



**AUDIT PLAN**  
**As of September 30, 2013**  
**OFFICE OF INSPECTOR GENERAL**  
**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

## ***Overview***

The U.S. Department of Housing and Urban Development's (HUD) primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. HUD relies upon many partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant (CDBG) funds, public housing agencies (PHA) that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Mortgage Association (Ginnie Mae) mortgage-backed security issuers that provide mortgage capital, and other Federal agencies with which HUD coordinates to accomplish its goals. HUD also has a substantial responsibility for administering disaster assistance programs and is administering new mortgage assistance and grant programs in response to the Nation's financial crisis.

HUD had a \$42.4 billion budget for fiscal year (FY) 2013 based on adjustments for the sequestration cuts. HUD received an additional \$16 billion for Hurricane Sandy and other disaster relief purposes, although this amount was reduced by 5 percent due to the sequestration. The Department planned to respond aggressively to the housing crisis as well as contribute to broader national priorities on energy, sustainable growth, community revitalization, and poverty alleviation. This audit plan provides coverage of HUD's program areas and management and organizational reforms. It gives full consideration to the Office of Inspector General's (OIG) strategic plan and the Department's management challenges identified by OIG and reported to Congress annually.

### ***The HUD Office of Inspector General – Office of Audit***

HUD OIG is one of the original 12 Offices of Inspector General established by the Inspector General Act of 1978. While part of the Department, OIG provides independent oversight of HUD's programs and operations.

The Office of Audit's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud, waste, and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations.

The Office of Audit is responsible for conducting audits, civil fraud reviews, investigations, and evaluations. This work identifies, assesses, and reports on the Department's activities and programs. We recommend corrective actions to the Department, as necessary, to prevent future program or operational problems. Auditors are assigned to headquarters and regional offices. The Office of Audit initiates its work based on information obtained from program officials, program research, complaints, congressional requests, and risk assessments.

The Office of Audit conducts audits in accordance with Government Auditing Standards as defined by the Comptroller General. These audits include

1. Financial audits, which determine whether HUD's financial statements are fairly



## AUDIT PLAN

---

presented, internal controls are adequate, and laws and regulations have been followed.

2. Information system audits, which determine, among other things, the adequacy of general and application controls and whether security of information resources is adequate and complies with system development requirements.
3. Performance audits, which determine whether programs are achieving the desired results or benefits in an efficient and effective manner.

The Office of Audit also conducts civil fraud reviews to identify fraud and make referrals for civil actions and administrative sanctions against entities and individuals that commit fraud against HUD. In addition, the Joint Civil Fraud Division (consisting of the Office of Audit and the Office of Investigation) provides case support to the U.S. Department of Justice, Civil Division; United States Attorney's Offices nationwide; and HUD's Office of General Counsel to investigate and pursue civil fraud and administrative cases.

### ***The Audit Planning Process***

Audit planning is a continuing process to focus resources on areas of greatest benefit to the taxpayer and the Department. Our broad goal in developing an audit plan is to help HUD resolve its major management challenges while maximizing results and providing responsive audits.

The process is dynamic in order to address requests and other changes throughout the year. We identify audits through discussions with program officials, the public, and Congress; conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances. We also conduct audits that HUD and Congress request, as well as those identified from our hotline.

### ***Audit Environment at HUD***

The Department's primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD does this through a variety of housing and community development programs and insured mortgages.

While HUD is a relatively small agency in terms of staff, it relies on a large number of entities to administer its diverse programs. Among HUD's administrators are hundreds of cities and directly funded grantees that manage HUD's CDBG funds, thousands of PHAs and multifamily housing projects that provide HUD assistance, and thousands of HUD-approved lenders that originate FHA-insured loans.

HUD's housing finance and subsidy programs represent more than \$1 trillion in long-term Federal financial commitments. HUD is actively involved in foreclosure mitigation, homeownership counseling, and a myriad of efforts to curb mortgage abuse.



## AUDIT PLAN

---

HUD's public and Indian housing and community development programs impact the lives of millions of low-income households and the condition of most American communities. A shrinking HUD staff has led to an ever-growing reliance on outside program partners and contractors to perform many critical program functions.

### *Audit Plan Objectives*

The audit plan has the following objectives:

- **Promoting fiscal responsibility and financial accountability**
- **Strengthening the soundness of public and Indian housing**
- **Improving HUD's execution of and accountability for grant funds**
- **Protecting the integrity of housing insurance and guarantee programs**

### *Promoting Fiscal Responsibility and Financial Accountability*

HUD's government corporations' and its program offices' programmatic and financial management focus is on

- Housing subsidies for low- and moderate-income families,
- Grants to States and communities for community development activities,
- Direct loans and capital advances for the construction and rehabilitation of housing projects for the elderly and persons with disabilities,
- Promoting and enforcing fair housing and equal housing opportunity,
- Insuring mortgages for single-family and multifamily dwellings,
- Insuring loans for home improvements and manufactured homes, and
- Facilitating financing for the purchase or refinancing of homes.

HUD accomplishes these missions through a decentralized structure of program offices and government corporations.

HUD OIG will conduct the annual financial statement audit, which includes all of HUD's components. In that audit, we test HUD's compliance with accounting standards, financial management controls, financial systems, financial reporting, and compliance with financial laws and regulations. We also audit FHA and Ginnie Mae financial statements. In addition, HUD OIG will conduct program audits of specific financial management functions to determine the effectiveness of HUD's implementation of program financial accountability requirements.



## AUDIT PLAN

---

### ***Strengthening the Soundness of Public and Indian Housing***

HUD provides housing assistance funds under various grant and subsidy programs to PHAs. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households.

The Office of Public and Indian Housing (PIH) provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,200 PHAs, which are to provide housing to low-income families or make assistance payments to private owners that lease their rental units to assisted families. In FY 2013, there are approximately 1.2 million public housing units occupied by tenants. These units are under the direct management of the PHAs.

The Moving to Work demonstration program gives PHAs the opportunity to design and test innovative, locally developed strategies that are designed to use Federal dollars more efficiently, help residents become self-sufficient, and increase housing choices for low-income families. The demonstration program gives PHAs exemptions from many existing public housing rules and more flexibility in how they use their Federal funds. OIG will focus on this program area. Our reports will target significant issues related to gaining compliance from PHAs in this program area and developing quantifiable and outcome-oriented guidance. Evaluation of the program is essential in determining the success of the demonstration program. We will also evaluate how efficiently and effectively PHAs perform their duties to ensure that tenants receive quality housing.

### ***Improving HUD's Execution of and Accountability for Grant Funds***

HUD awards grants to all levels of government and to the private sector for developing viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. OIG plans to focus on significant areas related to the lack of controls over and accountability for grant funds. In addition, we plan to review HUD's oversight and the capacity of subrecipients as well as HUD's enforcement of returning unobligated or unexpended funds.

### ***Protecting the Integrity of Housing Insurance and Guarantee Programs***

FHA is the Federal Government's single largest program to extend home ownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. According to the Mortgage Bankers Association, the delinquency rate for all mortgage loans increased slightly during the first quarter of 2013, but the share of seriously delinquent loans (90 or more days delinquent or in the foreclosure process) continues to fall. At the end of May 2013, FHA had more than 7.8 million single-family mortgages in force with an amortized balance of almost \$1.1 trillion. In an effort to further strengthen its capital reserves and manage its risk, FHA has implemented a series of changes in the areas of net worth requirements and lender reporting requirements. Specifically, effective May 20, 2013, FHA requires all applicants and approved lenders that wish to participate in FHA programs to possess a minimum of \$1 million plus 1 percent of the total volume of FHA single-family insured



## AUDIT PLAN

---

mortgages in excess of \$25 million that were originated, underwritten, purchased, or serviced during the prior year, up to a maximum required net worth of \$2.5 million. These requirements are discussed in Mortgagee Letter 2010-20 and represent the final phase of the new net worth requirements. Also, on April 18, 2013, FHA published a proposed rule in the Federal Register that would streamline the FHA financial reporting requirements for small supervised lenders with less than \$500 million in consolidated assets by requiring these lenders to submit audited financial statements as a condition of FHA approval or annual renewal. The Office of Lender Activities and Program Compliance (OLAPC) is working on an initiative to consolidate the FHA lender identification numbers for lenders that participate in both FHA's Title I and Title II programs. FHA anticipates the change to take place next calendar year. Lastly, OLAPC is implementing a series of system enhancements to improve its overall capabilities. As part of the initiative, FHA will convert from the Lender Assessment Sub-System to another financial reporting system known as the Lender Electronic Assessment Portal.

FHA is also working to improve the financial integrity of its reverse mortgage program. FHA received approval from both the Senate and the House of Representatives on the Reverse Mortgage Stabilization Act, which gives HUD the authority to modify FHA's Federal housing reverse mortgage program to stem losses due to loan performance decline in recent years. Specifically, FHA would like to limit the amount of the allowable draw, mandate the use of escrow accounts or money set aside to ensure continued and timely payment of property charges, and require the use of a financial assessment as part of the loan origination process. On April 1, 2013, the Home Equity Conversion Mortgage (HECM) program consolidated the Fixed Rate HECM Standard and Fixed Rate HECM Saver initial mortgage insurance premiums and principal limit factors under the HECM Saver fixed interest rate pricing option. Lenders must designate HECM Saver as the initial mortgage insurance premium and use the HECM Saver principal limit factors to determine the amount of funds available to prospective borrowers on a fixed interest rate HECM loan.

Lastly, to further stem losses from noncompliant lenders, Section 3 of the FHA Solvency Act of 2013 gives FHA further indemnification authority. Specifically, FHA will have the authority to seek indemnification from direct endorsement lenders due to losses from mortgages having a material defect that would have prevented the loan from being insured or involved fraud or misrepresentation. This change is significant as direct endorsement lenders represent about 70 percent of FHA approved lenders, and FHA only has indemnification authority over lenders participating in its Lender Insurance Program. Also, FHA is seeking legislative authority to transfer FHA-insured mortgages to another servicer depending on the current servicer's performance and the loan's risk to the agency's mutual mortgage insurance fund to strengthen its fund.

Significant changes in the single-family mortgage industry and the meltdown of the subprime market require continual emphasis on single-family lenders by OIG. For example, the Helping Families Save Their Homes Act of 2009 provides limitations on those eligible to participate in FHA programs, places additional requirements on FHA-approved lenders, and expands FHA's authority to pursue civil money penalties for violations of program requirements. Further, HUD received \$4 billion for the Neighborhood Stabilization Program (NSP1) in 2008



## AUDIT PLAN

---

and another \$2 billion in 2009 (NSP2, which is part of the Recovery and Reinvestment Act of 2009). The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional \$1 billion in funding, which is referred to as NSP3. The program aids localities in dealing with neighborhoods adversely affected by foreclosures. OIG plans to continue its efforts in external and internal audits of HUD's activities in the single-family mortgage industry and NSP.

The economic slowdown has increased demand for loss mitigation actions, including but not limited to loan modifications and other types of mortgage assistance. The Helping Families Save Their Home Act of 2009 expanded the authority to use FHA loss mitigation actions to assist defaulted FHA borrowers in avoiding foreclosure, to include those borrowers facing "imminent default" as defined by the HUD Secretary. The U.S. Department of the Treasury and HUD have extended the Obama Administration's Making Home Affordable Program through December 31, 2015. The new deadline was determined in coordination with the Federal Housing Finance Agency to align with extended deadlines for the Home Affordable Refinance Program and the Streamlined Modification Initiative for homeowners with loans owned or guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Therefore, OIG plans to increase its efforts in external audits of servicers and internal audits of HUD's activities in loan mitigation activities.

Further, as millions of homeowners struggled with foreclosures, evidence surfaced that banks employed "robosigners" to sign documents, thereby facilitating the foreclosure process without having actual knowledge of the individual cases. In response to allegations regarding robo-signing, in October 2010, HUD OIG initiated a review of the foreclosure practices of five of the largest FHA lenders to determine whether the selected FHA servicers complied with applicable foreclosure procedures for signing and notarizing judgment affidavits when processing foreclosures on FHA-insured loans. The analyses and results of our reviews were provided to the U.S. Department of Justice for civil action. On February 9, 2012, the U.S. Department of Justice and 49 State attorneys general announced a settlement of \$25 billion with the 5 mortgage servicers for their reported violations of foreclosure requirements. On March 12, 2012, the Federal Government and State attorneys general filed consent judgments with the five mortgage servicers to resolve violations of State and Federal law as a result of our analyses and reviews. The consent judgments included more than \$20 billion, collectively, in consumer relief activities and a Federal payment settlement amount of more than \$684 million. The funds would be used for (1) losses incurred to FHA's capital reserve account and the Veterans Housing Benefit Program Fund or as otherwise directed by the U.S. Department of Veterans Affairs and the U.S. Department of Agriculture's Rural Housing Service and (2) the resolution of *qui tam* actions.

Following the meaningful impact of these servicer reviews, OIG is working with various assistant U.S. attorneys in its reviews of the loan origination practices of large lenders to determine their compliance with FHA requirements. The Office of Audit is placing an emphasis on civil mortgage fraud and will actively seek out instances involving false claims deserving civil complaints to recover Federal funds.

Lenders are targeted for audit through the use of data-mining techniques, along with



## AUDIT PLAN

---

prioritizing audit requests from outside sources. All appropriate enforcement actions will be pursued against lenders through referrals to the Mortgagee Review Board, the Office of Program Enforcement, the Enforcement Center, and our own Office of Investigation.

### *Significant Mandated Audits*

Congress has tasked the Office of Audit with legislated audit work. For example, the Appropriations Committee tasked OIG with audit responsibility for the \$3.5 billion in Disaster Recovery Assistance funding provided to New York City as a result of the September 11, 2001, terrorist attacks. The task involves reporting every 6 months.

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several governmentwide legislative mandates annually. The most significant requirement involves the audits of HUD's, FHA's, and Ginnie Mae's financial statements as required by the Chief Financial Officers Act.





## AUDIT PLAN

### ONGOING AND PLANNED INTERNAL AUDITS

- \* *Audit contributes to promoting fiscal responsibility and financial accountability*
- \*\* *Audit contributes to strengthening the soundness of public and Indian housing*
- \*\*\* *Audit contributes to improving HUD's execution of and accountability for grant funds*
- \*\*\*\* *Audit contributes to protecting the integrity of housing insurance and guarantee programs*
- (a) *Audit is a significant mandated audit*
- (b) *Audit contributes to initiatives legislated by the Recovery Act*

Program areas and objectives	Lead region	Start date	Final report target date
<b>Single-family housing-FHA</b>			
<b>**** FHA's oversight of property flipping (CH-13-0006):</b> To determine whether HUD has adequate oversight of property flipping.	Chicago	November 2012	November 2013
<b>**** HUD's oversight of the Section 203(k) rehabilitation loan insurance program (CH-13-0015):</b> To determine whether HUD has adequate oversight of its Section 203(k) Rehabilitation Mortgage Insurance Program.	Chicago	February 2013	December 2013
<b>**** HUD's use of CAIVRS for credit qualification for federally insured loans (KC-13-0031):</b> To determine whether HUD's Credit Alert Interactive Voice Response System (CAIVRS) contains accurate FHA data.	Kansas City	September 2013	May 2014
<b>**** Single-family loss mitigation:</b> To determine whether (1) HUD's use of the partial claim option as a loss mitigation tool adequately protects the insurance fund, (2) HUD's use of the deed in lieu of foreclosure loss disposition option adequately protects the insurance fund, and (3) HUD's oversight of the FHA loss mitigation programs is effective.	Los Angeles	October 2013	May 2014
<b>**** Review of HUD's controls over indemnification agreements for single-family FHA-insured loans:</b> To determine whether HUD has adequate controls in place to monitor indemnification agreements for FHA-insured loans.	Los Angeles	October 2013	May 2014



## AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p><b>**** FHA's TOTAL Scorecard and income-to-liability ratios:</b> To determine whether (1) Technology Open to All Lenders (TOTAL) Scorecard approves loans that would not be approved under manual underwriting, (2) TOTAL Scorecard can be manipulated, (3) lenders establish dummy case numbers to manipulate results, and (4) HUD has evaluated whether automated underwriting systems decrease risk or fees paid to lenders reflect appropriate risk.</p>	Fort Worth	January 2014	August 2014
<p><b>**** Eligibility of HECM loan borrowers:</b> To determine whether HUD's controls are effective to ensure that HECM loan borrowers comply with residency requirements.</p>	Philadelphia	March 2014	October 2014
<b>Community planning and development</b>			
<p><b>*** CPD monitoring of closed redevelopment agency HUD assets (LA-13-0020):</b> To determine whether the San Francisco and Los Angeles HUD Offices of Community Planning and Development (CPD) had policies, procedures, and controls in place to ensure that HUD-funded assets' interests were maintained and at an acceptable risk.</p>	Los Angeles	April 2013	January 2014
<p><b>*** HUD's administration of CDBG property acquisitions and dispositions:</b> To determine whether and how HUD compares planned and accomplished CDBG grantees' acquisition and disposition activities.</p>	Philadelphia	December 2013	July 2014
<p><b>*** HUD controls to ensure compliance with HOME program affordability requirements:</b> To determine the effectiveness and efficiency of HUD controls to ensure that (1) home-buyer activities funded by the participating jurisdictions comply with the HOME Investment Partnerships Program's primary residency requirement for the duration of the affordability period and (2) applicable resale or recaptured requirements for home-buyer activities not meeting the affordability period are enforced.</p>	Atlanta	March 2014	October 2014
<b>Public and Indian housing</b>			
<p><b>*** HUD's oversight of environmental requirements (FW-12-0018):</b> To determine whether HUD's oversight of PIH environmental reviews ensured that (1) the required reviews were performed by the responsible entity and (2) all required documents were submitted before HUD released funds.</p>	Fort Worth	April 2012	December 2013



## AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<b>** HUD's administration of its enhanced vouchers (PH-12-0021):</b> To assess the adequacy of HUD's oversight of its enhanced vouchers.	<b>Philadelphia</b>	<b>August 2012</b>	<b>December 2013</b>
<b>*** HUD management and oversight of housing authority interfund transactions (NY-12-0024):</b> To determine whether HUD (1) has adequate procedures in place to monitor interprogram funds at PHAs with multiple housing programs, (2) is identifying interprogram fund deficiencies in restricted Federal programs, (3) is properly evaluating annual contributions contract and regulatory restrictions, and (4) has taken appropriate actions to curtail improper practices when borrowing from restricted HUD programs is found.	<b>New York</b>	<b>September 2012</b>	<b>October 2013</b>
<b>*** HUD's oversight of PHAs' expenditures for lobbying the Executive or Legislative Branches of the Federal Government (PH-13-0002):</b> To determine whether HUD oversight was adequate to ensure that PHAs complied with Federal lobbying disclosure requirements and restrictions.	<b>Philadelphia</b>	<b>October 2012</b>	<b>November 2013</b>
<b>*** HUD's oversight of PHAs' expenditures for outside legal services (PH-13-0001):</b> To determine whether HUD needs to develop and implement controls to monitor PHAs' expenditures for outside legal services to ensure that the services are reasonable, necessary, and procured according to applicable requirements (non-Recovery Act funds).	<b>Philadelphia</b>	<b>October 2012</b>	<b>March 2014</b>
<b>** The reliability of HUD's Inventory Management System and PIH Information Center housing inventory data (NY-13-0014):</b> To determine whether HUD has adequate controls to ensure the reliability of public housing inventory data in its Inventory Management System and PIH Information Center.	<b>New York</b>	<b>February 2013</b>	<b>November 2013</b>
<b>*** HUD's monitoring and administration of the Housing Choice Voucher Family Self-Sufficiency program (NY-13-0016):</b> To determine whether HUD is sufficiently monitoring PHAs to encourage the use of the Family Self-Sufficiency program and evaluate its outcome; specifically, to ensure that administering agencies properly monitor participants' progress while in the program and upon graduation from the program and document the program benefit.	<b>New York</b>	<b>March 2013</b>	<b>October 2013</b>



## AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<b>** Review of central office cost center funds (LA-13-0028):</b> To determine the reasonableness of the fees HUD allows PHAs under asset management and HUD's monitoring of PHAs' central office costs centers.	Los Angeles	August 2013	April 2014
<b>** HUD oversight of the Veteran's Affairs Supportive Housing program:</b> To determine whether HUD's Veteran's Affairs Supportive Housing program monitoring procedures and reporting system details were adequate to ensure that PHAs administered the program vouchers in accordance with program requirements.	Los Angeles	October 2013	May 2014
<b>*** HUD oversight of PIH, Office of Native American Program, grants management:</b> To determine whether HUD maintains grant portfolios in an effective manner and in compliance with HUD requirements.	Los Angeles	November 2013	June 2014
<b>** Review of HUD policies regarding overincome residents in public housing:</b> To determine whether HUD needs to update its policies and regulations regarding overincome residents in public housing.	Philadelphia	March 2014	October 2014
<b>Multifamily housing-FHA</b>			
<b>**** HUD oversight of multifamily housing project finances (NY-13-0004):</b> To determine whether HUD has adequate controls to ensure that Section 202 prepayment and refinancing are conducted in an economical and efficient manner to provide maximum available funding for additional affordable housing and also protect the financial integrity of the FHA insurance fund.	New York	October 2012	October 2013
<b>**** Assessment of HUD's multifamily bond refund process (AT-13-0019):</b> To determine whether HUD received its share of bond refund savings as required under the McKinney Act.	Atlanta	April 2013	December 2013
<b>**** HUD implementation of use agreement:</b> To determine whether HUD provided sufficient guidance to owners and management agents to ensure implementation of use agreement restrictions for affordable set-aside units.	Los Angeles	October 2013	May 2014



## AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p><b>****Accuracy of data displayed in iREMS:</b> To determine whether (1) whether HUD’s Integrated Real Estate Management System (iREMS) is displaying the correct data from each source multifamily database to assist HUD project managers in monitoring projects in their portfolio and (2)iREMS is promptly notifying HUD project managers of mortgage delinquencies or defaults and requiring action.</p>	<b>Chicago</b>	<b>October 2013</b>	<b>May 2014</b>
<b>Recovery Act</b>			
<p><b>(b) Effectiveness of Neighborhood Stabilization Programs (rollup) (AT-13-0026):</b> To determine the adequacy of HUD’s procedures for administering the program and measuring effectiveness, grantees’ compliance with program requirements, and whether the program and grantees achieved their goals.</p>	<b>Atlanta</b>	<b>July 2013</b>	<b>March 2014</b>
<p><b>(b) CPD oversight of developer fees for NSP-funded activities (LA-13-0026):</b> To determine whether HUD adequately monitored its NSP grantees to ensure that the fees paid to its for-profit developers were in accordance with HUD requirements.</p>	<b>Los Angeles</b>	<b>July 2013</b>	<b>March 2014</b>
<b>Information systems (IS) audits</b>			
<p><b>(a) Federal Information System Controls Audit Manual review (DP-13-0003):</b> To assess management controls over HUD’s computing environment as part of the internal control assessments required for the FY 2013 Consolidated Financial Statement Audit under the Chief Financial Officer’s Act of 1990.</p>	<b>IS Audit</b>	<b>March 2013</b>	<b>November 2013</b>
<p><b>* Review of security controls for the HUD Central Accounting and Program System (DP-13-0005):</b> To evaluate selected general and application controls over the HUD Central Accounting and Program System for compliance with Federal requirements and standards.</p>	<b>IS Audit</b>	<b>March 2013</b>	<b>November 2013</b>
<p><b>* Review of application controls with HUD’s Voyager business service provider (DP-13-0004):</b> To determine whether selected application controls of the P260 system comply with Federal requirements and standards; specifically, to identify and review P260 modules or controls for compliance with HUD policies and procedures, Federal requirements, and best practices as applicable.</p>	<b>IS Audit</b>	<b>March 2013</b>	<b>December 2013</b>



## AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<b>* Review of information system controls over the Line of Credit Control System (DP-13-0006):</b> To evaluate selected general and application controls over the Line of Credit Control System for compliance with Federal requirements and standards.	<b>IS Audit</b>	<b>March 2013</b>	<b>November 2013</b>
<b>*Review of information system controls over FDM (A75R) (DP-13-0011):</b> To evaluate selected general and application controls over the Financial Data Mart (FDM) for compliance with Federal requirements and standards.	<b>IS Audit</b>	<b>July 2013</b>	<b>November 2013</b>
<b>*OCIO responsibility and authority within HUD (DP-13-0013):</b> To determine whether the HUD Office of the Chief Information Officer (OCIO) should expand its authority to include taking a lead role in information technology (IT) governance and have responsibility over the entire IT portfolio.	<b>IS Audit</b>	<b>July 2013</b>	<b>October 2013</b>
<b>Administrative-other</b>			
<b>(a) Review of HUD’s compliance with purchase card and travel requirements (FO-13-0002):</b> To (1) determine HUD’s safeguards and controls in place for the purchase and travel card programs and conduct an assessment to identify areas at high risk of improper, illegal, or erroneous purchases and payments and (2) identify patterns of purchase and travel card use that may indicate potential illegal, improper, or erroneous use or potential efficiencies in purchasing practices that would result in lower prices.	<b>Financial Audit</b>	<b>February 2013</b>	<b>October 2013</b>
<b>(a) FY 2013 Consolidated Financial Statement Audit (FO-13-0001):</b> To perform the annual consolidated financial statement audit as required by the Chief Financial Officers Act as amended.	<b>Financial Audit</b>	<b>February 2013</b>	<b>November 2013</b>
<b>*HUD’s contracting activity for architects and engineers (KC-13-0030):</b> To determine whether HUD properly procured and made reasonable payments for architectural and engineering services.	<b>Kansas City</b>	<b>September 2013</b>	<b>May 2014</b>



# AUDIT PLAN

---

## EXTERNAL AUDITS

Planning for external audits is subject to a number of factors, such as complaints, requests from HUD and congressional staff, and media attention, none of which can be predicted. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work at hand. Depending on the volume and nature of audit requests, OIG intends to selectively target high-risk programs and jurisdictions. Priorities have been determined based on the HUD OIG strategic plan and areas of interest to OIG's stakeholders, particularly Congress. With this in mind, the following types of external audits have been identified as priority areas during this planning cycle. As the opportunity permits, OIG audit managers will focus their audit resources on the following areas.

**Single-family lenders:** Single-family lender origination reviews continue to be a priority for FY 2013 due to the abuses being experienced in single-family programs. A specialized audit program has been developed for the purpose of targeting lenders, considering a number of high-risk indicators. In addition to its being a goal in HUD OIG's strategic plan, there continues to be congressional interest in OIG's audits of single-family programs. In addition, OIG plans to perform audits of mortgage companies' originating and underwriting, servicers performing loss mitigation actions, and FHA home equity conversion mortgages, along with additional audits of Ginnie Mae participants.

**Community planning and development:** In an effort to continue its emphasis on improving efficiency and effectiveness, OIG is continuing to emphasize this program area. Congress has taken an interest in improving the efficiency of the HOME program. On July 24, 2013, HUD published the HOME final rule. The rule represents the most significant changes to the HOME program in 17 years. HUD CPD has also recently developed the OneCPD model to focus on skills, planning, and innovations to build grantee capacity and help grantees comply with regulatory requirements. HUD OIG has long-standing concerns regarding the financial management controls over community planning and development formula grant programs and will continue to focus on audits of HOME grantees and HUD's monitoring of the grantees.

OIG also has concerns regarding the capacity of subrecipients receiving funding from HUD programs; therefore, audits of such activities will also be given priority. For those selected, we will evaluate the control systems in place to determine whether these controls provide the review and oversight necessary to ensure that funds are spent on eligible activities and put to good use.

The Disaster Relief Appropriations Act of 2013 provided \$16 billion in CDBG funds for necessary expenses related to disaster relief and long-term recovery for disasters that occurred in 2011, 2012, and 2013. The Act also provided \$10 million to OIG for necessary costs of overseeing and auditing CDBG Disaster Recovery funds. OIG has oversight responsibilities for these CDBG funds and will perform disaster reviews as part of the annual audit plan. OIG has been proactive in the oversight of Sandy funding through strategic planning meetings, conducting disaster training, and completing audit surveys on all Sandy grantees.



## AUDIT PLAN

---

**Public and Indian housing:** The low-income program serves approximately 1.2 million households. The Section 8 Housing Choice Voucher program serves more than 2 million households. As part of an overall OIG initiative, tenant eligibility and accuracy of rental assistance payments will also be an area of audit focus. The quality of housing and the cost of administering these programs as well as PHA development activities carried out by affiliated nonprofit entities are other areas of emphasis that will be addressed as resources permit. We will take a close look at various PHAs to ensure that they sufficiently administer HUD's programs in accordance with regulations and guidance.

**Multifamily and insured health care project audits:** The economic slowdown has created high demand in the multifamily mortgage market. HUD continues to break records in the number of multifamily rental loans insured. In addition, staff reductions and the shifting of program staff as a result of the multifamily transformation may have a potential impact on the monitoring of multifamily housing programs. We will continue to focus on this program area to ensure that HUD's risk is limited as it sets record volume and as its staff is reduced and relocated. We will also continue to focus on the misuse of project operating funds, also known as equity skimming. The Office of Healthcare Programs has revised its regulations and closing documents to increase its ability to control risks associated with its healthcare facility insurance programs. We will also continue to focus on equity skimming in healthcare programs as volume continues to increase in this area. Lastly, we will look at hospitals as a growing number of loans are being insured by FHA and due to the risk caused by the high dollar amount of each loan.