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.

**Disallowed Costs**

These are costs charged to a HUD-financed or insured program or activity which are not allowable by law, contract, or Federal, State or local policies or regulations.

**External Audit**

A review of the records and performance of grantees, borrowers, mortgagors, mortgagees and other contractors to determine compliance with the statutes, regulations, and terms and conditions of the agreements under which Federal funds are made available. The appropriate disposition of funds granted, loaned, or contributed is also determined.

**Fraud Vulnerability Assessment System**

A management control check system which applies to all new or substantially revised HUD programs. Basic elements of the system include: (1) an analysis of a proposed program's vulnerability; (2) a statement describing the management controls that will be incorporated into a program to minimize fraud, waste, and mismanagement; and (3) a summary for top management's consideration detailing the risks associated with a given program and the cost of management controls that could overcome identified risks.

**Internal Audit**

An independent review of programs and operations designed to determine: (1) the propriety of financial operations and reports; (2) compliance with laws and



regulations; (3) the effectiveness of operating procedures; (4) the efficient management of resources; and (5) effective achievement of desired results and objectives.

**Investigation Case Pending**

Any open investigation case which is either being tracked by the OIG or conducted by the OIG, the FBI, or other authority, on which a final report of investigation has not been issued to a prosecuting authority or HUD action official, and which has not been closed.

**Management Control Assessment System**

A system wherein HUD Primary Organization Heads are responsible for completing quarterly management control assessments which are designed to measure the existence and effectiveness of management controls in HUD's existing programs and functions.

**Questioned Costs**

These are costs charged to a HUD-financed or insured program or activity whose eligibility cannot be determined at the time of audit. These costs require a future decision on the part of HUD program officials regarding their eligibility. This decision can involve a legal interpretation or clarification of departmental policies and procedures, or can be contingent upon review of supporting documentation.

**Survey**

A fact-finding review designed to obtain and analyze information on a program or activity to identify matters warranting detailed examination or analysis.

**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.



### Memorandum of Understanding

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This memorandum constitutes an agreement voluntarily entered into between the Office of Inspector General (OIG), U.S. Department of Housing and Urban Development (HUD), and the Federal Bureau of Investigation (FBI).

#### A. Purpose

The purpose of this agreement is to establish policy for the FBI and the OIG for HUD with regard to the referral and investigation of criminal matters of mutual interest.

#### B. Applicable Authority

The Inspector General Act of 1978, Public Law 95-452, created Offices of Inspector General, with statutory authority to conduct investigations relating to their respective programs and operations.

The FBI derives its criminal investigative jurisdiction from Titles 18 and 28 of the United States Code, the Code of Federal Regulations and through the Attorney General of the United States.

Section 535 of Title 28, United States Code, specifically sets forth the FBI's right to investigate violations of Title 18 involving Government officers and employees. Further, this statute also imposes upon every Department and Agency head of the Executive Branch of the Government a duty to report expeditiously to the Attorney General any information, allegations, or

complaints relating to possible violations of Title 18 involving officers or employees of the Government unless the responsibility to perform the investigation of that violation is, by law, specifically assigned otherwise.

#### C. Policy

This memorandum acknowledges the role of the FBI in investigating criminal violations of Federal law and the statutory mandate imposed upon the Inspector General to investigate and report on matters which involve the programs and operations of HUD.

The spirit of this memorandum is an equitable distribution of investigative responsibilities so as to most efficiently utilize the limited resources which are available. To that end it is recognized that the efforts of the FBI will be directed at the investigation of criminal activity which involves HUD programs and functions, either referred by the OIG or initiated by the FBI. The efforts of the OIG will be directed at the detection and prevention of fraud, waste and inefficiency and the conduct, supervision and coordination of OIG audits and investigations relating to the programs and operations of HUD.

#### D. Responsibilities of the OIG

1. The OIG will refer to the FBI upon receipt all specific allegations of bribery, attempted bribery, and other specific, significant allegations of corruption which culpably involve U.S. Government employees.

In the event that specific allegations referred to the FBI are not accepted for investigation by the FBI or are declined for prosecution by a U.S. Attorney, the OIG will be expeditiously advised in order to allow the OIG to promptly institute whatever action is deemed appropriate.

2. The OIG will refer to the FBI upon receipt all information pertaining to the element generally known as "organized crime" related matters, including both traditional (La Cosa Nostra) and nontraditional organizations whether or not the matter is considered prosecutable.

3. The OIG may investigate all other criminal matters arising from and pertaining to HUD programs, functions and personnel. The OIG may refer to the FBI those criminal matters which require the resources or expertise of the FBI for proper investigation. In cases involving major incidents and/or widespread or ongoing criminal activity where the OIG proceeds alone with an investigation, the OIG will notify the FBI of this fact. The OIG will notify the appropriate local FBI office as well as Headquarters.

4. The OIG will retain investigative jurisdiction for violations in the following areas:

a. The Real Estate Settlement and Procedures Act (Title 12, U.S. Code, Section 2607);



b. The Interstate Land Sales Full Disclosure Act (Title 15, U.S. Code, Section 1701);

c. The submission of false wage payroll forms in an attempt to circumvent the Davis Bacon Act (Title 40, U.S. Code, Section 276 a - 276 a-5);

d. Manufactured Housing Construction and Safety Standards Act (Title 42, U.S. Code, Section 5401);

e. Title I loan program cases that do not involve the types of cases described in numbers 1 and 2 above.

5. The OIG will investigate all noncriminal administrative and civil matters arising from and pertaining to HUD programs, functions and personnel. Certain civil investigations arising from criminal cases investigated by the FBI may, however, be handled by the FBI.

6. To the extent possible, the OIG will provide assistance to the FBI in the form of technical expertise, upon request.

7. The OIG will be the focal point of liaison functions between HUD and the FBI and will be responsible for the security, control and dissemination of FBI reports, or other communications written and oral. The OIG will abide by the "third party rule" in regard to FBI documents, i.e., will obtain FBI approval prior to disseminating FBI originated documents.

#### **E. Responsibilities of the FBI**

1. The FBI will have the primary role in investigating bribery, attempted

bribery and specific, significant allegations of corruption which culpably involve U.S. Government employees. The FBI will respond to allegations of bribery within one workday or less, as appropriate. The FBI will assume investigative responsibility for other significant criminal investigative matters referred by the OIG, consistent with the availability of investigative resources within the appropriate FBI field office. The FBI will promptly notify the OIG if it will not assume investigative responsibility for a matter referred to it, so that the OIG may proceed to address the matter on a timely basis.

The primary objectives of these FBI investigations will be:

a. To provide evidence leading to the prosecution of individuals believed to have violated Federal criminal statutes;

b. As an ancillary result of a criminal investigation, to provide, through the OIG, information potentially useful to HUD in taking any necessary corrective action for the purpose of averting the recurrence of fraud, waste or inefficiency;

c. As an ancillary result of a criminal investigation, to provide, through the OIG, information useful to HUD in taking specific administrative action against HUD employees or other individuals or entities who were involved in the investigation;

d. As a general rule, the FBI will not investigate recipient/participant-type frauds, absent indications of a pattern of widespread criminal activity.

2. The FBI maintains the option to investigate any criminal allegations involving HUD's programs or functions, which the FBI receives independently.

3. The FBI will promptly notify the OIG of the initiation of investigations which are predicated on other than an OIG referral, unless disclosure might endanger the safety of FBI or other personnel, or otherwise have a potentially adverse impact upon the investigation.

4. The FBI recognizes the importance of expeditious investigation and reporting in situations where:

a. The subject(s) of the investigation is a HUD employee;

b. The subject(s) of the investigation is continuing to do business with HUD;

c. The subject(s) of the investigation is under consideration to receive benefits which would involve HUD.

5. Upon request of the OIG, the FBI will promptly notify the OIG of developments during the investigation, unless disclosure might endanger the safety of FBI or other personnel, or otherwise have a potentially adverse impact upon the investigation.

6. The FBI will promptly furnish a written summary of findings at the conclusion of an investigation and the nature of judicial action, if any, taken. If administrative action is being considered by HUD, the FBI will, upon written request, provide for the



exclusive use of HUD, existing detailed investigative data, less any Federal grand jury or other material, the disclosure of which is not deemed to be in the best interest of FBI operations.

7. The FBI will promptly furnish, at the conclusion of the investigation, and upon receipt of a written request identifying the exact data needed, FBI investigative documents and Special Agent testimony for use in administrative proceedings, consistent with regulations contained in Attorney General Order 919-80, effective December 4, 1980, concerning the release of departmental documents in Federal or State proceedings.

8. The following services will be provided to the OIG by the FBI:

- a. Appropriate name checks;
- b. Laboratory examinations;
- c. National Crime Information Center inquiries;
- d. Appropriate identification record searches;
- e. The FBI will provide desired relevant training to OIG personnel, as resources permit;
- f. Any other services normally available to Federal investigative agencies.

#### **F. Responsibilities Concerning Joint Endeavors by the FBI and OIG**

1. The FBI and the OIG may agree to enter into joint investigative endeavors, including undercover operations, in appropriate circumstances. The specific details of each endeavor, including resources to be committed, the delegation of responsibility, liabilities, etc., will be determined prior to the commencement of these endeavors. While differing circumstances will result in varied arrangements from project to project, certain conditions will remain static:

- a. Participating personnel will be supervised by their respective agencies;
- b. Only one evidentiary document, such as a record of interview, will be prepared;
- c. Any contact with the news media, such as press releases, will be coordinated and agreed to in advance by both the FBI and the OIG;
- d. In the case of undercover operations a separate written agreement for each will be required setting forth the responsibilities of both the OIG and the FBI as they pertain to manpower, economic and other resources to be committed and/or other conditions necessitated by the operation. Control of joint undercover operations will be the responsibility of the FBI.

2. Close and continuous liaison will be maintained between the OIG and the FBI in an attempt to identify areas that require mutual attention. In this regard, both the OIG and the FBI will designate an appropriate individual to serve as the primary contact in the liaison function.

Charles P. Monroe  
Assistant Director  
Criminal Investigative Division  
Federal Bureau of Investigation  
January 15, 1982

Charles L. Dempsey  
Inspector General  
United States Department  
of Housing and Urban  
Development  
January 15, 1982



## Appendix 4

### Listing of Officials- Actions on Findings Not Taken

As detailed in Chapter 1, "Promised Actions on Closed Findings Not Taken," the following is a listing of the responsible officials who were to have taken action by March 31, 1982, to clear the audits where we found one or more findings uncorrected.

<b>Audit Report Title and Number</b>	<b>Responsible Official (Report Addressee)</b>
Farmington Apartments, Farmington, NH, Project No. 024-44-023 LDP for the period 1/1/79 - 7/31/80, (81-BO-212-1005) Issued: 11/7/80	Marvin Siflinger, Area Manager, Boston Area Office
IPA Audit of Northampton, MA Housing Authority for the period 7/1/79 - 6/30/80 (81-BO-202-2039) Issued: 12/5/80	Marvin Siflinger, Area Manager, Boston Area Office
IPA Audit on the Pittsfield, MA Housing Authority for the period 7/1/77 - 6/30/80 (81-BO-202-2062) Issued: 1/19/81	Marvin Siflinger, Area Manager, Boston Area Office
IPA Audit on the Fall River, MA Housing Authority for the period 4/1/78 - 3/31/80 (81-BO-202-2195) Issued: 6/18/81	Marvin Siflinger, Area Manager, Boston Area Office
IPA Audit of the Housing Authority of the City of Stamford, CT for the period 7/1/75 - 6/30/79 (80-BO-33-1099) Issued: 8/20/80	John McLean, Area Manager, Hartford Area Office

\*Denotes official was no longer with the office shown, at March 31, 1982.



Audit Report Title and Number	Responsible Official (Report Addressee)
OIG Report on Audit of the City of Schenectady, NY, Community Development Block Grant Program, Report No. 80-NY-31-0064, dated 9/12/80	*James F. Anderson, Area Manager, Buffalo Area Office
Use of Identity of Interest Companies and Central Service Facilities for Multifamily Project Services Region 3 - Baltimore Area Office and Washington, D.C. Area Office PH-99(2) Issued: 11/27/78	*Thomas C. Maloney, Regional Administrator, Philadelphia Regional Office
Multiproject Management Agent Multifamily Housing Services 5/1/79 thru 4/30/80, Region 3- Washington, D.C. and Richmond Area Offices, 81-PH-214-1014 Issued: 12/24/80	*Thomas C. Maloney, Regional Administrator, Philadelphia Regional Office
Hunneman and Company, Inc. Multifamily Project Manager Washington, D.C., 80-PH-91-0073 Issued: 9/26/80	Terry L. Chisholm, Area Manager, Washington, D.C. Area Office
Virginia Terrace, Baden, PA 81-PH-212-1031 Issued: 5/5/81	William R. Costello, Acting Area Manager, Pittsburgh Area Office
Internal Audit of Repair Programs for Single Family Acquired Properties, Philadelphia Area Office 90-PH-99-0003 Issued: 6/17/80	*Don Morrow Deputy Area Manager, Philadelphia Area Office

\*Denotes official was no longer with the office shown, at March 31, 1982.



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**Audit Report  
Title and Number**

**Responsible Official  
(Report Addressee)**

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Internal Audit - Property  
Disposition Branch -  
Contracting Activities  
Chicago Area Office  
80-CH-99-0021  
Issued: 7/17/80

Elmer Binford, Area Manager,  
Chicago Area Office

OIG External Audit of Area  
Management Broker, Parker  
& Finney, Inc., Chicago, IL,  
for the period 6/1/80 to  
10/31/80, 81-CH-222-1032  
Issued: 3/27/81

Elmer Binford, Area Manager,  
Chicago Area Office

IPA External Audit of  
Community Development Block  
Grant, City of Ironton, OH,  
for the period 6/1/79 to  
6/30/80, 81-CH-241-2066  
Issued: 11/18/80

\*Syl Angel, Area Manager,  
Columbus Area Office

IPA External Audit of  
Community Development Block  
Grants, City of Algonac, MI  
for the period 5/28/75 to  
9/30/79. Issued: 5/21/80

Stephen W. Brown, Area  
Manager, Detroit Area  
Office

IPA External Audit of Community  
Development Block Grants,  
City of Houghton, MI for the  
period 1/11/77 to 12/31/79  
81-CH-243-2343  
Issued: 2/25/81

Stephen W. Brown, Area  
Manager, Detroit Area  
Office

IPA External Audit of  
Community Development Block  
Grants, City of Highland  
Park, MI for the period  
7/1/77 to 6/30/79, 80-CH-31-1012  
Issued: 4/10/80

Stephen W. Brown, Area  
Manager, Detroit Area  
Office

\*Denotes official was no longer with the office shown, at March 31, 1982.



Audit Report Title and Number	Responsible Official (Report Addressee)
OIG Special Audit of Low- Income Housing Program, South Bend, IN, 80-CH-33-0011 Issued: 6/11/80	*Howard L. Campbell, Area Manager, Indianapolis Area Office
OIG Audit of the Oglala Sioux Indian Housing Authority, Oglala Sioux Tribe, Pine Ridge, SD, 81-DE-209-1002/209 0 001 DE Issued: 12/5/80	*Betty Miller, Regional Administrator, Denver Regional Office
OIG Audit of the Crow Creek Sioux Indian Housing Authority Crow Creek Sioux Tribe, Fort Thompson, SD, DE-33-23/80-12 Issued: 1/8/80 Findings Reopened: 7/31/81	*Betty Miller, Regional Administrator, Denver Regional Office
IPA audit of the Community Development Block Grant Program, Crow Creek Sioux Tribe, Fort Thompson, SD 81-DE-244-2090/193 1 139 DE Issued: 5/14/81	Gerald Hannon, Acting Regional Administrator, Denver Regional Office
Comprehensive Internal Audit of the Office of Regional Indian Programs (ORIP) Region VIII, Denver, CO, 81-De-109/ 145/156-1040/179 0 029 DE Dated: 7/31/81	Gerald Hannon, Acting Regional Administrator, Denver Regional Office
Community Development Block Grants, City of Pico Rivera, CA, Independent Public Accountant Report transmitted 8/4/80	John J. Tuite, Area Manager, Los Angeles Area Office

\*Denotes official was no longer with the office shown, at March 31, 1982.



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**Audit Report  
Title and Number**

**Responsible Official  
(Report Addressee)**

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Independent Public Accountant  
Audit of the Colville Indian  
Housing Authority, Nespelem,  
WA, (81-SE-209-2034)  
Dated: 10/25/80

Charles C. Bean, Director,  
Office of Indian Programs,  
Seattle Regional Office

Independent Public Accountant  
Audit of the Housing Authority  
of the City of Tacoma, WA  
(18-SE-202-5039)  
Dated: 6/26/81

Edward J. Moger, Area  
Manager, Seattle Area  
Office



## Appendix 5

### Audit Reports Issued

The Inspector General Act requires the identification of each audit report completed by the OIG during the reporting period. A graphic summary of reports issued is presented on page 79

### Internal Audit and Survey Reports

Report No.	Title	Issue Date
<b>Housing</b>		
82-BO-103-0003	Annual Contract Rent Adjustment Procedures for Section 8 - New Construction and Substantial Rehabilitation Program - Boston Area Office, Manchester and Providence Service Offices	02/16/82
82-PH-109-0001	Whitman Park Townhouses	10/05/81
82-PH-113-0003	Transfer of Assets in the Sale of Multifamily Projects - Pittsburgh and Washington Area Offices	11/13/81
82-PH-101-0006	Philadelphia Area Office Monitoring of Housing Authority Operations	01/22/82
82-PH-111-0007	Washington Area Office Actions Relating to the Mortgage of Clifton Terrace Apartments - Secretary-owned Project	03/19/82
82-AT-129-0002	Assignment of Defaulted Single Family Mortgages to the Secretary	11/19/81
82-AT-101-0005	Financial Viability of Recently Developed Low-Income Housing	
82-AT-112-0006	PHA Turnkey Processing Louisville Area Office	02/05/82
82-AT-113-0007	Transfer of Assets in Sale of Multifamily Projects - Columbia and Greensboro Area Offices	03/16/82
82-CH-101-0005	PHA Operations, Problems, Deficits and Living Conditions - Cuyahoga Metropolitan Housing Authority	03/30/82
82-CH-103-0001	Area Office Procedures for Monitoring PHAs' Compliance with the Requirements of Section 8 Housing Assistance Payments Program (Existing) - Columbus and Indianapolis Area Offices	12/02/81
82-CH-103-0003	Section 8 Application Processing - New Construction and Substantial Rehabilitation, Chicago Regional and Area Offices	12/18/81
82-CH-112-0002	Section 8 New Construction Processing - Rome Meadows	12/02/81
82-KC-112-0022	Management Input into Processing Insured Multifamily Housing Projects - Kansas City Area Office	12/17/81
82-KC-101-0003	Processing of Construction Change Orders - St. Louis Area Office	01/05/82
82-KC-129-0004	Housing Construction Quality	03/17/82
82-DE-101-0002	Indian Housing Authority Architect Services and Fees - Denver Regional Office	12/30/81
82-DE-101-0003	Use of Fee Accountants in Low-Income Housing Programs - Denver Regional Office	01/13/82
82-SF-111-0002	MF Mortgagor - The Park Lane Internal Findings developed during external audit of Park Lane	12/07/81
82-SF-101/145 0003	Internal Audit Survey - Region IX Office of Indian Programs	12/09/81
82-SF-101-0004	Architect Fees Paid by Indian Housing Authorities	12/11/81
82-SF-101-0005	Housing Agency of the City of Alameda, California	12/22/81



Report No.	Title	Issue Date
82-AO-103-0005	Special Review of Housing Quality - Section 8 Existing Program	03/31/82
82-TS-111-0001	Section 236 Excess Rental Income	11/06/81
82-TS-112-0002	Report on Survey of the Quality of Construction of Insured Multifamily Projects	01/19/82
82-TS-113-0004	Disposition of Acquired Multifamily Properties	03/25/82

### Community Planning and Development

82 30-141-0001	Monitoring and Controlling Operating Agencies Boston and Hartford Area Offices	12/17/81
82-NY-141-0001	Monitoring and Controlling Operating Agencies Newark and Buffalo Area Offices	11/20/81
82-PH-145-0002	Use of CDBG Funds for Planning and Administration	10/28/81
82-PH-141-0004	Monitoring and Controlling Operating Agencies Philadelphia Regional Office and Philadelphia and Pittsburgh Area Offices	11/17/81
82-AT-145-0004	Use of Consultants to Administer CDBG Activities	01/22/82
82-FW-141-0004	Monitoring and Controlling Operating Agencies Dallas and San Antonio Area Offices	12/09/81
82-DE-156-0001	Survey of Outside Contracting for Area-wide Environmental Impact Statements	11/20/81

### Administration

82-NY-162-0002	Audit of Imprest Fund - New York Regional Office	11/30/81
82-NY-163-0004	Year-End Spending Practices - New York Area Office	01/29/82
82-PH-162-0005	Government-wide Review of Imprest Funds Philadelphia Regional Office and Washington Area Office	11/30/81
82-AT-162-0003	Government-wide Review of Imprest Funds Atlanta Area Office and Regional Office	11/30/81
82-CH-163-0004	Audit of Year-End Spending Practices Under Selected Subprograms of Section 8 Cleveland Service Office	01/08/82
82-FW-162-0002	Adequacy of Controls Over the Receipt and Deposit of Funds - Oklahoma City and Little Rock Areas Offices and Tulsa Service Office	10/27/81
82-FW-161-0003	Review of Regional Accounting Division, Region VI	11/13/81
82-SF-162-0001	Government-wide Review of Imprest Funds San Francisco Regional and Area Offices	11/30/81
82-SF-163-0006	Year-End Spending Practices Under Selected Subprograms of Section 8 - Los Angeles Area Office	12/29/81
82-SE-166-0001	Field Office Use of Automated Data Processing	11/18/81
82-AO-162-0001	Selected Activities of the Office of Finance and Accounting	11/13/81



**Report No.****Title****Issue Date**

82-A0-162-0002	Review of Headquarters Imprest Funds	01/20/82
82-A0-162-0003	Survey Report on Unliquidated Obligations for Selected Construction Related Activities	02/18/82
82-A0-163-0004	Headquarters Audit of Year-End Spending Practices Under Section 8 Housing Assistance Payments Program	03/16/82
82-TS-169-0003	Mortgage Insurance Premium Billing and Collection System	03/24/82

**Fraud Control and Management Operations**

82-BO-181-0002	Administrative Deficiencies Disclosed by Operational Survey - Hartford Area Office	12/18/81
82-NY-181-0003	Administrative Deficiencies Disclosed by Operational Survey - Buffalo Area Office	12/16/81
82-AT-181-0001	Administrative Deficiencies Disclosed by Operational Survey - Jacksonville Area Office	10/15/81
82-FW-181-0005	Report on Administrative Deficiencies Disclosed by Operational Survey - Oklahoma City Area Office	02/04/82
82-KC-181-0001	Administrative Deficiencies Disclosed by Operational Survey - Kansas City Area Office	11/27/81

**Departmentwide Assistance**

82-FW-198-0001	Field Office Control and Use of IPA Reports Not Subject to Review or Acceptance by the DIG - New Orleans and Oklahoma City Area Offices	10/27/81
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## External Audit and Accounting System Evaluation Reports

Report No.	Auditee	Location	Issue Date
<b>Housing</b>			
82-80-219-1003	Franklin Simon	Braintree, MA	11/05/81
82-80-221-1005	Hartford Federal Savings and Loan Association	Hartford, CT	11/13/81
82-80-212-1009	Franklin Park Development I and Franklin Park Development II	Boston, MA	11/19/81
82-80-215-1011	Sentry Property Management Corp.	Brookline, MA	11/27/81
82-80-212-1012	Norman Associates Corbin West Apartments	W. Hartford, CT	12/01/81
82-80-221-1013	Fidelity Guarantee Mortgage Corporation	Boston, MA	12/03/81
82-80-215-1014	Curry-Inge Management Associates Inc., Project Manager/Conway Gardens	Boston, MA	12/03/81
82-80-215-1015	State Management, Inc.	Brookline, MA	12/09/81
82-80-212-1017	Theroch I and Theroch II	Roxbury, MA	12/23/81
82-80-212-1021	Bethany Homes d.b.a. Phoenix Row	Haverhill, MA	01/27/82
82-80-219-1022	Torres Construction Co., Inc.	Westward, MA	01/21/82
82-80-211-1023	South Green Associates South Green Apartments	Middletown, CT	01/27/82
82-80-212-1025	Bethany Homes d.b.a. Merrivista	Haverhill, MA	01/05/82
82-80-209-1026	Lowell Housing Authority	Lowell, MA	02/03/82
82-80-211-1028	Freshwater Pond Associates Freshwater Pond Apartments	Enfield, CT	02/16/82
82-80-212-1029	Port Antonio Associates	Boston, MA	02/23/82
82-80-202-1031	City of Stratford Housing Authority	Stratford, CT	03/12/82
82-NY-212-1006	Medgar Evers Development Fund	Brooklyn, NY	10/15/81
82-NY-209-1018	Buffalo Municipal Housing Authority	Buffalo, NY	12/11/81
82-NY-221-1021	Standard Mortgage Corp.	San Juan, PR	01/08/82
82-NY-212-1024	Medgar Evers Apartments	New York, NY	01/26/82
82-NY-212-1022	Richfield Village	Clifton, NJ	01/11/82
82-NY-212-1028	Yunque Management Corp. (Taino Towers)	New York, NY	02/03/82
82-NY-212-1029	UPACA Sections I, III, IV, V, VII	New York, NY	02/16/82
82-NY-221-1035	Puerto Rico Finance Corp.	Hato Rey, PR	03/04/82
82-NY-214-1038	The Bruskin Agency	New Brunswick, NJ	03/31/82
82-PH-212-1006	Woodhaven Gardens Part II	Philadelphia, PA	11/13/81
82-PH-212-1013	Survey of First Lewis Road Apartments	Richmond, VA	12/23/81
82-PH-212-1014	Valley Stream Apartments	Delmont, PA	12/30/81
82-PH-212-1017	Crafton Towers Apartments	Pittsburgh, PA	02/19/82
82-PH-221-1019	Central Mortgage Company	Philadelphia, PA	03/12/82
82-PH-212-1020	Clifton Terrace	Washington, DC	03/19/82
82-PH-212-1022	Hedgerow Apartments	Philadelphia, PA	03/30/82
82-AT-212-1002	Royal Manor Apartments	Clinton/Jackson, MS	10/15/81
82-AT-203/243-1004	Town of Leesburg	Leesburg, FL	10/23/81
82-AT-221-1008	Adana Mortgage Bankers, Inc.	Atlanta, GA	10/30/81
82-AT-202-1009	City of Charleston Housing Authority Low Income Housing	Charleston, SC	11/04/81
82-AT-212-1013	GIS Housing a/k/a Freedom Village	Pinellas Park, FL	11/13/81
82-AT-211-1016	Metro Manor Apartments	Jackson, MS	11/30/81
82-AT-202-1018	Newberry Housing Authority	Newberry, NC	12/04/81
82-AT-203-1021	Villa Alegre	Bowling Green, FL	12/11/81
82-AT-211-1022	Lincoln Village, Ltd.	Hodgenville, KY	12/11/81
82-AT-221-1026	Pilgrim Mortgage Corporation	Atlanta, GA	01/06/82
82-AT-202-1030	Aiken Housing Authority	Aiken, SC	02/10/82
82-AT-212-1033	Spring Lake I and II, Sutton Bridge, Rainbow City, AL and the Pines, Knoxville, TN	Rainbow City, AL Knoxville, TN	03/05/82
82-AT-212-1034	Dutch Forest Duplexes, Ltd.	Hapeville, GA	03/09/82
82-AT-212-1035	Stonemont Forest Apartments	Birmingham, AL	03/11/82
82-AT-213-1036	Grant Park/Ormewood Park	Atlanta, GA	03/25/82



Report No.	Auditee	Location	Issue Date
82-CH-212-1004	Greene Valley Bath & Tennis Club	Woodridge, IL	10/08/81
82-CH-215-1002	Britton & Associates	Cincinnati, OH	10/06/81
82-CH-202-1001	White Earth Reservation Housing and Redevelopment Authority	White Earth, MN	10/01/81
82-CH-203-1013	Plymouth Housing and Redevelopment Authority	Plymouth, MN	10/30/81
82-CH-221-1025	St. Joseph Mortgage Company, Inc.	South Bend, IN	11/18/81
82-CH-215-1024	International Properties Group, Inc.	Southfield, MI	11/18/81
82-CH-222-1016	North East Realty Company	Detroit, MI	11/10/81
82-CH-222-1035	John D. Rodgers Real Estate	Dearborn Heights, MI	11/25/81
82-CH-212-1036	Charlton West Company	West St. Paul, MN	11/25/81
82-CH-211-1045	Parkview Village and Scattered Sites	Appleton, WI	02/03/82
82-CH-212-1038	Pyramidwest Realty and Management Company	Chicago, IL	12/15/81
82-CH-212-1040	Lambert Quarter	Justice, IL	12/31/81
82-CH-212-1042	Turner Park I	Hammond, IN	01/21/82
82-CH-215-1044	Tucker-Hirschelman and Associates (Rochester Manor and West Boston Apartments)	Detroit, MI	01/29/82
82-CH-222-1041	Allan H. Schecter Real Estate Company	Detroit, MI	01/07/82
82-CH-212-1049	Dr. Martin Luther King, Jr. Plaza, and Francis J. Bridges Apartments	Chicago, IL	03/03/82
82-CH-212-1048	Sycamore Glade Apartments	Pontiac, MI	03/01/82
82-CH-221-1052	First Investment Company	Whitehall, OH	03/31/82
82-FW-202-1003	Chickasaw Nation	Ada, OK	10/02/81
82-FW-212-1004	Smith Keys Village, Inc.	Texarkana, TX	10/02/81
82-FW-212-1005	Arthur L. Kendrick - Smith Keys Memo	Texarkana, TX	10/02/81
82-FW-209-1015	Holly Park Apartments	New Orleans, LA	11/20/81
82-FW-209-1016	Chateau Ames Apartments	New Orleans, LA	11/27/81
82-FW-212-1017	Ingram Square Apartments	San Antonio, TX	12/04/81
82-FW-221-1018	First National Mortgage Company	Little Rock, AR	12/09/81
82-FW-212-1020	County Club Village	San Antonio, TX	12/10/81
82-FW-203-1022	Somervell County Housing Authority	Glen Rose, TX	12/21/81
82-FW-221-1024	South Coast Mortgage Company	San Antonio, TX	01/15/82
82-FW-214-1027	Urban Properties, Inc.	Shreveport, LA	01/27/82
82-FW-221-1030	Carruth Mortgage Corporation	Metairie, LA	03/04/82
82-FW-212-1031	Palacio del Sol Apartments	San Antonio, TX	03/05/82
82-FW-215-1033	Richard Allen Villa Apartments	San Antonio, TX	03/19/82
82-FW-212-1034	2200 Sheridan Apartments	Tulsa, OK	03/25/82
82-FW-212-1035	Cullen Place Apartments	Houston, TX	03/26/82
82-FW-212-1036	Elm Grove Mobile Home Estates	Killeen, TX	03/30/82
82-KC-212-1001	Park Tower Gardens	Kansas City, MO	10/09/81
82-KC-214-1004	Hughes Development Company	Kansas City, KS	01/13/82
82-KC-202-1006	Review of Selected Housing and Community Development Activities Managed by the Mountain Grove Housing Authority	Mountain Grove, MO	01/29/82
82-KC-212-1010	Branscome (Urban West II) and Florissant Center Apartments	St. Louis, MO	03/26/82
82-DE-202-1001	Housing Authority of the City of Littleton	Littleton, CO	11/13/81
82-DE-212-1002	San Juan Del Centro	Boulder, CO	12/15/81
82-DE-212-1007	Fort Morgan Nursing Home, Inc.	Fort Morgan, CO	01/22/82
82-SF-212-1002	Apollo Housing, Partnership, Ltd.	Oakland, CA	10/26/81
82-SF-212-1004	The Park Lane	Monterey, CA	11/20/81
82-SF-212-1005	San Juan Plaza, A Limited Partnership	Sacramento, CA	12/14/81
82-SF-201-1007	Housing Agency of the City of Alameda	Alameda, CA	12/22/81
82-SF-202-1009	Review of Architect Fees Hualapai Housing Agency	Peach Springs, AZ	01/13/82
82-SF-214-1010	Dahasi, Inc.	Oakland, CA	01/19/82
82-SF-221-1012	Downey Savings and Loan Association	Costa Mesa, CA	01/22/82
82-SF-201-1014	Public Housing Agency of the County of San Mateo	San Mateo, CA	02/03/82
82-SF-212-1016	Lowell French	Winslow, AZ	02/17/82



Report No.	Auditee	Location	Issue Date
82-SE-212-1002	Luther Square Apartments	Klamath Falls, OR	02/10/82
82-AO-221-1002	Percy Wilson Mortgage and Finance Corp.	Washington, D.C and Chicago, IL	12/16/81
82-TS-221-1002	Sabro Funding Corporation	Syracuse, NY	10/08/81
82-TS-221-1003	Union Mortgagee Corporation	Hempstead, NY	10/08/81
82-TS-221-1004	Kensington Mortgage and Finance Corporation	Milwaukee, WI	10/23/81
82-TS-221-1012	National Mortgage Corporation of America	Dallas, TX	12/29/81
82-TS-221-1013	Sherwood and Roberts, Inc.	Seattle, WA	02/16/82

### Community Planning and Development

82-BO-249-1004	City of Worcester	Worcester, MA	11/09/81
82-BO-249-1006	City of Fall River	Fall River, MA	11/17/81
82-BO-249-1007	City of New London	New London, CT	11/17/81
82-BO-249-1008	City of Hartford	Hartford, CT	11/17/81
82-BO-242-1010	City of Boston	Boston, MA	11/19/81
82-BO-242-1018	City of Hartford	Hartford, CT	12/30/81
82-BO-242-1019	City of Hartford	Hartford, CT	12/30/81
82-BO-242-1024	City of Hartford	Hartford, CT	01/07/82
82-BO-243-1027	City of East Providence	East Providence, RI	02/12/82
82-BO-241-1030	City of Holyoke	Holyoke, MA	03/01/82
82-NY-244-1001	City of Oneida	Oneida, NY	10/07/81
82-NY-249-1003	Monitoring of CDBG Program Activities	Perth Amboy, NJ	10/05/81
82-NY-249-1004	Monitoring of CDBG Program Activities	Utica, NY	10/08/81
82-NY-249-1005	Monitoring of CDBG Program Activities	Jersey City, NJ	10/08/81
82-NY-259-1008	City of Newark Open Space	Newark, NJ	11/06/81
82-NY-259-1009	City of Newark Neighborhood Facilities	Newark, NJ	11/06/81
82-NY-241-1012	City of Rome	Rome, NY	11/20/81
82-NY-244-1013	Municipality of Trujillo Alto	Trujillo Alto, PR	11/18/81
82-NY-241-1020	City of Englewood	Englewood, NJ	12/23/81
82-NY-241-1023	City of Mechanicville	Mechanicville, NY	01/14/82
82-NY-241-1030	Municipality of Guaynabo	Guaynabo, PR	02/15/82
82-NY-244-1026	Town of Corinth	Corinth, NY	02/05/82
82-NY-243-1034	Town of Plattsburgh	Plattsburgh, NY	03/01/82
82-NY-241-1036	City of Oneonta	Oneonta, NY	03/10/82
82-PH-241-1004	CDBG Activities Implemented by Operating Agencies	Pittsburgh, PA	11/12/81
82-PH-241-1005	CDBG Activities Implemented by Operating Agencies	Altoona, PA	11/12/81
82-PH-241-1011	CDBG Activities Implemented by Operating Agencies	Lancaster, PA	12/18/81
82-PH-241-1012	CDBG Activities Implemented by Operating Agencies	Allentown, PA	12/18/81
82-PH-241-1021	County of Beaver	Beaver, PA	03/19/82
82-AT-248-1001	Town of Coffeerville	Coffeerville, MS	10/08/81
82-AT-248-1003	Town of Yadkinville	Yadkinville, NC	10/15/81
82-AT-242/257-1005	City of Cumberland	Cumberland, KY	10/26/81
82-AT-248-1006	City of Hartwell	Hartwell, GA	10/26/81
82-AT-248-1007	Town of Ranlo	Ranlo, NC	10/29/81
82-AT-248-1010	City of Thomasville	Thomasville, NC	11/05/81
82-AT-248-1012	Town of Fuquay-Varina	Fuquay-Varina, NC	11/12/81
82-AT-248-1014	Hertford County	Hertford Co., NC	11/19/81
82-AT-241/242-1015	City of Waycross	Waycross, GA	11/20/81
82-AT-248-1017	Town of McKenzie	McKenzie, AL	12/03/81
82-AT-243-1019	Mascotte/Groveland	Mascotte/Groveland, FL	12/07/81
82-AT-248-1020	Citrus County	Citrus Co., FL	12/09/81
82-AT-248-1023	Town of Pelahatchie	Pelahatchie, MS	12/15/81
82-AT-248-1024	Town of Fleming-Neon	Fleming-Neon, KY	12/15/81
82-AT-248-1025	City of Charleston	Charleston, MS	12/15/81
82-AT-258/262-1027	Orange Grove Center, Inc.	Chattanooga, TN	01/18/82
82-AT-248-1032	City of Ducktown	Ducktown, TN	02/24/82



Report No.	Auditee	Location	Issue Date
82-CH-249-1005	City of Detroit - Central Industrial Park Project	Detroit, MI	10/21/81
82-CH-248-1006	City of Ladysmith	Ladysmith, WI	10/29/81
82-CH-248-1007	City of Stanley	Stanley, WI	10/29/81
82-CH-248-1008	Town of Port Wing	Port Wing, WI	10/29/81
82-CH-248-1009	City of River Falls	River Falls, WI	10/29/81
82-CH-248-1010	Kenosha County	Kenosha County, WI	10/29/81
82-CH-248-1011	Township of Iron River	Iron River, WI	10/29/81
82-CH-248-1012	County of Barron	Barron, WI	10/29/81
82-CH-243-1015	City of Wilmington	Wilmington, OH	11/06/81
82-CH-243-1017	Town of Austin	Austin, IN	11/12/81
82-CH-248-1018	City of Washburn	Washburn, WI	11/18/81
82-CH-248-1019	City of Richland Center	Richland Center, WI	11/18/81
82-CH-248-1020	Township of Jacobs	Jacobs, WI	11/18/81
82-CH-248-1021	City of Mellen	Mellen, WI	11/18/81
82-CH-248-1022	Village of Rewey	Rewey, WI	11/18/81
82-CH-248-1023	City of Phillips	Phillips, WI	11/18/81
82-CH-248-1026	Village of Camp Douglas	Camp Douglas, WI	11/23/81
82-CH-248-1027	City of Portage	Portage, WI	11/23/81
82-CH-248-1028	Village of Norwalk	Norwalk, WI	11/23/81
82-CH-248-1029	Village of Lyndon Station	Lyndon Station, WI	11/23/81
82-CH-241-1051	Hennepin County	Hennepin County, MN	03/26/82
82-CH-248-1030	Village of Kendall	Kendall, WI	11/23/81
82-CH-248-1031	City of Shawano	Shawano, WI	11/25/81
82-CH-248-1032	Village of Butternut	Butternut, WI	11/25/81
82-CH-248-1033	County of Forest	Forest, WI	11/25/81
82-CH-248-1034	City of Oconto	Oconto, WI	11/25/81
82-CH-241-1046	City of Pontiac	Pontiac, MI	02/17/82
82-CH-243-1047	Lincoln County Housing and Redevelopment Authority	Lake Benton, MN	02/18/82
82-FW-248-1001	City of Pecos	Pecos, TX	10/01/81
82-FW-248-1002	City of Sudan	Sudan, TX	10/01/81
82-FW-248-1006	City of Wake Village	Wake Village, TX	10/14/81
82-FW-248-1007	City of Montrose	Montrose, AR	10/16/81
82-FW-249-1008	Town of Mountainburg	Mountainburg, AR	10/16/81
82-FW-241-1009	CDBG Activities Implemented by Operating Agencies for the City of Houston, Texas	Houston, TX	10/16/81
82-FW-241-1010	CDBG Activities Implemented by Operating Agencies for the City of Austin, Texas	Austin, TX	10/16/81
82-FW-241-1011	CDBG Activities Implemented by Operating Agencies for the City of San Antonio, Texas	San Antonio, TX	10/16/81
82-FW-241-1012	CDBG Activities Implemented by Operating Agencies for the City of El Paso, Texas	El Paso, TX	10/16/81
82-FW-248-1013	Town of Edmondson	Edmondson, AR	10/22/81
82-FW-248-1014	Town of Belen	Belen, NM	10/29/81
82-FW-243-1019	City of Jacksonville	Jacksonville, AR	12/09/81
82-FW-243-1023	City of Sherman	Sherman, TX	12/31/81
82-FW-241-1025	Austin Community Development Block Grant - Economic Development Corporations	Austin, TX	01/21/82
82-FW-248-1026	Town of Enid	Enid, OK	01/22/82
82-FW-243-1028	Pulaski County	Little Rock, AR	02/08/82
82-FW-259-1032	Oklahoma City Urban Renewal Authority	Oklahoma City, OK	03/11/82
82-KC-252-1003	Consolidated Local Government-Wide Cost Allocation Plan (1979)	Wichita, KS	12/23/81
82-KC-243-1009	CDBG Small Cities Program Seven Kansas Communities	Kansas City, KS	02/26/82
82-KC-257-1008	Review of Land Sale Expenses Land Clearance for Redevelopment Authority	University City, MO	02/23/82
82-DE-241-1004	City of Boulder	Boulder, CO	01/06/82
82-DE-248-1005	West Valley City	West Valley City, UT	01/06/82
82-DE-248-1006	Sandy City Corporation	Sandy City, UT	01/11/82
82-SF-241-1001	City of Burbank	Burbank, CA	10/02/81
82-SF-248-1006	City of Walnut Creek	Walnut Creek, CA	12/16/81
82-SF-248-1018	City of Bishop	Bishop, CA	02/26/82
82-SF-248-1019	Town of San Luis	Yuma County, AZ	03/12/82
82-SF-248-1020	City of San Safford	Safford, AZ	03/19/82
82-SF-248-1021	Navajo County	Navajo, AZ	03/22/82



Report No.	Auditee	Location	Issue Date
82-SE-252-1001	Consolidated Local Government-wide Cost Allocation and Indirect Cost Proposal	Tacoma, WA	11/20/81

### Administration

82-BO-262-1001	Frederick O'R Hayes Associates	Lexington, MA	10/21/81
82-BO-262-1002	Massachusetts Foreign Business Council, Inc.	Boston, MA	10/26/81
82-BO-262-1016	Bethany Homes, Inc.	Haverhill, MA	12/11/81
82-BO-262-1020	Hartford Policy Center	Hartford, CT	01/11/82
82-NY-262-1002	Dialogue	New York, NY	10/13/81
82-NY-262-1007	Interfaith Adopt a Building, Inc.	New York, NY	10/13/81
82-NY-262-1010	Rick Cohen and Associates	Hoboken, NJ	11/05/81
82-NY-261-1011	Municipal Services Administration	San Juan, PR	11/06/81
82-NY-262-1014	North Ward Center	Newark, NJ	11/25/81
82-NY-262-1015	Urban Homesteading Assistance, Inc.	New York, NY	11/25/81
82-NY-262-1016	New York City Housing Authority	New York, NY	12/09/81
82-NY-262-1017	State of New Jersey Mortgage Finance Agency	Newark, NJ	12/09/81
82-NY-262-1019	Syracuse University, Office of Sponsored Program	Syracuse, NY	12/23/81
82-NY-262-1025	Plainfield Housing Authority	Plainfield, NJ	02/01/82
82-NY-262-1027	Yunque Development Corp.(Taino Towers)	New York, NY	02/03/82
82-NY-262-1031	Trent City Apartments	Trenton, NJ	02/22/82
82-NY-262-1032	Advisory Service for Better Housing, Inc.	New York, NY	02/22/82
82-NY-262-1033	Advisory Service for Better Housing, Inc.	New York, NY	02/22/82
82-NY-262-1037	Taino Professional	New York, NY	03/31/82
82-PH-262-1001	Gordon Associates, Inc.	Washington, DC	10/15/81
82-PH-262-1002	National Hispanic Housing Coalition, Inc.	Washington, DC	10/23/81
82-PH-262-1003	National Hispanic Housing Coalition, Inc.	Washington, DC	10/23/81
82-PH-262-1007	HRB Singer, Inc.	State College, PA	11/17/81
82-PH-262-1008	Interim Costs Submitted by Richmond Redevelopment and Housing Authority	Richmond, VA	12/16/81
82-PH-262-1009	Costs Submitted by Philadelphia Housing Authority	Philadelphia, PA	12/19/81
82-PH-262-1010	Advisory Report Submitted by Wilmington Housing Authority	Wilmington, DE	12/18/81
82-PH-269-1015	International City Management Association	Washington, DC	01/18/82
82-PH-261-1016	Evaluation Price Proposal on Line Service Corp.	Philadelphia, PA	02/17/82
82-PH-262-1018	Housing Authority of Baltimore City	Baltimore, MD	02/24/82
82-AT-262-1011	Family Housing Services, Inc.	Charlotte, NC	11/10/81
82-AT-261-1028	National Conference of Black Mayors	Atlanta, GA	02/03/82
82-AT-262-1029	Housing Authority of Ft. Pierce	Ft. Pierce, FL	02/04/82
82-AT-262-1031	St. Peter Manor	Memphis, TN	02/18/82
			02/10/82
82-CH-262-1003	Advisory Report on Settlement Costs submitted by W. Barker and Sons, Inc.	Xenia, OH	10/06/81
82-CH-262-1014	Advisory Report on Final Costs submitted by St. Clair-Superior Coalition	Cleveland, OH	11/06/81
82-CH-262-1037	Interim Costs submitted by Duluth Housing and Redevelopment Authority	Duluth, MN	12/15/81
82-CH-262-1039	Interim Costs submitted by The Lams, Inc.	Libertyville, IL	12/18/81
82-CH-262-1050	American Planning Association	Chicago, IL	03/18/82
82-CH-262-1043	Interim Costs submitted by the Cincinnati Metropolitan Housing Authority	Cincinnati, OH	01/25/82



Report No.	Auditee	Location	Issue Date
82-FW-262-1021	Congregate Housing Services	Houston, TX	12/18/81
82-FW-262-1029	Cherokee Nation of Oklahoma	Tahlequah, OK	03/03/82
82-KC-262-1002	Advisory Report on Final Contract Costs Carr Square Tenant Management Corporation	St. Louis, MO	11/06/81
82-KC-262-1005	Advisory Report on Interim Costs Submitted by Tabitha Home	Lincoln, NE	01/21/82
82-KC-269-1007	Advisory Report on Interim Costs for Congregate Housing Services Projects; Council Apartments, Inc.	University City, MO	02/03/82
82-DE-262-1003	RENEW, Inc.	Sheridan, WY	12/29/81
82-SF-262-1011	Report on Final Costs submitted by MKGK Incorporated Technical Assistance Services	San Francisco, CA	01/20/82
82-SF-261-1017	Chinese-American Golden Age Association	Monterey Park, CA	02/19/82
82-SF-262-1008	Watts Labor Community Action Committee	Los Angeles, CA	12/23/81
82-AO-262-1001	National Savings and Loan League	Washington, DC	10/27/81
82-AO-262-1003	Comprehensive Marketing Systems	Washington, DC	12/21/81
82-AO-262-1005	National Assn. of Schools of Public Affairs & Administration	Washington, DC	01/08/82
82-AO-262-1006	Community Methods, Inc.	Washington, DC	01/20/82
82-AO-262-1008	The Support Center	Washington, DC	01/27/82
82-AO-262-1007	National Citizens Participation Council	Washington, DC	01/22/82
82-AO-262-1009	Civic Action Institute	Washington, DC	02/16/82
82-AO-262-1010	Council of State Community Affairs Agencies	Washington, DC	02/22/82
82-AO-262-1011	National Conference of States on Building Codes and Standards	Washington, DC	03/15/82
82-AO-262-1012	Housing Assistance Council, Inc.	Washington, DC	03/23/82

### Government National Mortgage Association

82-TS-271-1001	Mason-McDuffie Investment Company	Berkeley, CA	10/02/81
82-TS-271-1005	The Hibernia Bank	Concord, CA	11/04/81
82-TS-271-1006	Transamerica Mortgage Company	San Francisco, CA	11/04/81
82-TS-271-1007	Idaho First National Bank	Boise, ID	
82-TS-271-1008	First National Mortgage Company	Little Rock, AR	12/02/81
82-TS-271-1009	Realbanc, Incorporated	Omaha, NE	12/08/81
82-TS-271-1010	Western Securities Company	Omaha, NE	12/08/81
82-TS-271-1011	Downey Savings and Loan	Costa Mesa, CA	
82-TS-271-1012	First Investment Company	Whitehall, OH	03/25/82
82-TS-271-1013	Commonwealth Mortgage Co., Inc.	Boston, MA	03/25/82

### Other

82-SF-278-1003	Housing Authority of the County of Marin, Congregate Housing Service Program	San Rafael, CA	11/04/81
82-SF-278-1013	The Housing Authority of the County of Los Angeles Congregate Housing Service Program	Los Angeles, CA	01/26/82
82-SF-278-1015	Chinese-American Golden Age Association	Monterey Park, CA	02/05/82



Report No.	Auditee	Location	Issue Date
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**Audits Resulting In Memorandums  
Rather Than Formal Audit Reports**

2022009	Kansas City Housing Authority	Region VII	02/11/82
1121098	Report Processing Fort Shelby	Region IV	12/24/81
1131002	Transfer of Multifamily Project Assets	Region IX	02/19/82
2112016	South Park Health Care Center	Region VI	03/11/82
2112037	Highland Manor	Region V	03/10/82
2121130	Fawn Ridge Village East	Region VI	11/03/81
2212002	Adana Mortgage	Region IV	10/30/81
2212007	Security Mortgage Service	Region IX	02/05/82
2292003	Shadowood Condominiums	Region IX	12/07/81
1431035	Effectiveness of UDAG	Headquarters	10/22/81
1631109	Special Contracts Review	Headquarters	10/16/81

**Terminated Audits/No Report Issued**

2011095	Virgin Island Housing Authority	Region II	10/30/81
2112037	Highland Manor	Region V	03/10/82
2121130	Fawn Ridge Village East	Region VI	11/03/81
2122011	Allen Place Apartments Center	Region VI	12/16/81
2191089	FCH Services	Region VII	11/18/81
2112016	President Washington Manor	Region IX	02/02/82
2122013	S & J Limited	Region IX	01/18/82
2212007	Security Mortgage Service	Region IX	02/05/82
2442008	Brevard County CDBG	Region IV	12/16/81
2492020	Monitoring CDBG Subrecipients	Region IV	03/14/82

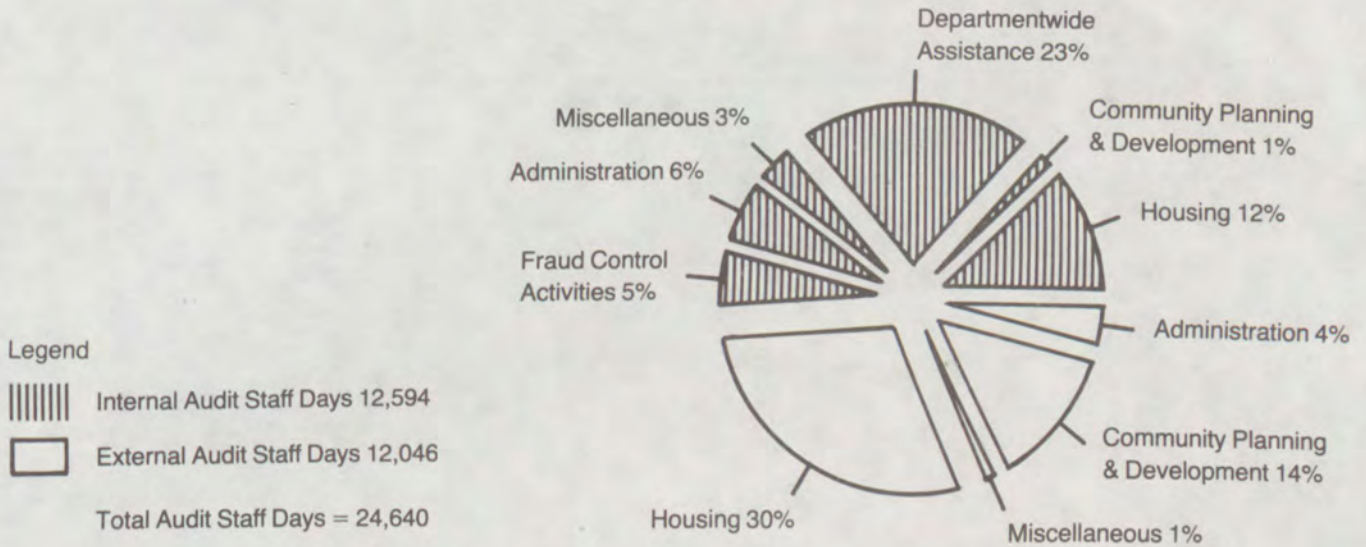


**Audit Resources and Results**

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

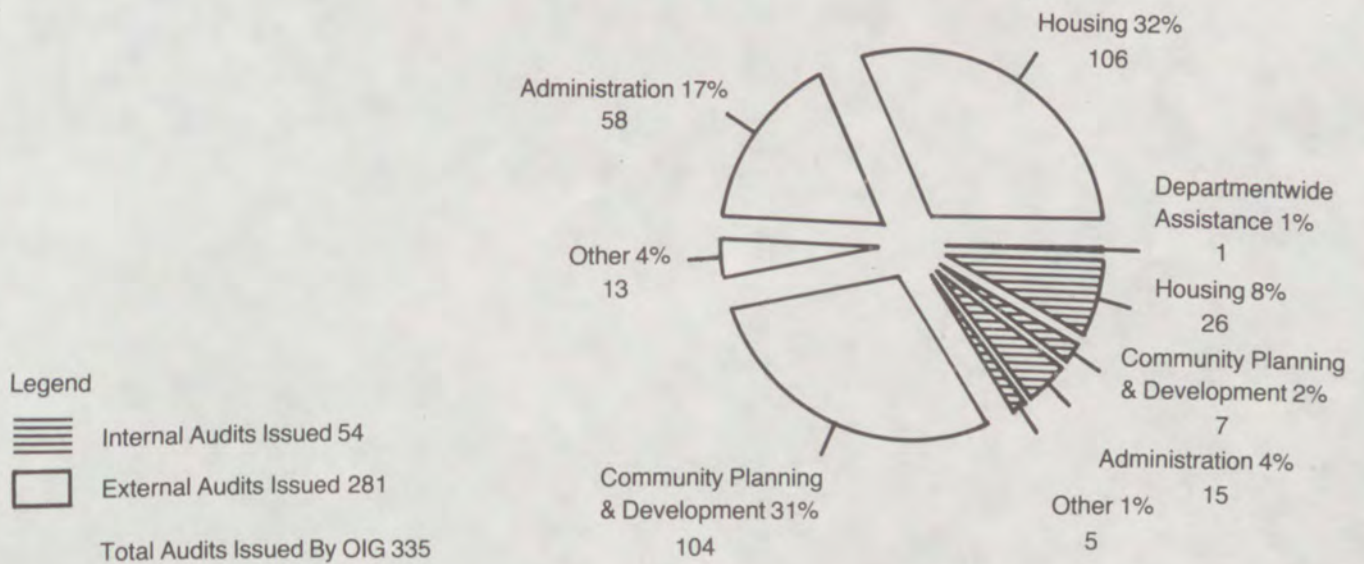
**Distribution of Audit Staff Time by Program Area and Type of Audit**

October 1, 1981 to March 31, 1982



**Distribution of Audit Reports Issued By Program Area and Type of Audit**

October 1, 1981 to March 31, 1982







**HUD EMPLOYEES' HOTLINE  
FTS 8-472-4200**

451 7th St., S.W.  
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Room 8254

The hotline is available to all HUD Field Staff through the FTS from their offices, and OIG headquarters staff will handle calls from 8:45 to 5:15, *Eastern Standard Time*. An answering service will record all incoming calls during nonworking hours.

Remember—the number to call is 8-472-4200.