

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



Semiannual Report to Congress
April 1, 2011, through September 30, 2011

Profile of Performance

Audit profile of performance for the period April 1, 2011, through September 30, 2011

Results	This reporting period	FY 2011
Recommendations that funds be put to better use ¹	\$78,150,866	\$845,883,869
Recommended questioned costs ¹	\$97,234,235	\$193,265,502
Collections from audits	\$21,354,620	\$47,175,903
Administrative sanctions	5	7
Subpoenas issued	81	116

Investigation profile of performance for the period April 1, 2011, through September 30, 2011

Results	This reporting period	FY 2011
Funds put to better use	\$487,847,800	\$546,680,040
Recoveries/receivables	\$29,845,571	\$292,397,572
Arrests ²	643	1,410
Indictments/informations	608	1,301
Convictions/pleas/pretrial diversions	492	992
Civil actions ³	52	129
Administrative sanctions	458	863
Suspensions	110	189
Debarments	117	194
Limited denial of participation	0	3
Removal from program participation	87	202
Evictions	142	273
Systemic implications reports	2	2
Personnel actions ⁴	36	55
Search warrants	39	90
Subpoenas issued	678	1,488

Hotline profile of performance for the period April 1, 2011, through September 30, 2011

Results	This reporting period	FY 2011
Funds put to better use	\$751,320	\$1,551,293
Recoveries/receivables	\$51,153	\$99,355

¹ This represents all cost transactions during the period in which dollar amounts were reported with any recommendation.

² Included in the arrests is our focus on the nationwide Fugitive Felon Initiative which amounts to 46 arrests. For more information on the Fugitive Felon Initiatives, see page 35.

³ Civil actions include fraud injunctions, civil money penalties, complaints, judgments, settlements, seizure warrants, referrals, and dismissals pertaining to forfeitures, adjudications, the False Claims Act, and the Program Fraud Civil Remedies Act.

⁴ Personnel actions include reprimands, suspensions, demotions, or terminations of the employees of Federal, State, or local governments or of Federal contractors and grantees, as the result of OIG activities.

A Message from the Acting Deputy Inspector General



It is an honor to present to you the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress for the second half of fiscal year 2011. HUD OIG employees—auditors, agents, attorneys, and support staff—remain dedicated in their mission to safeguard the integrity of HUD programs and services.

The scope and impact of HUD programs have always resulted in a robust agenda for OIG oversight responsibilities. Over the past few years, these responsibilities have significantly expanded as the result of legislation and of Administration and departmental initiatives. Likewise, OIG's investigative, audit, evaluative, and legal activities continue to evolve to keep pace with these changes.

During this reporting period, we had \$566.7 million in funds put to better use, questioned costs of \$97 million, and \$51 million in recoveries and receivables while issuing 114 audits. We also had 608 indictments and informations, 492 convictions, and 643 arrests during this reporting period. This exceptional work has had a marked impact on reducing fraud and the misuse of taxpayer dollars.

Our high profile audits and investigations continue to complement the Department's strategic initiatives, with the health of the Federal Housing Administration's (FHA) mortgage insurance fund receiving particular attention. HUD OIG staff continues to work with the Department to improve HUD's effectiveness and as a result, has developed and implemented better and more effective audit recommendations.

One of our audits, a review of the Municipality of San Juan, PR's HOME Investment Partnerships program, found that the Municipality disbursed more than \$3.4 million for four activities that showed signs of slow progress without assurance that the activities would generate the intended benefits. In addition, it failed to ensure that more than \$2.5 million of a community housing development organization's proceeds was used for housing efforts.

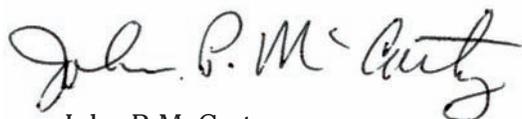
We recommended that HUD determine the eligibility of more than \$4.8 million disbursed from HOME funds on activities that showed signs of slow progress and for unsupported program costs. We also recommended that HUD require the Municipality to develop and implement an internal control plan to ensure that (1) its HOME-funded activities meet the program objectives, (2) its HOME program has a financial management system that complies with HUD requirements, and (3) the program has controls and procedures which ensure that HOME requirements are followed and accurate information is reported to HUD.

Additionally, we audited the New Orleans Redevelopment Authority in New Orleans, LA, a \$29.7 million HUD Neighborhood Stabilization Program 2 (NSP2) grantee, to determine whether the Authority's use of NSP2 funding was in accordance with Federal regulations. We found that the Authority did not always use its NSP2 funds in accordance with Federal regulations. As a result, it could not provide reasonable assurance that it had adequately fulfilled the requirements of its agreement with HUD.

In our last report, we featured an important investigation of Taylor, Bean & Whitaker Mortgage Corporation (TBW), a former FHA-approved direct endorsement lender and Government National Mortgage Association (Ginnie Mae) issuer. Since that report, the case has been concluded. As a result, Lee Farkas, the former chairman of TBW; Paul Allen, the former TBW chief executive officer; Ray Bowman, the former TBW president; Desiree Brown, the former TBW treasurer; Sean Ragland, the former TBW accounting supervisor; and former Colonial Bank employees Catherine Kissick and Teresa Kelly were collectively sentenced in U.S. District Court, Alexandria, VA, to 604 months incarceration, 18 months home detention, and 192 months supervised release for their earlier conviction of or guilty pleas to committing a conspiracy to commit bank, wire, and securities fraud or making false statements to Federal agents. In addition, Farkas was ordered to forfeit \$38.5 million. Between 2002 and August 2009, Kissick and Kelly conspired with other individuals and provided funding to TBW for phony or previously pledged loans, and Farkas and the remaining defendants conspired with other individuals; sold phony and previously pledged loans to investors in the secondary mortgage market; and caused TBW to submit false statements to HUD, Ginnie Mae, and other financial entities.

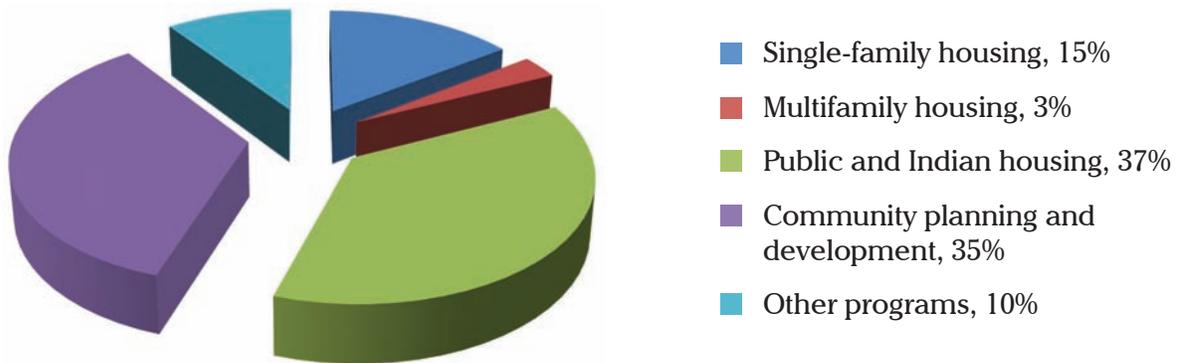
In the area of community planning and development investigations, Belinda Exon, the former owner and escrow administrator for Rehab Financial Corporation, an organization that manages HUD community planning and development and Community Development Block Grant funds for a number of California municipalities, was sentenced in U.S. District Court, Los Angeles, CA, to 37 months incarceration and 3 years probation and ordered to pay several California municipalities more than \$3.85 million in restitution for her earlier guilty plea to committing embezzlement of property from organizations that receive Federal funds. From September 2002 to October 2008, Exon diverted and used about \$3.9 million in HUD funds for personal investments.

As we continue to address an expanding mission to protect HUD's vital programs, I would once again like to express my appreciation to Congress and to the Department for their sustained commitment to supporting the important work of our office.

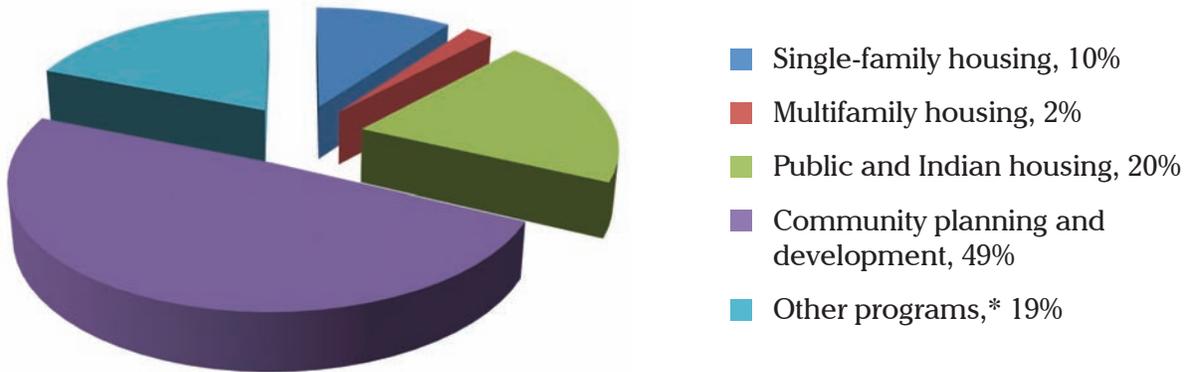


John P. McCarty
Acting Deputy Inspector General

Audit reports issued by program

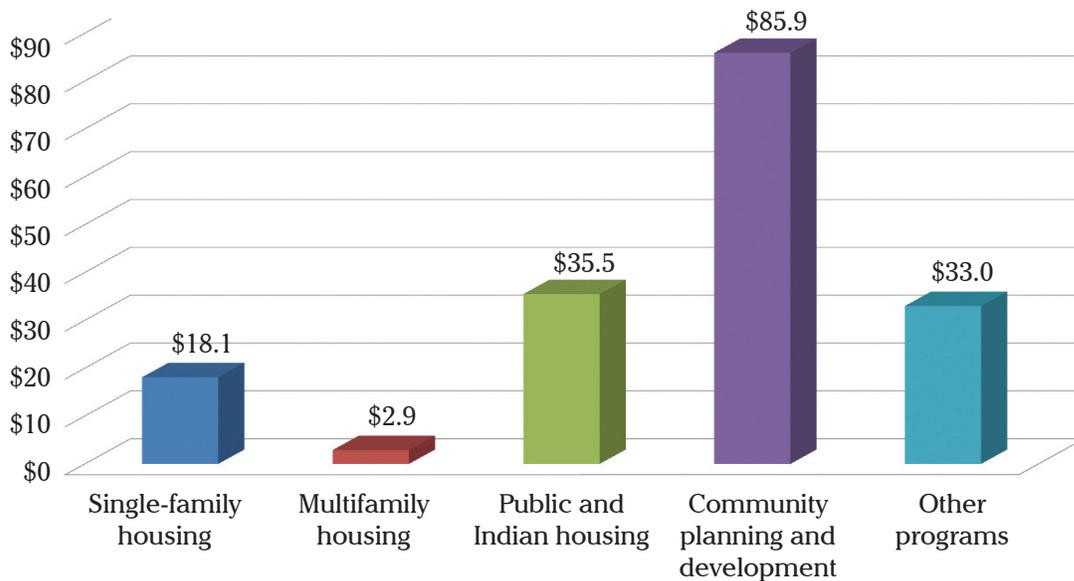


Audit monetary benefits identified by program

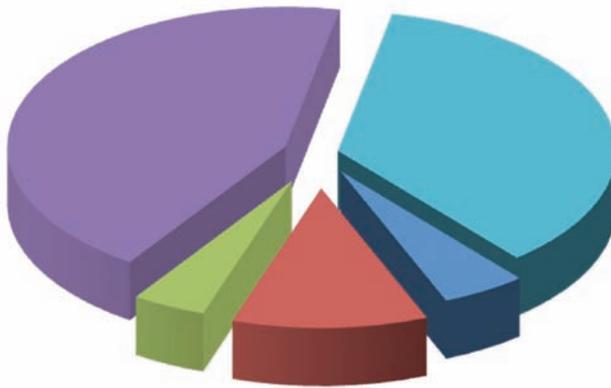


* Other programs include financial and information system audits.

Audit monetary benefits identified in millions of dollars

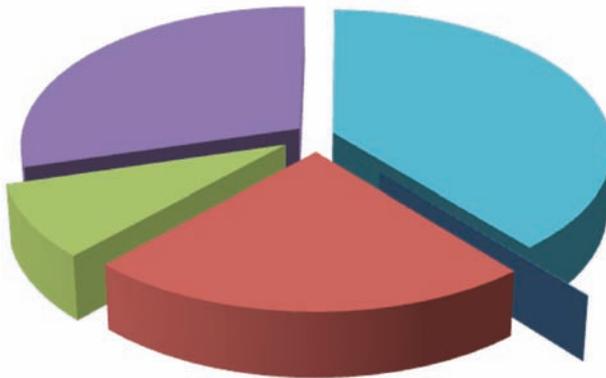


Investigative cases opened by program area (total: 467)



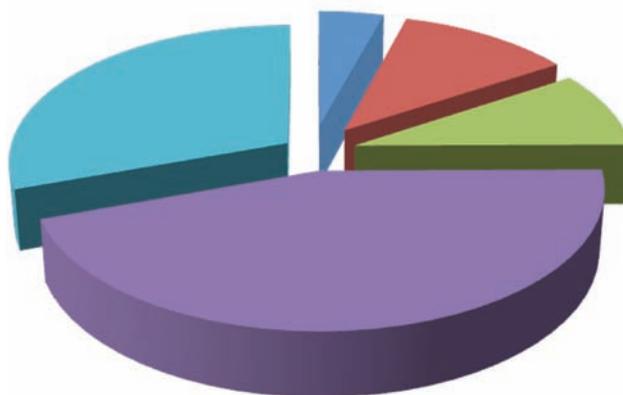
- Single-family housing, 36% (167)
- Public and Indian housing, 44% (204)
- Multifamily housing, 4% (20)
- Community planning and development, 11% (53)
- Other, 5% (23)

Investigative recoveries by program area (total: \$29,845,571.32)



- Single-family housing, 39% (\$11,541,222.91)
- Public and Indian housing, 30% (\$8,852,181.44)
- Multifamily housing, 8% (\$2,550,745.44)
- Community planning and development, 23% (\$6,890,881.53)
- Other, >1% (\$10,540.00)

Investigative cases closed by program area (total: 579)



- Single-family housing, 30% (176)
- Public and Indian housing, 45% (259)
- Multifamily housing, 9% (52)
- Community planning and development, 12% (67)
- Other, 4% (25)

Acronyms List

ARIGA	Assistant Regional Inspector General for Audit
ARRA	American Recovery and Reinvestment Act of 2009
ASAC	Assistant Special Agent in Charge
AUSA	assistant U.S. attorney
CDBG	Community Development Block Grant
CDBG-R	Community Development Block Grant-Recovery
CHDO	Community housing development organization
CFD	Civil Fraud Division
CFPB	Consumer Financial Protection Bureau
CFR	Code of Federal Regulations
CPD	Office of Community Planning and Development
DAIGA	Deputy Assistant Inspector General for Audit
DHAP	Disaster Housing Assistance Program
DOE	U.S. Department of Energy
DRGR	Disaster Recovery Grants Reporting
EIV	Enterprise Income Verification
ESG	Emergency Shelter Grant
FA	forensic auditor
FAR	Federal Acquisition Regulation
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FEMA	Federal Emergency Management Agency
FFI	Fugitive Felon Initiative
FFMIA	Federal Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FIFO	first in, first out
FY	fiscal year
GAO	U.S. Government Accountability Office
Ginnie Mae	Government National Mortgage Association
HAMP	Home Affordable Modification Program
HECM	home equity conversion mortgage
HERA	Housing and Economic Recovery Act of 2008
HIFMIP	HUD's Integrated Financial Improvement Project
HOME	HOME Investment Partnerships Program
HOPWA	Housing Opportunities for Persons With AIDS
HPRP	Homelessness Prevention and Rapid Re-Housing Program

HPS	HUD Procurement System
HUD	U.S. Department of Housing and Urban Development
IAA	interagency agreement
IDIS	Integrated Disbursement and Information System
IED	Inspections and Evaluations Division
MAP	Multifamily Accelerated Processing
N/A	Not applicable
NAHRO	National Association of Housing and Redevelopment Officials
NSC	National Servicing Center
NSP	Neighborhood Stabilization Program
OIG	Office of Inspector General
OMB	Office of Management and Budget
PHA	public housing agency
PIH	Office of Public and Indian Housing
RAMPS	Recovery Act Management and Performance System
REO	real estate-owned
RIGA	Regional Inspector General for Audit
SA	special agent
SAC	Special Agent in Charge
SBA	Small Business Association
SFA	supervisory forensic auditor
SHP	Supportive Housing Program
SPS	Small Purchase System
SSA	Social Security Administration
SSN	Social Security number
TCAP	Tax Credit Assistance Program
U.S.C.	United States Code
USDA	U.S. Department of Agriculture

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Reporting Requirements

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

<u>Source/Requirement</u>	<u>Pages</u>
Section 4(a)(2)-review of existing and proposed legislation and regulations.	123
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-105, 123
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	7-105
Section 5(a)(3)-identification of each significant recommendation described in previous semiannual report on which corrective action has not been completed.	Appendix 3, Table B
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	7-105
Section 5(a)(5)-summary of reports made on instances in which information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No Instances
Section 5(a)(6)-listing of each audit report completed during the reporting period and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 2
Section 5(a)(7)-summary of each particularly significant report and the total dollar value of questioned and unsupported costs.	7-105
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 3, Table C
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 3, Table D
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 3, Table A
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	128
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	133
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	133

Executive Highlights



Strategic Initiative 1

HUD Strategic Goal: Strengthen the Nation's Housing Market To Bolster the Economy and Protect Consumers

Office of Inspector General (OIG) Strategy: Contribute to the increase in the effectiveness of single-family insurance programs through

- Audits of the single family program and civil reviews uncovering single-family and loan origination abuse
- Audits of the U.S. Department of Housing and Urban Development's (HUD) internal policies to determine whether controls are adequate
- A national strategy for civil fraud initiatives and single-family mortgage fraud task forces
- Outreach to industry and consumer groups and the Department
- A review of the Federal Housing Administration's (FHA) and Government National Mortgage Association's (Ginnie Mae) ability and capacity to oversee their expanding market share

Highlights: Results or impact of significant OIG work

- An audit of CitiMortgage's management of its Preforeclosure Sale Program showed that Citi improperly submitted claims totaling \$5 million for 63 of 68 preforeclosure sales reviewed.
- An audit of HUD's preclosing and postclosing loan review of new FHA direct endorsement lenders showed that lenders did not always complete HUD's requirements.
- HUD OIG audited various mortgage bankers including Ameritrust Mortgage Bankers and Countrywide Bank for compliance with FHA requirements for underwriting loans.
- An audit of FHA's tracking of lenders with outstanding indemnifications showed that HUD needs to seek legislative and program changes to prevent lenders and corporate officers from reentering the FHA program.
- HUD OIG's Special Operations Division participated in a civil fraud working group with the U.S. Department of Justice to analyze the scope of potential loan origination fraud work.
- HUD OIG special agents are participating in 70 mortgage fraud working groups and task forces throughout the country.
- HUD OIG, working with the Mortgage Fraud Working Group's Policy Committee, prepared and submitted a letter to the Consumer Financial Protection Bureau (CFPB) recommending changes to the HUD-1 settlement statement. Specifically, HUD OIG recommends that the CFPB require all parties involved in a real estate transaction, including the seller and settlement agent, to sign the HUD-1 and, further, that the HUD-1 contain false statements warnings, pursuant to Title 18, United States Code, Section 1001.
- During the reporting period, special agents gave 24 presentations to mortgage industry partners.
- The Office of Investigation's Inspections and Evaluations Division completed an evaluation of the Home Equity Conversion Mortgage (HECM) program to validate the HECM data and determine whether payments were made to the borrowers after their date of death.

Emerging/Continuing Issues: Areas of OIG interest

- Effectiveness of loan modification programs in the prevention of foreclosures
- Review of mortgage servicers' processing of foreclosures
- Continued concerns for the health and soundness of the FHA fund
- Loan modification fraud and foreclosure rescue schemes
- Short sale frauds
- HUD's effectiveness in implementing the Emergency Homeowners Loan Program
- HUD's management of real estate-owned properties

Strategic Initiative 2

HUD Strategic Goal: Meet the Need for Quality Affordable Rental Homes

OIG Strategy: Contribute to the reduction of erroneous payments in rental assistance programs through

- Focusing on grantees' administration of American Recovery and Reinvestment Act (ARRA) funds
- Reducing erroneous payments
- Contributing to improving the performance of entities managing rental assistance programs
- Investigating initiatives involving corruption in the management of troubled public housing agencies (PHA), multifamily developments, and those in receivership
- Public and departmentwide outreach initiatives

Highlights: Results or impact of significant OIG work

- HUD OIG audited a number of Section 8 Housing Choice Voucher programs to determine whether program funds were used in accordance with HUD's requirements.
- HUD OIG audited the City of Long Branch, NJ's administration of its Public Housing Capital Fund and Capital fund Financing Programs and found that the Authority received \$1.4 million in add-on subsidy incentives to which it was not entitled.
- HUD OIG conducted a corrective action verification of the Saginaw, MI, Housing Commission's Public Housing Capital Fund program and found that prior audit recommendations had not been implemented and program funds were used for ineligible purposes.
- HUD OIG audited HUD's multifamily housing subsidy payment review process and found a 26.8 percent error rate in voucher processing.
- The Office of Investigation has coordinated efforts with housing authorities and local law enforcement throughout the country to target erroneous rental assistance payments for the benefit of program participants who fraudulently underreported household income, failed to report household composition, or allowed registered sex offenders to reside in public housing units.
- HUD OIG conducted numerous criminal investigations of grantees, officials and others who were taking advantage of a lack of oversight of ARRA funds, including cases where housing agency employees created and submitted false statements and diverted ARRA funds to their personal use.
- The Office of Investigation has focused investigative efforts on housing authority officials and public officials, including but not limited to investigations of bribery, embezzlement, bid rigging, and theft.
- HUD OIG completed 19 ARRA-related reviews of how HUD is administering the program and/or how the grantees are administering the ARRA-related funds.

Emerging/Continuing Issues: Areas of OIG interest

- Rental assistance fraud initiatives targeting PHAs in receivership or on HUD's list of "troubled" housing authorities
- HUD's oversight of grantee ARRA expenditures
- Review and analysis of management of smaller housing authorities
- HUD's implementation of changes in the rental assistance program
- Congressional interest in the Moving to Work Demonstration program

Strategic Initiative 3

HUD Strategic Goal: Build Inclusive and Sustainable Communities Free From Discrimination

OIG Strategy:

- **Promote integrity, efficiency, and effectiveness of programs**
- **Contribute to the reduction of fraud, waste, and abuse**
- Audits of the Community Development Block Grant (CDBG), Supportive Housing, and HOME Investment Partnerships (HOME) programs
- Audits of disaster activities
- Investigative initiative to fight corruption in the administration of State or local community grant recipients
- Disaster relief fraud in HUD CDBG-funded programs
- Public dissemination of HUD OIG activities and outreach activities with State and local government agencies and other community affairs agencies
- Audits and investigations of disaster relief fraud in HUD CDBG-funded programs

Highlights: Results or impact of significant OIG work

- The Office of Audit testified before the House Committee on Financial Services on the HOME program.
- HUD OIG audited the operations of the City of Buffalo, NY, pertaining to its administration of its CDBG program and found that grant funds were spent for ineligible and questionable expenses.
- HUD OIG audited the Municipality of San Juan, PR's administration of its HOME program and found that the Municipality disbursed more than \$3.4 million for activities that showed signs of slow progress without assurance that the activities would generate the intended benefits.
- HUD OIG audited the Albuquerque, NM, Housing Authority's use of capital funds and found that the ARRA formula grants were mismanaged.
- HUD OIG audited the Philadelphia, PA, Housing Authority's use of capital funds under ARRA and found that payments to rehabilitate its scattered-site housing were not supported and did not comply with applicable requirements.
- HUD OIG audited the Lafayette Parish Housing Authority in Lafayette, LA, regarding the operations of its public housing program and Disaster Housing Assistance Program and found that the Authority could not provide reasonable assurance that more than \$2.9 million in disbursements were spent properly.
- The Office of Investigation has targeted frauds against HUD programs, including HUD's HOME program, by conducting numerous criminal investigations, including cases involving bribery of public officials by contractors, who submitted false and inflated invoices.
- The Office of Investigation continues to focus investigative efforts on disaster relief frauds in the Gulf States impacted by Hurricanes Katrina and Rita that received disaster relief funding.

Emerging Issues: Areas of OIG interest

- Review of Green Retrofit Program activities
- Focus on disaster relief-funded infrastructure projects
- Emergency Shelter Grants and programs
- Congressional interest in the HOME program

Strategic Initiative 4

HUD Strategic Goal: Transform the Way HUD Does Business

OIG Strategy:

- **Be a relevant and problem-solving advisor to the Department**
- **Contribute to improving HUD's execution of and accountability for fiscal responsibilities through**
 - Referring audits, civil reviews, and investigations to the Departmental Enforcement Center and other management officials to ensure the accountability of individuals and firms committing fraud
 - Referring audits, civil reviews, and investigations to the U.S. Department of Justice for civil enforcement
 - Audits of HUD's financial statements
 - Audits of HUD's information systems and security management
 - Participating in the U.S. Department of Justice Financial Fraud Enforcement Task Force and Procurement Fraud Task Force

Highlights: Results or impact of significant OIG work

- HUD OIG conducted a civil fraud review of IndyMac Bank in Pasadena, CA, to determine whether FHA policies and procedures were followed when FHA-insured loans were originated. Based upon the review, the U.S. Attorney's Office filed a civil complaint alleging that individuals made false statements in support of the loan application and devised a scheme to defraud a financial institution.
- HUD OIG audited HUD's administration of interagency agreements throughout the Federal Government.
- HUD OIG audited the Office of the Chief Procurement Officer's procedures for closing out expired Ginnie Mae contracts and found that the office did not close out expired contracts in a timely manner, follow the Federal Acquisition Regulation, or have access to Ginnie Mae's financial system data.
- During this current reporting period, HUD OIG special agents submitted two systemic implication reports to HUD. The most recent report suggested that each page of the form HUD-1 should be signed or initialed by all parties involved in the transaction, including the buyer, seller, and settlement agent.
- The Office of Investigation's Inspections and Evaluations Division evaluated HUD's government purchase card program to determine whether transactions complied with prescribed policies and procedures.

Emerging Issues: Areas of OIG interest

- Continued modernization and enhancement of HUD's information systems
- Congressional interest on the use of contracts and procurements
- HUD's implementation and execution of its Integrated Financial Management Improvement Project

Chapter 1 - Single-Family Housing Programs



The Federal Housing Administration’s (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing to enable individuals and families to purchase, rehabilitate, or construct homes. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted a number of outreach efforts (see chapter 8, page 106).

Audit

Strategic Initiative 1: Contribute to the reduction of fraud in single-family insurance programs

Key program results		Questioned costs	Funds put to better use
Audit	17 audits	\$8 million	\$8.9 million
Our focus	Page 9	<ul style="list-style-type: none"> Review of CitiMortgage management of preforeclosure sale program 	
	Page 9	<ul style="list-style-type: none"> Review of HUD’s preclosing and postclosing loan review of FHA direct endorsement lenders 	
	Page 9	<ul style="list-style-type: none"> Mortgagees, loan correspondents, and direct endorsement lenders 	
	Page 13	<ul style="list-style-type: none"> Review of FHA-Home Affordable Modification Program 	
	Page 14	<ul style="list-style-type: none"> Review of FHA’s Title II single-family lender renewal process 	
	Page 14	<ul style="list-style-type: none"> Review of FHA’s tracking of lenders with outstanding indemnifications 	

Chart 1.1: Percentage of OIG single-family housing audit reports during this reporting period



* This does not include disaster relief audits. See chapter 6 for these reviews.

Review of CitiMortgage Management of Preforeclosure Sale Program

HUD OIG audited 68 FHA claims submitted by CitiMortgage, Inc., of **O'Fallon, MO**, to determine whether Citi properly determined that borrowers were eligible to participate in the Preforeclosure Sale Program.

Citi improperly submitted claims totaling nearly \$5 million for 63 of the 68 preforeclosure sales reviewed without properly determining borrower eligibility to participate in the Program. Citi did not always verify that the borrowers had defaulted or were in imminent danger of default as a result of an adverse and unavoidable financial situation. Additionally, it did not complete comprehensive reviews of the borrowers' financial records to demonstrate that the borrowers did not have sufficient income or assets to sustain the mortgage.

OIG recommended that HUD require Citi to reimburse HUD for the 63 improper claims and develop and implement policies and procedures to ensure that it properly determines the eligibility of borrowers to participate in the Program. (Audit Report: **2011-KC-1005**)

Review of HUD's Preclosing and Postclosing Loan Review of FHA Direct Endorsement Lenders

HUD OIG audited HUD's preclosing and postclosing loan review of new FHA direct endorsement lenders to determine whether HUD followed its guidance when (1) reviewing the initial loans underwritten by new FHA direct endorsement lenders and (2) performing the postendorsement technical review of all initial loans endorsed by newly approved direct endorsement lenders.

Although improvements had been made, HUD continued to grant unconditional direct endorsement authority to some new FHA direct endorsement lenders that did not successfully complete HUD's requirements for unconditional direct endorsement authority. Specifically, 7 of the 155 lenders reviewed did not successfully complete the 15 required test cases but were granted unconditional direct endorsement authority. In addition, HUD did not follow its guidance for the postendorsement technical review of all loans initially endorsed by new lenders that were approved for unconditional direct endorsement authority. HUD only performed the required reviews on approximately half of the initial loans endorsed. Further, there was no single report available to properly monitor newly approved lenders, but officials were working to create one.

OIG recommended that HUD (1) require its Homeownership Centers to improve controls to ensure that they follow the guidance for granting new lenders unconditional direct endorsement authority, (2) ensure that the required number of cases endorsed by newly approved lenders is selected for review, and (3) establish a report that can be used by the Homeownership Centers to properly monitor the performance of these lenders. (Audit Report: **2011-LA-0002**)

Mortgagees, Loan Correspondents, and Direct Endorsement Lenders

HUD OIG audited Ameritrust Mortgage Bankers, Inc., a nonsupervised lender located in **Lake Success, NY**, to determine whether Ameritrust officials (1) approved FHA-insured loans in accordance with HUD-FHA requirements and (2) implemented a quality control plan in accordance with HUD-FHA requirements.



Ameritrust officials did not always approve FHA-insured loans in accordance with HUD-FHA requirements. Specifically, 11 of the 20 loans reviewed exhibited material underwriting deficiencies, such as inadequately verified and documented borrowers' income, assets, liabilities, and credit histories. As a result, the FHA insurance fund incurred actual losses of more than \$183,000 on 1 loan and faces potential losses of more than \$2.7 million on 10 loans, for total losses of more than \$2.9 million. Ameritrust officials also charged the borrowers nearly \$4,000 in unallowable fees without providing written justification and did not ensure that their quality control plan was implemented in accordance with HUD-FHA requirements. Consequently, the quality control plan provided no assurance that deficiencies in the loan origination and underwriting processes were promptly identified and appropriate corrective actions were taken to prevent recurrences.

OIG recommended that HUD require Ameritrust officials to (1) indemnify HUD against future losses related to the 10 loans that were underwritten in violation of HUD-FHA requirements, (2) reimburse HUD for the claim and related fees paid on 1 loan, (3) ensure that borrowers have been reimbursed for unallowable excessive loan discount and second appraisal fees, and (4) establish procedures to ensure that the quality control plan is implemented in accordance with HUD-FHA requirements. If the lender officially ceases its operations, the recommendations applicable to the quality control finding are not warranted. (Audit Report: **2011-NY-1012**)



HUD OIG audited FHA-insured loans underwritten by Prospect Mortgage, LLC, in **Sherman Oaks, CA**, to determine whether Prospect complied with HUD's requirements for (1) origination and underwriting relative to cash assets, income, and creditworthiness; (2) quality controls; and (3) branch office operations.

Prospect did not always follow HUD's underwriting and quality control requirements for FHA-insured loans. Specifically, it did not properly underwrite 25 of 33 loans reviewed, which placed the FHA insurance fund at risk for more than \$550,000 in questioned costs and nearly \$1.7 million in funds to be put to better use. It also did not properly implement quality controls over its underwriting process for a specific group of defaulted loans approved by high-default-rate underwriters at two of its branch offices. The quality control deficiencies placed the FHA insurance fund at a higher risk for losses on additional defaulted loans with mortgages totaling more than \$26.1 million.

OIG recommended that HUD take appropriate administrative action against Prospect for the underwriting and quality control deficiencies identified. Specifically, Prospect should be required to reimburse or hold HUD harmless against any losses for the 25 improperly underwritten loans and the improper management of its quality control function. OIG also recommended that HUD review Prospect's underwriting for any of the defaulted loans that have already gone to claim or on which a claim is filed within 5 years of the loan endorsement dates. If HUD determines that the claim was filed for loans that did not meet requirements, Prospect should be required to reimburse HUD for the claim or loss on the loans or indemnify HUD from losses. (Audit Report: **2011-AT-1011**)



HUD OIG audited Crossfire Financial Network, Inc., d/b/a CFN Mortgage Capital, an FHA-approved direct endorsement lender in **Miami, FL**, to determine whether the lender followed HUD requirements when (1) originating and underwriting loans and (2) implementing its quality control program.

Crossfire did not follow HUD requirements when it underwrote 10 loans for FHA insurance based on inaccurate and unsupported information. As a result, it approved loans that were not eligible for FHA insurance and increased the risk to the FHA insurance fund of more than \$1.3 million. In addition,

Crossfire did not implement a quality control program that complied with HUD requirements. It did not conduct quality control reviews in compliance with requirements, and its written quality control plan did not contain the required provisions. As a result, Crossfire increased the risk to the FHA insurance fund because it did not have assurance regarding the accuracy, validity, and completeness of its loan origination and underwriting operations.

OIG recommended that HUD (1) require Crossfire to indemnify HUD for the nine ineligible FHA loans with an estimated potential loss of more than \$1.1 million and reimburse HUD for the more than \$210,000 in claims paid on three loans; (2) refer Crossfire to the Mortgagee Review Board for consideration of administrative actions against the lender for not having a compliant quality control program in place; and (3) require Crossfire to develop, implement, and enforce a quality control program that complies with HUD requirements. (Audit Report: **2011-AT-1010**)



HUD OIG audited the FHA-insured loan process at Universal American Mortgage Company in **Las Vegas, NV**, to determine whether Universal American complied with HUD regulations, procedures, and instructions in the origination and quality control review of FHA-insured loans.

Universal American did not follow HUD requirements in the origination or quality control review of FHA-insured loans. Specifically, all 15 loans reviewed contained underwriting deficiencies and inappropriate restrictive covenants that affected the insurability of the loan. In addition, 10 quality control reviews were in violation of HUD regulations or the lender's quality control policies.

OIG recommended that HUD require Universal American to (1) indemnify HUD against losses for 9 of 10 FHA-insured loans with significant underwriting deficiencies and unallowable restrictive covenants of more than \$1.1 million; (2) reimburse the FHA insurance fund nearly \$119,000 for losses resulting from the claims and associated expenses paid on one loan with significant underwriting deficiencies or unallowable restrictive covenants; (3) develop, implement, and enforce written controls to ensure that FHA-insured loans are originated in compliance with HUD regulations; and (4) fully implement its quality control plan and follow up to ensure that its quality control reviews are conducted in accordance with HUD regulations. (Audit Report: **2011-LA-1017**)



HUD OIG audited All American Home Mortgage Corp., a nonsupervised lender in **Brooklyn, NY**, to determine whether All American officials (1) approved FHA-insured loans in accordance with HUD-FHA requirements and (2) implemented a quality control plan in accordance with HUD-FHA requirements.

All American officials did not always approve FHA-insured loans in accordance with HUD-FHA requirements. Specifically, material underwriting deficiencies were noted regarding 6 of the 20 loans reviewed, such as inadequate verification of gift funds, the statutory minimum investment, and the source of funds; improper calculation of income; and inconsistent information not reconciled. As a result, loans were approved for potentially ineligible borrowers, which caused HUD-FHA to incur an unnecessary insurance risk. All American officials also charged the borrowers unallowable fees and did not ensure that their quality control plan was implemented in accordance with HUD-FHA requirements, resulting in a lack of assurance that loan origination problems were identified and appropriate corrective action was taken.

OIG recommended that HUD require All American officials to (1) indemnify HUD against future losses related to five loans, which were underwritten in violation of HUD-FHA requirements; (2) reimburse HUD nearly \$182,000 in claims and associated fees paid on one loan; (3) ensure that borrowers have been

reimbursed nearly \$700 for unallowable wire and courier fees; (4) establish procedures to ensure that HUD-FHA underwriting requirements are properly implemented and documented; and (5) implement quality control procedures to ensure that management responses and planned corrective action are adequately documented and quality control reviews are always conducted in accordance with HUD-FHA requirements. (Audit Report: **2011-NY-1014**)



HUD OIG audited AmericaHomeKey, Inc., an FHA direct endorsement lender in **Dallas, TX**, to determine whether AmericaHomeKey originated manufactured home loans in accordance with HUD-FHA requirements for loans with beginning amortization dates between March 1, 2008, and February 28, 2010.

AmericaHomeKey did not follow HUD-FHA underwriting requirements in 13 of 20 loan originations reviewed. As a result, it originated more than \$1.7 million in ineligible loans that resulted in losses to FHA's insurance fund totaling more than \$538,000 and increased the risk to the insurance fund by more than \$680,000.

OIG recommended that HUD require AmericaHomeKey to (1) indemnify HUD for the eight ineligible FHA loans, (2) support or repay the FHA insurance fund nearly \$24,000 for claims paid as of July 31, 2011, or the current total amount of claims paid for four insured loans, (3) reimburse the FHA insurance fund more than \$514,000 for actual losses incurred on five insured loans, and (4) improve its quality control procedures to ensure that it consistently identifies and corrects underwriting deficiencies in a timely manner. OIG also recommended that HUD refer AmericaHomeKey to the Mortgagee Review Board for consideration of administrative actions against the lender for not having a compliant quality control program in place and take appropriate administrative actions against the underwriter responsible for the 13 questioned loans. OIG further recommended that HUD impose appropriate administrative sanctions, including possible debarment or other remedies, against the underwriter responsible for the 13 questioned loans. (Audit Report: **2011-FW-1016**)



HUD OIG audited Countrywide Bank, FSB, an FHA supervised lender in **Calabasas, CA**, to determine whether (1) Countrywide complied with HUD's regulations, procedures, and instructions in the underwriting of FHA-insured loans and (2) Countrywide's quality control plan, as implemented, met HUD's requirements.

Countrywide did not comply with HUD's regulations, procedures, and instructions in the underwriting of FHA-insured loans. Specifically, the loan files for 7 of the 14 loans reviewed contained material underwriting deficiencies. For these seven loans, Countrywide did not properly verify, analyze, or support borrowers' employment and income, source of funds to close, liabilities, and credit information. Additionally, it allowed borrowers to skip mortgage payments for refinance transactions. As a result, HUD paid more than \$1 million in claims and incurred losses totaling more than \$720,000 on the sale of the associated properties for the seven loans.

Further, Countrywide did not fully implement its quality control program in accordance with HUD's requirements. Specifically, it did not conduct quality control reviews in accordance with HUD's requirements, and its written quality control plan did not contain all of the necessary provisions. As a result, Countrywide increased the risk to FHA's insurance fund due to the lack of assurance of the accuracy, validity, and completeness of its loan underwriting activities.

OIG recommended that HUD require Bank of America (which acquired Countrywide in 2008) to (1) reimburse HUD for the actual losses incurred on seven loans since the properties associated with these loans were sold, (2) reimburse HUD or provide sufficient documentation to support that more than

\$3,000 in fees charged to four borrowers at settlement were reasonable and customary, (3) implement an adequate quality control plan that complies with HUD requirements, and (4) perform a 100 percent review of its early payment defaulted loans. Further, OIG recommended that HUD (1) perform a review of Bank of America's quality control program within 9 months to determine whether the required provisions have been included in its written plan and quality control reviews are conducted in compliance with HUD's requirements and (2) pursue remedies under the Program Fraud Civil Remedies Act, where legally sufficient, against Countrywide and/or its principals for incorrectly certifying to the integrity of the data or that due diligence was exercised during the underwriting of seven loans. (Audit Report: **2011-CH-1016**)



HUD OIG audited 46 FHA loans that Pierce Commercial Bank in **Tacoma, WA**, underwrote as an FHA direct endorsement lender to determine whether Pierce underwrote 46 loans in accordance with FHA requirements.

Pierce originated 1,912 FHA-insured loans between 2006 and 2009, primarily in Washington State, totaling more than \$475.8 million. It did not properly underwrite at least 25 of the 46 loans reviewed. For these 25 loans, the FHA insurance fund suffered an estimated net loss of more than \$3.5 million after reducing the proceeds from property sales from actual claims paid of more than \$6.7 million. Pierce was closed by the Washington Department of Financial Institutions on November 5, 2010.

OIG recommended that HUD initiate debarment action against the Pierce employees responsible for the material underwriting deficiencies identified. (Audit Memorandum: **2011-SE-1801**)

Review of FHA-Home Affordable Modification Program

HUD OIG audited HUD's National Servicing Center's (NSC) FHA-Home Affordable Modification Program (HAMP) to determine whether NSC implemented and operated FHA-HAMP in accordance with rules and regulations.

Overall, NSC implemented and operated FHA-HAMP in accordance with the necessary rules and regulations. However, OIG identified three areas that NSC needed to improve. These three areas were identifying failed FHA-HAMP trial plans, identifying duplicate FHA-HAMP payments, and improving the timeliness of trial payments.

OIG recommended that HUD require NSC to (1) develop a default status code for failed FHA-HAMP trial plans and (2) clarify its timeliness of trial payments. (Audit Report: **2011-FW-0001**)



HUD OIG audited Wells Fargo Home Mortgage in **Fort Mill, SC**, to determine whether it followed HUD rules and regulations when processing defaulted loans for the FHA-HAMP loss mitigation option.

Wells Fargo did not always correctly calculate gross income, include all necessary debts, put borrowers in proper trial plans, or check for borrower eligibility. As a result, it approved more than \$127,000 in FHA-HAMP claims that it should not have approved. In addition, Wells Fargo used verbal financial information to qualify four ineligible borrowers for the FHA-HAMP trial plan.

OIG recommended that HUD require Wells Fargo to (1) reimburse HUD for the FHA-HAMP claims it should not have approved and (2) ensure that it properly reports FHA-HAMP borrowers' status in HUD's systems. (Audit Report: **2011-FW-1010**)





HUD OIG audited Midland Mortgage Company in **Oklahoma City, OK**, to determine whether Midland followed HUD rules and regulations when processing defaulted loans for the FHA-HAMP loss mitigation option.

Overall, Midland complied with FHA-HAMP rules and regulations. However, it did not always check for borrower eligibility or assign the appropriate maturity date for FHA-HAMP partial claims. Midland had developed processes to ensure that it complied with FHA-HAMP rules and regulations for the two areas of noncompliance.

OIG recommended that HUD require Midland to correct the maturity dates on the legal documents for three FHA-HAMP loans identified. (Audit Report: **2011-FW-1008**)

Review of FHA's Title II Single-Family Lender Renewal Process

HUD OIG audited FHA's Title II single-family lender renewal process to determine whether FHA's controls were adequate for determining whether lenders met FHA annual renewal requirements.

Although FHA had taken significant steps to strengthen its controls over the lender renewal process, the process still had weaknesses related to Mortgagee Review Board referrals, lender financial information review, and data and renewal fee calculations in FHA's lender recertification tracking system. These weaknesses resulted in an increased risk that noncompliant lenders were allowed to continue participating in the FHA program, FHA's reduced ability to effectively monitor lenders, and lenders paying lower fees than required.

OIG recommended that HUD require FHA to improve controls over the lender recertification process and make changes to the Institutional Master File system to ensure data integrity. (Audit Report: **2011-KC-0001**)

Review of FHA's Tracking of Lenders with Outstanding Indemnifications

HUD OIG audited FHA to determine whether it prevented corporate officers from participating in FHA programs after those officers left other lenders that did not honor their FHA indemnification agreements.

FHA did not prevent lenders' corporate officers from participating in FHA programs after those officers left other lenders that did not honor their FHA indemnification agreements. OIG found 12 corporate officers who participated in the FHA program after leaving 7 lenders that did not honor their indemnification agreements and had lost their FHA approval. However, FHA lacked the authority to prevent these corporate officers from reentering the FHA program.

OIG recommended that FHA seek legislative and program rule changes to prevent lenders and their corporate officers with unsatisfied indemnification agreements from reentering the FHA program as the same or a new lender. (Audit Report: **2011-KC-0004**)



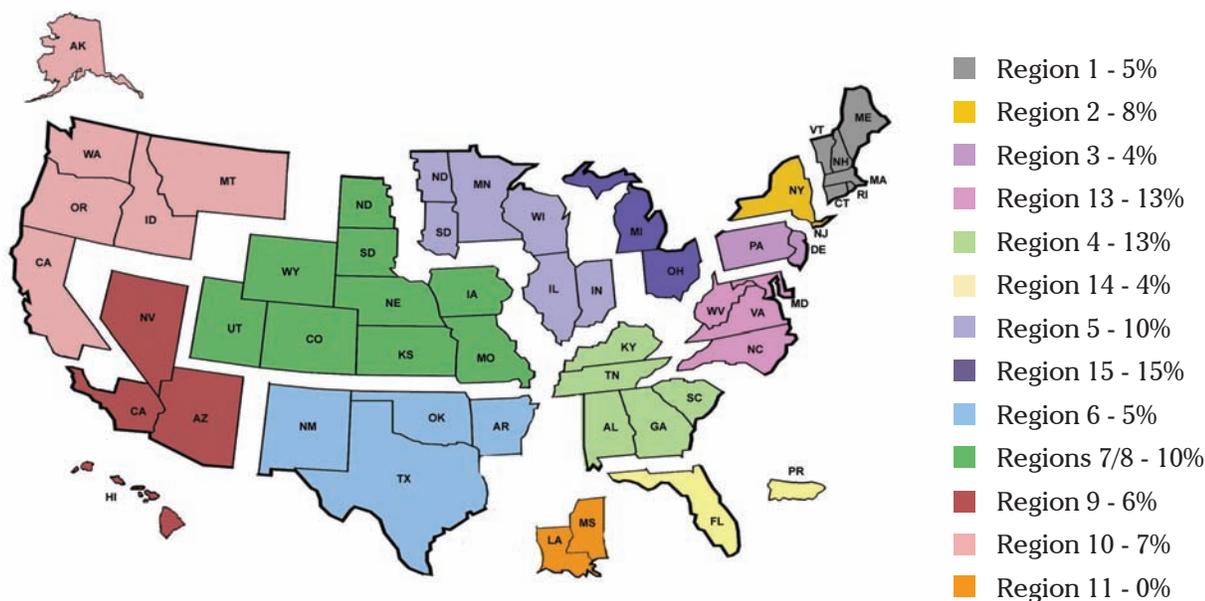
Investigations

Some investigations discussed in this report were generated from leads provided by HUD single-family housing program staff and conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 1: Contribute to the reduction of fraud in single-family insurance programs

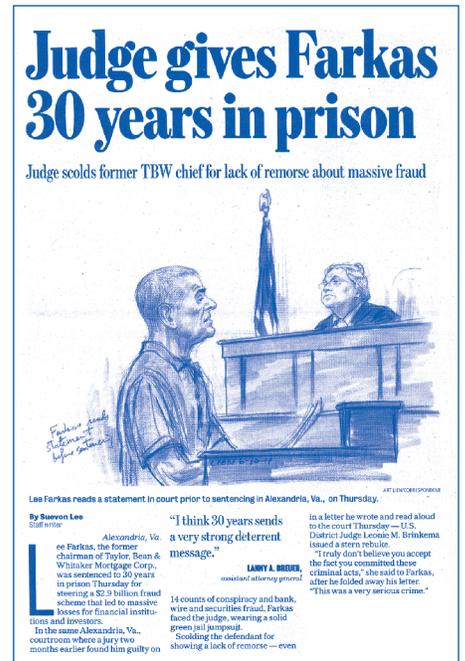
Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	176	\$11,541,223	109	141
Our focus	<ul style="list-style-type: none"> Page 16 Page 19 Page 20 Page 21 	<ul style="list-style-type: none"> Loan origination fraud Home Equity Conversion Mortgage program fraud Civil and administrative actions Other single-family fraud 		

Chart 1.2: Percentage of OIG single-family housing closed investigation cases during this reporting period



Loan Origination Fraud

Lee Farkas, the former chairman of Taylor, Bean & Whitaker Mortgage Corporation (TBW), a former FHA-approved direct endorsement lender and Government National Mortgage Association (Ginnie Mae) issuer; Paul Allen, the former TBW chief executive officer; Ray Bowman, the former TBW president; Desiree Brown, the former TBW treasurer; Sean Ragland, the former TBW accounting supervisor; and former Colonial Bank employees Catherine Kissick and Teresa Kelly were collectively sentenced in U.S. District Court, **Alexandria, VA**, to 604 months incarceration, 18 months home detention, and 192 months supervised release for their earlier conviction of or guilty pleas to committing a conspiracy to commit bank, wire, and securities fraud or making false statements to Federal agents. In addition, Farkas was ordered to forfeit \$38.5 million. Between 2002 and August 2009, Kissick and Kelly conspired with other individuals and provided funding to TBW for phony or previously pledged loans, and Farkas and the remaining defendants conspired with other individuals; sold phony and previously pledged loans to investors in the secondary mortgage market; and caused TBW to submit false statements to HUD, Ginnie Mae, and other financial entities. HUD, Ginnie Mae, and other financial entities realized losses in excess of \$1.9 billion.



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Leroy Hayden, a former servicing manager for the now defunct U.S. Mortgage Corp. (U.S. Mortgage), and Amer Mir, a former loan officer for United Home Mortgage, were collectively sentenced in U.S. District Court, **Newark, NJ**, to 70 months incarceration, 24 months probation, and 36 months supervised release and ordered to pay a number of victims more than \$2.3 million in restitution and forfeit \$210,000 for their earlier conviction of or guilty plea to committing a conspiracy to commit wire fraud. In addition, former U.S. Mortgage president Michael McGrath, Jr., who previously pled guilty to committing a conspiracy to commit money laundering, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for an indefinite period; former U.S. Mortgage loan officer David Cobianchi, who previously pled guilty to committing a conspiracy to make false statements to HUD, was debarred for 36 months; and former ReMax Property Center realtor Michael Eliasof was debarred for an indefinite period. Between 1998 and February 2009, the above defendants and other individuals fraudulently sold credit union mortgage loans to Fannie Mae, used \$139 million in illicit proceeds to fund personal and business investments or U.S. Mortgage operations, provided fraudulent documents used by unqualified borrowers to obtain FHA-insured and conventional mortgages, or placed fraudulent conventional mortgaged properties into the Paterson Housing Authority or the City of Paterson Section 8 programs. HUD realized losses of about \$2.7 million after 100 mortgages defaulted.

Former real estate appraiser Greg Buzarde was sentenced in U.S. District Court, **Los Angeles, CA**, to 27 months incarceration and 60 months supervised probation and ordered to pay HUD more than \$2.6 million in restitution for his earlier guilty plea to committing a conspiracy and mail fraud. From March 1998 to September 2001, Buzarde and other individuals conspired and provided fraudulent appraisals for FHA-insured properties. HUD realized losses in excess of \$2.6 million after 20 mortgages defaulted.

Toshia Ramsey, a former real estate agent for Stanfield Realtors, pled guilty in U.S. District Court, **Fort Worth, TX**, to committing a conspiracy to make false statements to HUD. From December 2002 to June 2003, Ramsey and other individuals conspired and created or provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$1.3 million after 30 mortgages defaulted.



Morris Olmer, a former attorney; Wendy Werner, a former real estate agent for WB Realty; Rab Nawaz; and Marshall Asmar were collectively sentenced in U.S. District Court, **Hartford, CT**, to 250 months incarceration and 12 years supervised release, and Werner was fined \$100,000 for their earlier convictions of making false statements or committing wire or mail fraud, obstruction of justice, a conspiracy to commit wire fraud, or a conspiracy to defraud the United States. In addition, Olmer and attorney Richard Novak were each suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment actions. Between August 2006 and April 2010, the above defendants and other individuals conspired and provided false information or fraudulent documents used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD realized a loss of \$350,000 after two mortgages defaulted.

Fort Worth real estate agent faces jail time in nearly 9-year-old case

● Inflated wages allowed unqualified people to obtain federally backed home loans.

By Darren Barbee
dbarbee@star-telegram.com

A Fort Worth real estate agent is facing up to five years in prison for faking rental histories and paycheck stubs for home buyers to obtain HUD loans, according to a federal criminal complaint.

But her attorney says the case is so old — the crime dates back about nine years — that she questions why it was prosecuted.

Just days after the complaint was filed in May,

Toshia Ramsey, 41, pleaded guilty to conspiracy to make false statements to the U.S. Department of Housing and Urban Development, court records show.

She is scheduled to be sentenced Sept. 19. In addition to prison time, she faces a fine of up to \$250,000.

According to the complaint, Ramsey conspired between December 2002 and June 2003 with a loan officer and loan processors from The Mortgage Group in a scheme to obtain Federal Housing Administration loans for borrowers who didn't qualify.

Ramsey and her co-

conspirators, who were not indicted, falsified work history, pay stubs, and verifications of rent and employment, court documents say.

In a document known as a factual résumé, Ramsey pleaded guilty to making false entries to HUD. Ramsey "knew the unlawful purpose" of the crime and knowingly committed it, the document says.

Ramsey's attorney, Cheryl B. Wattlely of Norman, Okla., said Ramsey has no significant criminal history and questions why the case was prosecuted.

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Eric Wendlandt, a mortgage broker and owner of Precise Mortgage (Precise), and Precise employees Roni Watkins and Pleasz Daniels were collectively sentenced in U.S. District Court, **Grand Rapids, MI**, to 57 months incarceration and 36 months probation and ordered to perform 450 hours of community service and pay HUD \$237,632 in restitution for their earlier guilty pleas to making false statements to HUD or committing a conspiracy. From February 2008 to April 2010, the above defendants produced or provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$237,632 after six mortgages defaulted.



A.J. Adewunmi, a former owner of Re/Max Associates Plus (Re/Max) and Cots Realty, and former Re/Max realtor Christian Juan were collectively sentenced in U.S. District Court, **St. Louis, MO**, to 12 months incarceration and 36 months probation and ordered to pay HUD \$127,100 in restitution for their earlier guilty pleas to making false statements to HUD and committing mail fraud. In addition, Richard Rodawald, an unlicensed real estate closer for Dedicated Closing, was sentenced to 30 months incarceration and ordered to pay a number of victims \$98,980 in restitution for his earlier guilty plea to committing mail fraud. Between 2003 and 2010, Adewunmi and Juan provided false information or assisted unqualified borrowers who fraudulently obtained FHA-insured and conventional mortgages, and Rodawald created about 1,100

false HUD-1 settlement statements for FHA-insured mortgages that included \$98,900 in prohibited fees and disbursements. HUD realized losses of \$127,100 after four mortgages defaulted.



Carmen Diaz De Leon, a former loan officer for Assured Mortgage, pled guilty in U.S. District Court, **Chicago, IL**, to committing bank fraud. From June 2001 to April 2003, De Leon provided false documents used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD realized losses of \$118,700 after three mortgages defaulted.



Gennaro Rauso, the owner of D&B Property Investors, was sentenced in U.S. District Court, **Philadelphia, PA**, to 160 months incarceration and ordered to pay a not yet determined amount of restitution for his earlier guilty plea to committing equity skimming and mail, bank, bankruptcy, and access device fraud; failing to file Federal income tax returns; and filing false Federal income tax returns. From January 2005 to January 2009, Rauso enticed more than 200 distressed property owners to transfer their property deeds to him, including four properties with FHA-insured mortgages; filed fraudulent bankruptcy petitions to delay foreclosure proceedings; and failed to file or filed false Federal income tax returns. HUD realized losses of about \$118,000 after four mortgages defaulted.



David and Meggan Alexander were collectively sentenced in U.S. District Court, **Cedar Rapids, IA**, to 25 months incarceration and 8 years supervised release and ordered to perform 100 hours of community service and pay HUD \$113,113 in restitution for their earlier convictions of making false statements. Between April 2007 and June 2008, David and Meggan Alexander provided false information or fraudulent documents to obtain or retain an FHA-insured mortgage. HUD realized a loss of \$113,574 after their mortgage defaulted.



Francisco Silva-Najera pled guilty in U.S. District Court, **Grand Rapids, MI**, to using a false Social Security number (SSN) and assaulting a Federal agent. In February 2003, Silva-Najera used a false SSN to obtain and later default on an FHA-insured mortgage. HUD realized a loss of \$84,422 after his mortgage defaulted. In addition, Silva-Najera assaulted a U.S. Department of Homeland Security Immigration and Customs Enforcement special agent who was attempting to arrest a member of his family for allegedly committing immigration violations.



Michael Conley was sentenced in U.S. District Court, **Roanoke, VA**, to 6 months home detention and 60 months probation and ordered to pay Flagstar Bank \$38,655 in restitution for his earlier guilty plea to making false statements. In October 2005, Conley provided false information and fraudulent documents to obtain an FHA-insured mortgage. HUD realized a loss of \$38,655 after his mortgage defaulted.



Lucilene Guido, a realtor for Atlantic International Realty, and mortgage consultant and loan officer Simone Fernandes each pled guilty in U.S. District Court, **Newark, NJ**, to committing a conspiracy to commit wire fraud. In addition, Iodete Periera and Rosa Damasceno were collectively sentenced to 1 year and 1 day incarceration and 2 years probation and fined \$2,000 for their earlier guilty pleas to committing a conspiracy to commit bank and wire fraud, and former real estate broker Rui Talaia, former real estate



agent Eugenio Mendes, and Stop Realty Group, LLC, were each suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment actions. Between June 2008 and May 2010, the above defendants and other individuals conspired and created or provided fraudulent documents used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD losses have not yet been determined.



Alan Greer, a realtor for CNR & I; Nicole Johnson, also known as Nicole Jones; and Johnnie Webb were collectively sentenced in Cook County Circuit Court, **Chicago, IL**, to 12 months probation and fined \$2,000 for their earlier guilty pleas to committing deceptive practices or a fraudulent land conveyance. From 2007 to 2009, the above individuals provided false information, fraudulent documents, or downpayment funds used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD losses have not yet been determined.



Alexandre Pinheiro, Fahim Choudhary, and Mauricio Midence were collectively sentenced in U.S. District Court, **San Francisco, CA**, to 12 months and 107 days incarceration for their earlier guilty pleas to committing a conspiracy to commit bank fraud. From January to April 2010, the above defendants conspired and provided fraudulent documents used by an unqualified borrower who obtained and later defaulted on an FHA-insured mortgage. HUD losses have not yet been determined.



Tina Hill entered into a pretrial diversion filed in Wayne County Circuit Court, **Detroit, MI**, and agreed to serve 12 months probation, perform 60 hours of community service, and pay PNC Bank \$4,000 in restitution. In April 2008, Hill allegedly used false employment information to obtain and later default on an FHA-insured mortgage. HUD losses have not yet been determined.



Frederick Noland pled guilty in U.S. District Court, **St. Louis, MO**, to making false statements to HUD. From September to December 2008, Noland provided false documents used by an unqualified borrower, who obtained and later defaulted on an FHA-insured mortgage. HUD losses have not yet been determined.

Home Equity Conversion Mortgage Program Fraud

Louis Gendason, John Incandela, and Marcos Echevarria, 1st Continental Mortgage Company loan officers, and Kimberly Mackey, the owner and president of REO Land Services, each pled guilty in U.S. District Court, **Fort Lauderdale, FL**, to committing a conspiracy to commit wire fraud. From May 2009 to November 2010, the above defendants conspired and fraudulently provided inflated appraisals used by unqualified borrowers who obtained more than \$2.5 million in home equity conversion mortgages (HECM). In addition, Mackey fraudulently closed the reverse mortgages, failed to pay existing mortgage loans, and diverted more than \$988,086 into accounts controlled by Gendason and Incandela. HUD losses have not yet been determined.



Mary Fulbright pled guilty in U.S. District Court, **Rochester, NY**, to committing bank fraud. From October to December 2008, Fulbright used a quit claim deed and fraudulently changed the ownership of her father's property, provided false information and documents to certify and close on a HUD HECM loan in her father's name, and obtained \$176,364 in reverse mortgage loan proceeds she was not entitled to receive.

Civil and Administrative Actions

Beechwood, Inc. (Beechwood), doing business as Beechwood Realty and Beechwood Services of Moreno Valley, CA, entered into a Financial Institutions Reform, Recovery, and Enforcement Act of 1989 civil settlement filed in U.S. District Court, **Los Angeles, CA**, and agreed to pay the U.S. Treasury \$100,000. From 2008 to 2010, Beechwood allegedly provided false information and fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD losses have not yet been determined.



John Murphy, the former president of Alliance Mortgage Banking Corporation (Alliance) who was previously sentenced in U.S. District Court, **Central Islip, NY**, for his earlier guilty plea to committing bank fraud, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for an indefinite period. From January to August 2007, Murphy fraudulently used Alliance Mortgage warehouse line-of-credit funds for Alliance operations. HUD losses have not yet been determined.



Henry Ruby, the owner of Primetime Mortgage Services who was previously sentenced in U.S. District Court, **Philadelphia, PA**, for his earlier guilty plea to making false statements to HUD and committing wire fraud and aiding and abetting, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 4 years. From July 2007 to March 2009, Ruby and other individuals provided fraudulent documents and obtained two FHA-insured mortgages.



Juan Hernandez, a former loan officer for National City Mortgage who was previously indicted in U.S. District Court, **Providence, RI**, for allegedly committing a conspiracy and bank and wire fraud, was suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment actions. From October 2006 to August 2007, Hernandez and other individuals allegedly conspired and assisted unqualified borrowers who obtained conventional mortgages.



Celeste Montoya and Maria DeLeon, former employees of the Team Realty Group, entered into Financial Institutions Reform, Recovery, and Enforcement Act of 1989 civil settlements filed in U.S. District Court, **Los Angeles, CA**, and each agreed to pay the U.S. Treasury \$200,000 (suspended if they perform 320 hours of community service). Between April 2007 and December 2008, Montoya and DeLeon admittedly conspired and fraudulently certified themselves or other unqualified borrowers for FHA-insured mortgages. HUD losses have not yet been determined.

Other Single-Family Fraud

Kenneth Perkins, a realtor for Virtual Realty Funding Company, was sentenced in U.S. District Court, **Phoenix, AZ**, to 36 months probation and ordered to pay HUD \$79,782 in restitution for his earlier guilty plea to committing a misprision of a felony. From June 2003 to October 2004, Perkins failed to report that an unnamed investor acted as a straw borrower and fraudulently obtained and resold HUD real estate-owned properties. HUD realized losses of \$440,000 after 20 mortgages defaulted.



Alex Soria, a former loan officer for Amwest Capital Mortgage (Amwest), was indicted in U.S. District Court, **Las Vegas, NV**, for allegedly committing mail fraud and aiding and abetting. From May 2008 to January 2010, Soria allegedly created fraudulent Amwest loan preapproval letters and induced FHA Hope for Homeowners program applicants to provide him with about \$100,000 in upfront fees for mortgage loans that were never approved.



Michael Primeau, the former president of Ideal Mortgage Bankers, an FHA-insured direct endorsement lender doing business as Lend America, pled guilty in U.S. District Court, **Central Islip, NY**, to committing bank fraud. From January 2009 to February 2010, Primeau provided false statements and fraudulent documents and misappropriated more than \$55 million in Lend America warehouse line-of-credit funds that related to more than 400 FHA-insured and Ginnie Mae mortgages. HUD and Ginnie Mae losses have not yet been determined.



Ruth Vetri, the owner and president of Surety Title Corporation, pled guilty in U.S. District Court, **Fort Meyers, FL**, to making false statements to HUD. Between April and October 2008, Vetri created fraudulent HUD-1 settlement statements for a number of FHA-insured mortgages. HUD losses have not yet been determined.



Antone Thompson, doing business as TnT Engineering, pled guilty in U.S. District Court, **Salt Lake City, UT**, to making false statements to HUD. From February 2005 to July 2008, Thompson fraudulently certified and submitted more than 70 manufactured housing engineering reports to HUD after his engineering license had been suspended. HUD losses have not yet been determined.



Kenyuano Jones, a HUD Good Neighbor Next Door program participant and assistant principal for the Detroit Public School System, entered into a pretrial diversion filed in Wayne County Circuit Court, **Detroit, MI**, and agreed to serve 12 months probation, perform 60 hours of community service, and pay HUD \$22,500 in restitution. In March 2005, Jones obtained a HUD-owned property and received a \$22,500 discount, but Jones allegedly failed to reside in the property or report his nonresidency on HUD certifications.





Scott Archer, the founder of Dominion Investment Group, was sentenced in Genesee County District Court, **Flint, MI**, to 29 to 60 months incarceration for his earlier guilty plea to making false pretenses and committing attempted racketeering. From September 2009 to February 2010, Archer falsely claimed ownership of 70 homes, including two HUD real estate-owned properties, and fraudulently transferred the ownership of these properties to other individuals. HUD losses have not yet been determined.



William Huston, Jr., a former owner of All-Star Mortgage, was sentenced in Madison County Superior Court, **Anderson, IN**, to 8 years incarceration, 2 years home detention, and 8 years probation and ordered to pay First American Title \$202,000 in restitution for his earlier guilty plea to committing financial institution fraud and misappropriation or conversion of money received or held in a title insurance escrow account. In July 2008, Huston originated a \$217,700 FHA-insured refinance mortgage but failed to pay off the first mortgage and diverted \$217,700 into his personal accounts.





Inspections and Evaluations

The HUD OIG Office of Investigation's Inspections and Evaluations Division's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations. The office conducts inspections and evaluations using various study methods and evaluative techniques to provide timely information to improve policies, programs, and procedures.

Evaluation of Home Equity Conversion Mortgage Loan Payments Made After Death of Borrower

HUD OIG conducted an evaluation of HECM loan payments made after the death of borrowers. A query of the HUD Single Family Data Warehouse disclosed that servicers of HECM loans were making payments to borrowers after the borrowers' date of death. Therefore, OIG conducted a review to validate the HECM data and to determine whether such payments resulted in a financial loss to HUD.

Although scheduled payments were not made after the date of death of the borrower, they were incorrectly recorded in HUD's Insurance Accounting Collection System by lenders. Additionally, loan proceeds from the sale of property and claims paid by HUD were not credited to HECM loan balances in a timely manner, resulting in inaccurate information being reported in the Single Family Data Warehouse and unreliable financial data being used by HUD. While a few instances were noted, in which unscheduled advance payments were made after the death of the borrower, which resulted in overstated claims being paid by HUD, this does not appear to be a systemic problem. Instances in which HECM loan servicing files contained indications of suspicious or potentially fraudulent transactions were also noted; however, there was no evidence that such matters were referred to HUD for further action.

The timely reconciliation of HECM loan payment data by lenders and a more comprehensive policy of detecting and reporting fraud will benefit the HECM program. (I&E Report: **IED-11-004R**)



Chapter 2 - Public and Indian Housing Programs



The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to 4,100 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident management entities and resident skills programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. In addition to the audits and investigations described in this chapter, HUD's Office of Inspector General (OIG), has conducted a number of outreach efforts (see chapter 8, page 111).

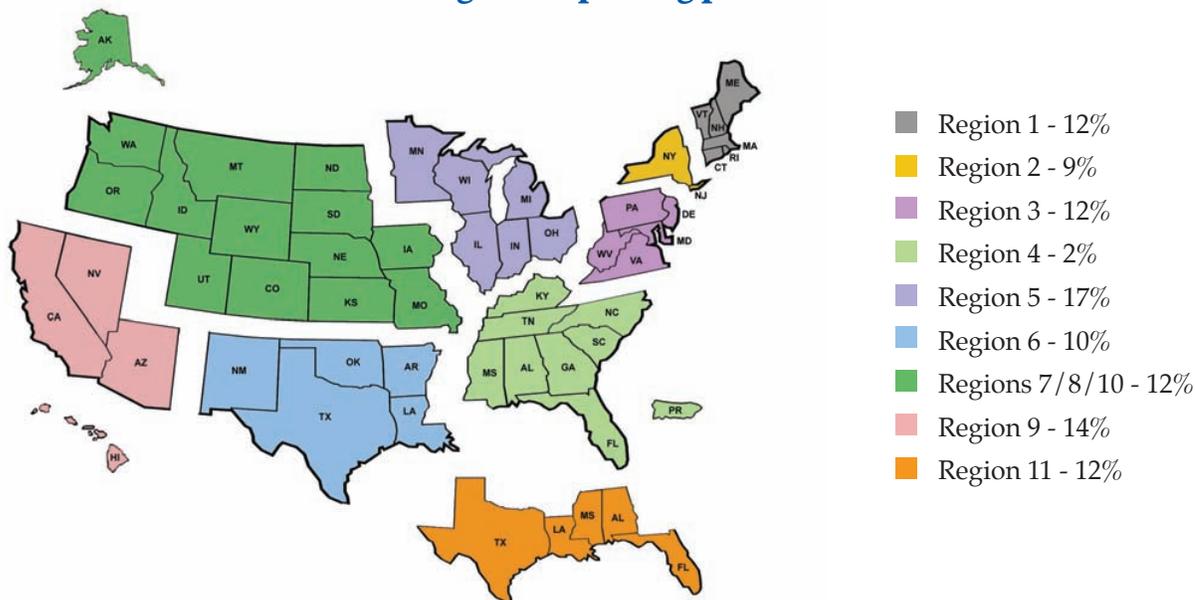
Audit

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results		Questioned costs	Funds put to better use
Audit	42 audits*	\$21.4 million	\$12.7 million
Our focus	Page 27 Page 29 Page 30	<ul style="list-style-type: none"> Section 8 Housing Choice Voucher program Public Housing Capital Fund programs Public housing program activities 	

* The total public and Indian housing audits, questioned costs, and funds put to better use amounts include any American Recovery and Reinvestment Act of 2009 (29 audits) and disaster recovery (1 audit) type audits conducted in the public and Indian housing area. The writeups for these audits are shown separately in chapters 5 and 6 of this semiannual report.

Chart 2.1: Percentage of OIG public and Indian housing audit reports during this reporting period



During this reporting period, OIG reviewed HUD's controls over the Section 8 Housing Voucher program, the Public Housing Capital Fund (Capital Fund) program and public housing activities.

Section 8 Housing Choice Voucher Program

Audits of the Section 8 Housing Choice Voucher program continued to be a priority during this semiannual reporting period. PHAs were selected for audit based on risk analysis and/or hotline complaints. While OIG's objectives varied by auditee, the majority of reviews were to determine whether the units met housing quality standards, the PHA managed the program according to HUD requirements, and the eligibility of the tenants was correctly determined. The following section illustrates the audits conducted in the Section 8 Housing Choice Voucher program area.



HUD OIG audited the Section 8 Housing Choice Voucher program of the Cuyahoga Metropolitan Housing Authority in **Cleveland, OH**, and found that the Authority failed to operate HUD programs according to HUD's and its own requirements. Its program administration regarding housing unit conditions was inadequate. Of the 82 program units inspected, 76 did not meet minimum housing quality standards, and 50 had material violations that existed before the Authority's previous inspections.

The Authority did not always comply with HUD's requirements, its action plan, and its program procedures in administering its Family Self-Sufficiency program. It failed to maintain required documentation for 64 of its 71 program participants with an escrow balance and all 22 of its graduates with escrow disbursements. In addition, it failed to maintain accurate escrow balances for 69 participants with escrow balances or issue accurate escrow disbursements to all of its graduates.

The Authority did perform timely housing quality standards unit inspections. OIG reviewed 58,805 inspections for 14,344 tenants and determined that the Authority's timeliness of inspections was sufficient.

OIG recommended that HUD require the Authority to (1) reimburse its program from non-Federal funds for the improper use of more than \$100,000 in program funds, (2) provide documentation or reimburse its program nearly \$550,000 from non-Federal funds for the unsupported housing assistance payments, and (3) implement adequate procedures and controls to address the findings cited to prevent nearly \$9.6 million in program funds from being spent on excessive housing assistance payments over the next year. (Audit Report: **2011-CH-1011**)



HUD OIG audited the Housing Choice Voucher program and Federal public housing programs at the **Weymouth, MA**, Housing Authority and found that the Authority (1) approved rents without adequately performing rent reasonableness determinations, (2) did not adequately perform and monitor the Housing Choice Voucher program's housing quality standards process, (3) did not have an adequate cost allocation plan, (4) did not adequately perform procurements in compliance with HUD regulations and its own procurement policy, and (5) did not have a policy to ensure that Housing Choice Voucher program receipts were used only for the program. In addition, the Authority submitted its 2010 Section 8 Management Assessment Program in late February 2011 and self-certified to items that it did not perform.

OIG recommended that HUD require the Authority to (1) provide supporting documentation to show that the rents were reasonable for units for which the Authority paid more than \$1.7 million in housing assistance in 2009 and more than \$2 million in 2010 or repay from non-Federal funds any unsupported costs to its housing assistance payment reserve account; (2) repay from non-Federal funds the Housing Choice

Voucher program housing assistance payment costs of nearly \$12,000 that should have been abated for units that were materially noncompliant with housing quality standards; (3) reimburse the Federal public housing and Housing Choice Voucher programs more than \$159,000 from non-Federal sources and any additional amounts determined to be improperly allocated based on an equitable cost allocation plan and supporting documentation; (4) support the use of nearly \$70,000 paid for services that were not properly procured by soliciting price or rate quotations from three sources to procure a fee accountant, Housing Choice Voucher program inspector, attorney, and independent public accountant or reimburse the Federal programs for any unreasonable amounts paid; and (5) develop and implement a plan to ensure that the Authority records and reconciles interprogram fund transactions monthly to correct any imbalances. (Audit Report: **2011-BO-1009**)



HUD OIG audited the Housing Authority of the City of **Camden, NJ**'s administration of its housing quality standards inspection program for its Section 8 Housing Choice Voucher program and found that the Authority did not ensure that its program units met housing quality standards. Of 17 units inspected, 16 did not meet HUD's housing quality standards, 10 of which were in material noncompliance with HUD's standards. The Authority spent nearly \$30,000 in program and administrative funds for these 10 units. In addition, it did not properly identify life-threatening violations, conduct timely reinspections or maintain documentation to show that owners made repairs within specified time limits, and abate assistance payments to owners for units that did not meet housing quality standards.

OIG recommended that HUD require the Authority to (1) ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards; (2) reimburse its program from non-Federal funds for the improper use of program and administrative funds for units that materially failed to meet HUD's standards; and (3) develop and implement adequate controls to ensure that program units meet housing quality standards, inspectors are periodically provided training, quality control inspections are thorough, and the results are used to improve the program. OIG also recommended that HUD require the Authority to revise and update its administrative plan to ensure that violations are properly categorized and repairs are completed within the prescribed time limits and that it abates housing assistance payments in accordance with HUD requirements. (Audit Report: **2011-PH-1013**)



HUD OIG audited the Housing Choice Voucher program at the Fall River Housing Authority in **Fall River, MA**, and found that the Authority generally administered its program efficiently and effectively and in compliance with its annual contributions contract and HUD regulations. However, it did not always perform its housing quality standards inspections in a timely manner, adequately monitor the results of its contract inspectors, and properly abate rents if necessary. Thirty-eight housing quality standards inspections were late and clearly outside the timeframes required by HUD under the Authority's third-party inspection contract. As a result, the Authority did not (1) earn a portion of the more than \$7,000 in paid administrative fees, (2) always comply with HUD procurement regulations and its own procurement policy, and (3) ensure that travel incurred for Federal programs was in accordance with HUD regulations.

OIG recommended that HUD require the Authority to (1) repay a portion of the unearned administrative fees paid by HUD and document the results of the remaining 17 housing quality standards inspections to determine whether rents needed to be abated; (2) update delegation and procurement policy to include duties assigned and delegated, maintain a program contract register, develop procedures to ensure that a cost benefit analysis is conducted and documented, and document the method for conducting technical evaluations of bid responses and proposals; and (3) revise its travel policy and obtain approval of the policy from the Authority's board of commissioners. (Audit Report: **2011-BO-1011**)

Public Housing Capital Fund Programs

HUD OIG audited the Housing Authority of the City of **Long Branch, NJ**'s administration of its Capital Fund and Capital Fund Financing Programs to determine whether Authority officials obligated and disbursed Capital Fund and Capital Fund Financing Program funds in accordance with HUD regulations and maintained a financial management system that complied with program requirements.

Authority officials generally obligated and disbursed Capital Fund and Capital Fund Financing Program funds in accordance with HUD regulations and maintained a financial management system that complied with program requirements. However, they received add-on subsidy incentive payments from HUD to repay an energy performance contract loan to which they were not entitled because they had already used capital funds for the repayment. In addition, Authority officials did not use proceeds from the sale of Authority land for the activities initially approved by HUD. Consequently, the Authority received approximately \$1.1 million and was scheduled to receive more than \$1.4 million in additional add-on subsidy incentive payments to which it was not entitled and used \$5 million to fund activities that, while allowable by HUD regulations, were not for the purposes HUD had initially approved.

OIG recommended that HUD (1) instruct Authority officials to repay the add-on subsidy incentive and strengthen controls to ensure that HUD is informed in a timely manner of any changes to HUD's approved use of Authority funds and (2) deobligate the obligated add-on subsidy incentive to which the Authority would have been entitled. (Audit Report: **2011-NY-1013**)



HUD OIG audited the Housing Authority of the City of **Elizabeth, NJ**'s administration of its Capital Fund program to determine whether Authority officials (1) obligated and expended capital funds in accordance with HUD regulations and (2) implemented a financial management system in compliance with program requirements.

Authority officials did not always obligate or expend capital funds in accordance with program regulations or implement a financial management system in compliance with program requirements. Specifically, they obligated and expended funds without adequate supporting documentation and did not ensure that financial monitoring and reporting were complete and accurate. Consequently, approximately \$1.8 million was improperly recorded as obligated in HUD's Line Of Credit Control System, nearly \$96,000 was drawn down without adequate documentation, reclassification of more than \$394,000 in administrative costs to other budget line items was unsupported, and the status of program funds was not effectively monitored.

OIG recommended that HUD instruct Authority officials to ensure that program funds are properly obligated, provide adequate supporting documentation for program drawdowns, provide documentation to adequately support the reclassification of administrative costs to other budget line items, and strengthen financial controls over the administration of its program funds. (Audit Report: **2011-NY-1011**)



HUD OIG performed a limited review of the Housing Authority of the City of **Long Branch, NJ**'s administration of its Capital Fund and Capital Fund Financing Programs based on an earlier audit finding (Audit Report: 2011-NY-1013) that Authority officials had not accurately accounted for some transactions with its affiliated entities. The objective was to review the Authority's processes for recording these transactions.

Authority officials did not properly allocate, among the Authority's seven asset management projects,



funds received from its for-profit entity as reimbursement for services the Authority's maintenance staff provided to this entity. As a result, one asset management project was credited with approximately \$1,000 in excess reimbursement, and Authority officials did not properly reflect the operating cost of the Authority's asset management projects. In addition, Authority officials transferred more than \$12,000 in Section 8 certificate reserves set aside for the purchase and renovation of local houses to fund its for-profit entity's startup costs and \$53,000 to its redevelopment fund. As a result, funds were used for purposes other than those initially approved by HUD.

OIG recommended that HUD instruct Authority officials to reallocate the excess credit to the appropriate asset management project(s), thereby ensuring that each project's costs are proper, and request HUD approval of the use of the reallocated Section 8 certificate reserves of more than \$65,000 to ensure that the funds were reallocated in accordance with 24 CFR (Code of Federal Regulations) 982.155(b)(1), thus ensuring that all funds are put to better use. (Audit Memorandum: **2011-NY-1803**)

Public Housing Program Activities

HUD OIG audited the **Saginaw, MI**, Housing Commission's Capital Fund program to determine whether selected recommendations from audit report number 2006-CH-1018 had been implemented and whether the Commission used HUD funds for unapproved purposes.

The Commission did not fully implement prior audit recommendations and continued to use its program funds for ineligible purposes. HUD and the Commission did not enter into a repayment agreement for recommendations 1C and 2A from audit report number 2006-CH-1018 until January 24, 2011. The repayment agreement stated that the Commission agreed to make payments beginning February 1, 2011, and ending March 1, 2014. The Commission made its first payment on June 7, 2011. It also continued to use program revenues for ineligible purposes.

The Commission did not effectively administer its HUD programs and violated HUD's and its own requirements. Specifically, it did not ensure that capital funds were drawn and expended for eligible purposes. The Commission inappropriately used more than \$1.5 million in capital funds, was unable to support the use of nearly \$395,000 in capital funds, maintained capital funds on hand in excess of \$411,000, caused the U.S. Treasury to lose more than \$71,000 in interest, inappropriately earned more than \$13,000 in interest from its bank, and did not appropriately categorize nearly \$822,000 in capital fund draws from HUD's system.

The Commission did not ensure that its Public Housing Operating Fund, Section 8 Housing Choice Voucher, and Homeownership program funds were used for eligible purposes. It inappropriately used nearly \$181,000 and was unable to support the use of more than \$30,000 in program funds.

The Commission did not ensure that the Capital Fund and Operating Fund program funds were used for eligible purposes. It inappropriately used more than \$127,000 in capital funds to demolish structures at its inappropriately obtained property and used nearly \$108,000 in operating funds to operate and maintain the property.

OIG recommended that HUD require the Commission to (1) reimburse its program from non-Federal funds for the improper use of more than \$2 million in program funds, (2) provide documentation or reimburse its program more than \$836,000 from non-Federal funds for the unsupported payments, and (3) implement adequate procedures and controls to address the findings cited. (Audit Report: **2011-CH-1012**)





HUD OIG audited HUD's oversight of tenants who improperly received multiple housing subsidies in the Section 8 and public housing programs to determine whether HUD ensured that housing authorities resolved items listed on the Enterprise Income Verification (EIV) system's multiple subsidy report in a reasonable amount of time.

HUD did not ensure that housing authorities resolved an estimated 3,636 items listed on the EIV multiple subsidy report in a reasonable amount of time to eliminate the occurrence of an estimated nearly \$341,000 in improper subsidy payments.

OIG recommended that HUD (1) notify housing authorities of the possible imposition of sanctions on those housing authorities that fail to recover or attempt to recover improper subsidy payments or to properly use the EIV system, (2) modify the EIV multiple subsidy report to show the date that the tenant was flagged as potentially receiving multiple rental assistance and include an aging table to identify how long tenants have appeared on the report, and (3) implement a process to monitor and follow up with housing authorities on all tenants listed on the EIV multiple subsidy report that have been flagged for 6 months or more and ensure that housing authorities implement appropriate corrective action(s) to eliminate the occurrence of improper subsidy payments. (Audit Report: **2011-KC-0003**)



HUD OIG audited the Housing Authority of the City of **Mountain Grove, MO**, to determine whether the Authority complied with contract procurement regulations and properly disposed of property assets.

The Authority did not comply with HUD procurement regulations or its own procurement policies. It did not ensure a fair and competitive procurement process, selected the highest quotations without justification, and did not retain records pertinent to the procurement of three contracts. The Authority lacked detailed operational procedures to implement its procurement policies and improperly disposed of an Authority vehicle and more than 200 appliances without obtaining board approval, establishing fair value, and consistently documenting the disposal. Management disregarded existing asset management policies, and the Authority lacked detailed operational procedures to implement its policies.

OIG recommended that HUD (1) ensure that the Authority develops and implements detailed operational procedures that fully implement its procurement and assets disposal policies; (2) require the Authority to provide justification for two awards given to the highest bidder or refund HUD; and (3) take appropriate administrative actions, up to and including debarment, against an Authority board member for her part in the procurement violations identified. (Audit Report: **2011-KC-1004**)



HUD OIG audited HUD's controls over PHAs' reporting and accounting for pension and other postemployment benefit obligations to determine whether HUD verified that PHAs (1) submitted independent public accountant reports that complied with HUD and Governmental Accounting Standards Board requirements when reporting on accrued pension liability and other postemployment benefit obligations, (2) properly reported supporting information for their computations of the pension and other postemployment liability costs, and (3) reported that they set aside the necessary amount of monetary assets to meet their accrued pension and other postemployment benefit obligations.

HUD had procedures to generally ensure that PHAs properly reported and accounted for pension and other postemployment liabilities and reported that they reserved sufficient funds to cover these costs. Specifically, HUD (1) reasonably verified that PHAs submitted financial data schedules and independent public accountant reports that generally complied with HUD and Governmental Accounting Standards Board



requirements when reporting on accrued pension liabilities and other postemployment benefit obligations and (2) generally verified that PHAs properly reported supporting information for their computations of pension and other postemployment liability costs. However, improvements could be made in the financial reporting process.

OIG recommended that HUD require PHAs to report more information on pension and other postemployment benefit obligations by prescribing a contra-asset line item in the restricted monetary asset section of its financial data schedule template where PHAs can report amounts (such as contributions, earmarks, forfeitures, etc.) that they will use to pay their future pension and other postemployment benefit obligations. (Audit Report: **2011-NY-0002**)



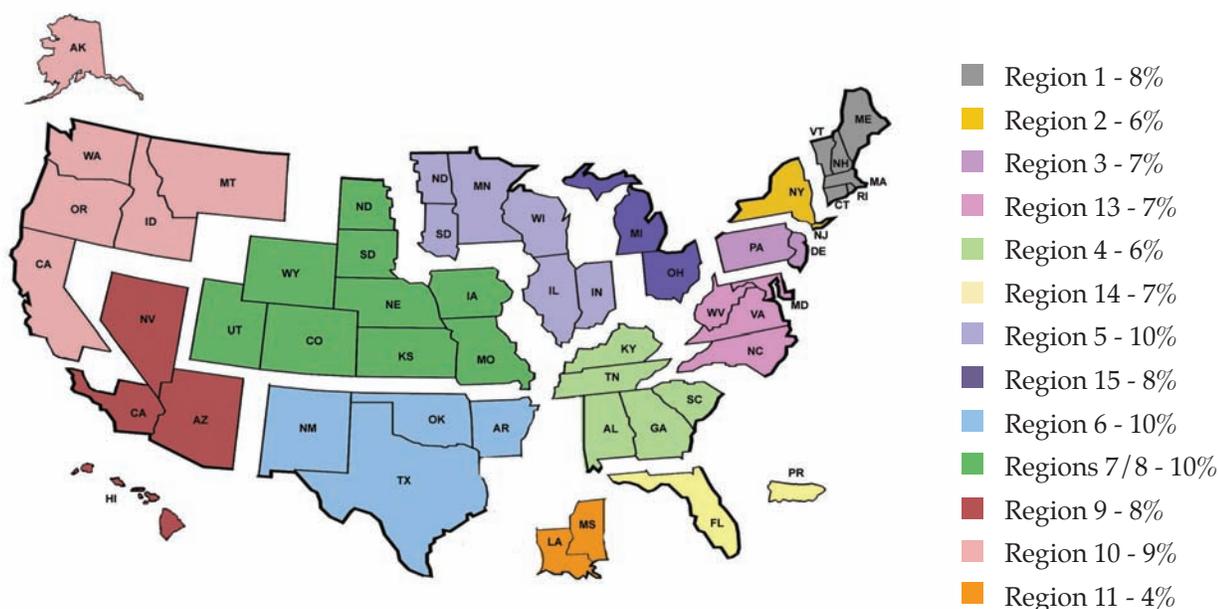
Investigations

Some investigations discussed in this report were generated from leads provided by HUD public and Indian housing program staff and conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	259	\$8,852,181	283	294
Our focus	Page 34	• Public housing agency theft/embezzlement		
	Page 34	• Rental assistance fraud		
	Page 35	• FedRent Initiative		
	Page 35	• Fugitive Felon Initiative		
	Page 36	• Civil and administrative actions		
	Page 37	• Other fraud/crimes		

Chart 2.2: Percentage of OIG public and Indian housing closed investigation cases during this reporting period



Public Housing Agency Theft/Embezzlement

Darlene McDaniel, the former Thomaston Housing Authority (Thomaston) assistant executive director, and Thomaston contractor Lance McDaniel were each convicted in U.S. District Court, **Macon, GA**, of committing a conspiracy. From October 2009 to July 2010, Darlene and Lance McDaniel and other individuals conspired, created a fictitious company, and fraudulently obtained about \$137,000 in Thomaston funds.



Kerri Bizzell, a former Philadelphia Housing Authority (Philadelphia) contracting officer, pled guilty in U.S. District Court, **Philadelphia, PA**, to committing extortion and obstruction of justice. From December 2007 to May 2008, Bizzell solicited and accepted about \$25,000 in kickbacks from Philadelphia contractors in exchange for housing authority contracts.



Tim Kraus, the former Marshfield Community Development Authority (Marshfield) executive director, was sentenced in U.S. District Court, **Madison, WI**, to 3 months incarceration and 12 months supervised release and ordered to pay Marshfield \$9,921 in restitution for his earlier guilty plea to committing theft from a program receiving Federal funds. From July 2008 to June 2009, Kraus increased his salary without authorization, used Marshfield funds for unauthorized expenditures, and obtained and used a Marshfield credit card for personal purchases.



Edward Washburn, the former Cheyenne River Housing Authority (Cheyenne River) director of modernization, was sentenced in U.S. District Court, **Pierre, SD**, to 1 year and 1 day incarceration and 3 years supervised release, ordered to pay Cheyenne River \$7,500 in restitution, and fined \$10,800 for his earlier guilty plea to corruptly accepting a thing of value and being influenced in a transaction involving Federal program funds. From September 2005 to October 2008, Washburn accepted more than \$7,500 in kickbacks from a Cheyenne River contractor in exchange for housing authority contracts.



George Robinson, the former Havre De Grace Housing Authority (Havre De Grace) executive director, was sentenced in U.S. District Court, **Baltimore, MD**, to 6 months home detention and 3 years supervised probation and fined \$1,200 for his earlier guilty plea to committing bribery. In May 2009, Robinson accepted \$1,200 in cash from a Havre De Grace employee in exchange for future housing authority contracts.

Rental Assistance Fraud

Ernestina Marimon, a New York City Housing Authority (New York City) public housing tenant, New York City Housing Preservation and Development Housing Choice Voucher program participant, and Section 8 tenant through a number of HUD-subsidized multifamily housing developments, pled guilty in U.S. District Court, **Manhattan, NY**, to making false statements and committing theft of government funds. In addition, New York City housing recipients Ana Contreras, Yolanda Cuadrado, and Julienne Sialeu were collectively sentenced to 3 months incarceration, 6 months home detention, and 36 months supervised release and ordered to pay New York City \$165,091 in restitution for their earlier conviction of or guilty pleas to committing theft of government funds or making false statements or transactions with HUD. Between July 2001 and December 2010, Marimon failed to report her nonresidency in four HUD-subsidized housing units, the

remaining defendants failed to report income or assets on housing certifications, and they collectively obtained more than \$345,091 in housing assistance they were not entitled to receive.

Eleven Palm Beach County, Boca Raton, Pahokee, and West Palm Beach Housing Authority or Florida Housing Finance Corporation housing recipients were collectively sentenced in Palm Beach County Circuit Court, **West Palm Beach, FL**, to 470 days incarceration and 288 months supervised release and ordered to pay HUD or the above housing authorities \$279,012 in restitution for their earlier guilty pleas to committing grand theft, forgery, or public assistance fraud. Between February 2006 and May 2011, the above defendants failed to report income or accurate household compositions on housing certifications and collectively obtained \$300,369 in housing assistance they were not entitled to receive.

Fed Rent Initiative

HUD's most recent study estimates the combined gross improper rental housing assistance payments to have been more than \$1 billion in fiscal year 2008. In an effort to combat administrative overpayments and tenant fraud, HUD and HUD OIG commenced "Operation FedRent," a joint effort to address rental assistance fraud involving Federal employees. Operation FedRent compares HUD tenant data to current and retired Federal employee information maintained by the U.S. Office of Personnel Management. After the data comparison, an income eligibility determination is made, and the Social Security numbers for family members 6 years of age and older are verified. If a discrepancy exists, an investigation is opened and appropriate administrative or legal actions are initiated to collect any overpaid housing assistance. Results of Operation FedRent during this semiannual reporting period are described below.



Denise Davis, a former Newark Housing Authority (Newark) Section 8 tenant and legal assistant for the U.S. Attorney's Office, was convicted in U.S. District Court, **Newark, NJ**, of making false statements to HUD and committing theft of HUD funds. In addition, former Newark Section 8 tenant and U.S. Postal Service employee Violet Berry-Simmons was sentenced to 24 months probation and ordered to pay HUD \$27,288 in restitution for her earlier guilty plea to committing theft of government funds. Between July 2003 and April 2007, Davis and Berry-Simmons failed to report income on housing certifications and together obtained about \$145,288 in housing assistance they were not entitled to receive.

Fugitive Felon Initiative

OIG supports a Fugitive Felon Initiative (FFI) by matching HUD housing assistance information with fugitive felon data from the National Crime Information Center. OIG special agents actively participate in a joint Federal, State, city, and county law enforcement effort to locate and apprehend fugitive felons wanted for violent crimes. Conducted in most major cities throughout the United States and its territories, this initiative places a strong emphasis on apprehending fugitive felons involved in gangs, homicides, sexual assaults, or crimes against the elderly and children. Since the inception of the initiative, OIG has opened and closed hundreds of cases, resulting in more than 8,847 arrests. OIG strongly supports this joint effort to make HUD public and assisted housing safe places for families to live. Below are examples of FFI efforts.



Seventeen Muskegon, Grand Rapids, Ann Arbor, Pontiac, Jackson, or Detroit Housing Commission or Michigan State Housing Development Authority housing recipients or unauthorized residents were arrested in **Muskegon, Grand Rapids, Ann Arbor, Lincoln Park, Jackson, or Detroit, MI**, on outstanding State warrants for allegedly making false pretenses; failing to appear; committing kidnapping, assault and

battery, child neglect, welfare or unemployment fraud, or parole or probation violations; or manufacturing or delivering illegal substances.



Ten Cuyahoga Metropolitan Housing Authority housing recipients and one unauthorized resident were arrested in **Cleveland, OH**, on outstanding State warrants for allegedly committing larceny, kidnapping, rape, or probation violations; possessing dangerous drugs; or failing to appear.

Civil and Administrative Actions

Doris Abeyta, the former Alamosa Housing Authority (Alamosa) executive director who previously pled guilty in U.S. District Court, **Denver, CO**, to committing embezzlement and money laundering, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 5 years. Between 1998 and 2006, Abeyta and other individuals embezzled more than \$1.3 million in Alamosa funds when they generated or negotiated unauthorized housing authority checks.



David Ford, the former Ripley Housing Authority (Ripley) executive director who was previously charged in U.S. District Court, **Memphis, TN**, with allegedly committing theft from a program receiving Federal funds and money laundering, was suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment actions. Between January 2009 and March 2010, Ford allegedly embezzled and personally used more than \$250,000 in Ripley funds.



Tracey White-Jenkins, the former Irvington Housing Authority (Irvington) Section 8 director who was previously sentenced in U.S. District Court, **Newark, NJ**, for her earlier guilty plea to committing theft of government funds and submitting a false Federal income tax return, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 36 months. From November 2003 to May 2007, White-Jenkins fraudulently obtained, deposited, and personally used \$106,376 in Irvington housing assistance payments.



Sonny Vo, a former Norwood Housing Authority Section 8 landlord who previously pled guilty in U.S. District Court, **Boston, MA**, to committing mail fraud, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. From August 2001 to September 2008, Vo failed to report his residency in his subsidized housing unit and obtained \$104,496 in housing assistance he was not entitled to receive.



Rosilyn Brown, the former executive director of the Narragansett Indian Wetuomuck Housing Authority (Wetuomuck) who was previously charged in U.S. District Court, **Providence, RI**, with allegedly committing theft from a program receiving Federal funds, was suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the

outcome of criminal proceedings or any related debarment actions. From October 2008 to June 2009, Brown allegedly embezzled and personally used more than \$100,000 in Wetuomuck funds.



Ann Jefferson, the South Delta Regional Housing Authority (South Delta) executive director who was previously charged in U.S. District Court, **Oxford, MS**, with allegedly committing theft of government funds, making false statements, and tampering with or retaliating against a government witness, was suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment actions. From June 2010 to January 2011, Jefferson allegedly retaliated against three government witnesses who were cooperating in an ongoing investigation involving South Delta.

Other Fraud/Crimes

Niasha King, a St. John the Baptist Parish Housing Authority (St. John) public housing tenant, pled guilty in U.S. District Court, **New Orleans, LA**, to committing wire fraud. In addition, Lester Gardner, Jr., and Orlando Brown were collectively sentenced to 75 months incarceration and 3 years probation and ordered to pay St. John \$864,651 and Union National Insurance Company \$297,345 in restitution for their earlier guilty pleas to committing wire fraud or aiding and abetting. The above individuals set fire to King's and other St. John housing units. HUD realized losses of about \$573,480.



Ernesto Casanova-Casanova, a former Puerto Rico Public Housing Administration (Puerto Rico) public housing tenant, pled guilty in U.S. District Court, **San Juan, PR**, to committing a conspiracy to interfere with commerce by threats or violence and a conspiracy to distribute narcotic controlled substances. From July 2006 to January 2009, Casanova-Casanova and other individuals conspired and extorted about \$118,000 from North Constructors Group, Inc., a Puerto Rico Housing contractor.



Nicole Hathaway, also known as Nicole Jones, a former loan officer doing business as Mortgage Solutions II, LLC, pled guilty in U.S. District Court, **Richmond, VA**, to committing mail fraud. In addition, Jodi Robinson, a former Richmond Redevelopment and Housing Authority (Richmond) and Central Virginia Resource Corporation (Central Virginia) Housing Choice Voucher program landlord and real estate agent, was sentenced to 51 months incarceration and 5 years supervised release and ordered to pay HUD \$105,047 and a number of financial institutions more than \$1 million in restitution for her earlier guilty plea to committing mail fraud. Between 2006 and 2010, Hathaway provided false documents or downpayment funds used by Robinson, who fraudulently obtained conventional mortgages for six properties she placed into the Richmond and Central Virginia Housing Choice Voucher programs. HUD realized losses of \$105,000.



Kim McAfee, a Washington Park, IL, police department detective and the owner of KLM Security Services, an East St. Louis Housing Authority (East St. Louis) contractor, pled guilty in U.S. District Court, **East St. Louis, IL**, to making false statements and committing mail and wire fraud. In February 2011, McAfee caused the submission of false documents to East St. Louis that fraudulently claimed the payment of \$67,000 in retroactive pay for KLM employees.





Jerry Patton, a former Chicago Housing Authority (Chicago) Section 8 landlord, and Lashaun Dumas were collectively sentenced in U.S. District Court, **Chicago, IL**, to 12 months incarceration and 48 months probation and ordered to perform 500 hours of community service and pay HUD \$20,804 and Deutsche Bank \$40,184 in restitution for their earlier guilty pleas to committing wire fraud or theft of government funds. From December 2004 to June 2005, Patton and Dumas provided false information and fraudulent documents to obtain one FHA-insured and three conventional mortgages. In addition, Patton falsified property ownership documents, placed this property into the Chicago Section 8 program, and fraudulently obtained \$20,804 in housing assistance payments he was not entitled to receive.



Joshua Easter was sentenced in U.S. District Court, **Gulfport, MS**, to 84 months incarceration and 5 years supervised release and ordered to pay Mississippi Regional Housing Authority VIII (Mississippi Regional) \$6,380 in restitution for his earlier guilty plea to committing arson. In November and December 2010, Easter set fire to two Mississippi Regional buildings.



Chapter 3 - Multifamily Housing Programs



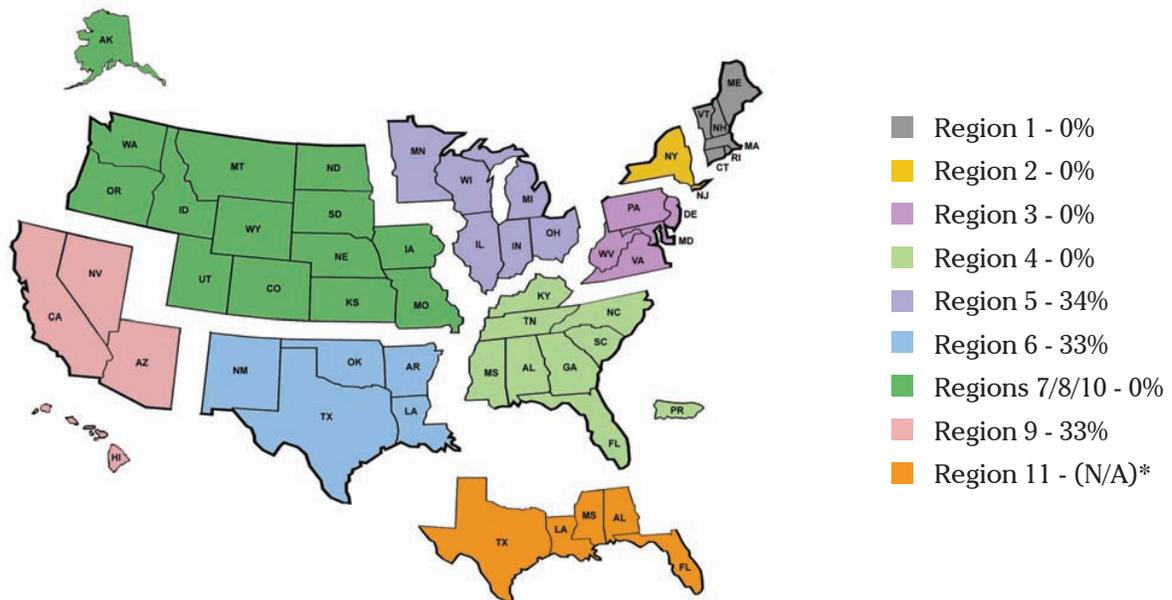
In addition to multifamily housing developments with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages, the Department owns multifamily projects acquired through defaulted mortgages, subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly and handicapped.

Audit

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results		Questioned costs	Funds put to better use
Audit	3 audits*	\$1.8 million	---
Our focus	Page 41	<ul style="list-style-type: none"> • HUD’s multifamily housing subsidy payment review process 	
	Page 41	<ul style="list-style-type: none"> • Review of HUD’s Section 232 program 	
	Page 42	<ul style="list-style-type: none"> • Owner and management agent operations 	

Chart 3.1: Percentage of OIG multifamily housing audit reports during this reporting period



* This does not include disaster relief audits. See chapter 6 for these reviews.

HUD's Multifamily Housing Subsidy Payment Review Process

HUD's Office of Inspector General (OIG) audited HUD's multifamily housing subsidy payment review process to determine whether HUD had adequate controls over the process.

HUD's oversight of its multifamily housing subsidy payment review process needs improvement. Specifically, the review and processing of HUD's multifamily housing subsidy payments relating to the vouchers that exceeded the threshold amount, were submitted manually, or were submitted at least 1 year later than the voucher date were inadequate. HUD did not comply with its written voucher review procedures. Of the 85 vouchers reviewed, the required information was not present in the system to support nearly \$589,000 of the more than \$1.2 million in housing assistance payments for 30 vouchers. In addition, more than \$28.5 million was provided for 12 vouchers that were not in HUD's Tenant Rental Assistance Certification System and lacked a valid waiver for not being in the system, and a review of these vouchers was not conducted as required by HUD's regulations.

As of May 13, 2010, HUD had paid 106 vouchers for contracts administered by traditional contract administrators that totaled more than \$2.5 million in housing assistance for the period October 1, 2008, through November 30, 2009, without conducting a review as required by its system. In addition, based on the review of four vouchers for contracts administered by performance-based contract administrators, all four vouchers did not have the required information in the system to support more than \$131,000 in housing assistance payments.

The system generated an incorrect message requiring a review of the vouchers by HUD for contracts administered by performance-based contract administrators. As of January 27, 2010, 1,472 vouchers for the period October 1, 2008, through November 30, 2009, had been identified by the system as requiring a review by HUD. Also, the system did not select nine vouchers for which the voucher amount exceeded the contract's threshold amount, contrary to the voucher selection process. Further, staff other than voucher specialists released payments on 34 vouchers for contracts administered by traditional contract administrators without a review. As a result, HUD lacked assurance that housing assistance payments totaling nearly \$78,000 were provided in accordance with its regulations.

OIG recommended that HUD (1) require the property owners or contract administrators to correct deficiencies identified or offset subsidy payments totaling more than \$830,000 and (2) implement adequate procedures and controls to address the findings cited to correct an error in voucher processing at the rate of 26.8 percent, or 1,054 of 3,932 vouchers. (Audit Report: **2011-CH-0002**)

Review of HUD's Section 232 Program

HUD OIG audited HUD's Section 232 program to determine whether HUD had implemented adequate controls to properly monitor Section 232-insured mortgages.

HUD had taken steps to strengthen the Section 232 program by implementing new monitoring controls. However, additional steps can be taken to strengthen the controls, which were sometimes inconsistent or vague, and ensure that punch lists are followed. Further, HUD could place a higher priority on enforcing regulatory issues. By increasing these controls, it will more effectively monitor the program and be aware of ongoing regulatory violations, which increase the likelihood of undetected program fraud, waste, and abuse at its at-risk properties.

OIG recommended that HUD develop and implement additional policies and procedures to strengthen controls and detect, correct, and prevent regulatory violations. (Audit Report: **2011-FW-0002**)

Owner and Management Agent Operations

HUD OIG reviewed the books and records of Saint Timothy's Tower, a 114-unit HUD-insured (Section 236) Section 8 multifamily project in **Compton, CA**, consisting of 1 high-rise elevator building, to determine whether the project was administered in accordance with HUD rules and regulations. Specifically, OIG wanted to determine whether project funds were used for eligible purposes and whether the project was decent, safe, sanitary, and in good repair.

The owner-agent improperly used or lacked supporting documentation for the use of more than \$286,000 in project funds. It inappropriately used more than \$154,000 in project funds for nonproject (ineligible) purposes in violation of its regulatory agreement. The ineligible uses included nearly \$95,000 for senior enrichment; nearly \$31,000 for a vacant lot; and more than \$9,000 for lobbying, donations, and entertainment. Additional improper uses consisted of more than \$8,000 paid to a resident to assist management in providing ineligible senior enrichment activities and unauthorized loans of more than \$11,000. The owner also lacked documentation to support disbursements of more than \$95,000 in office salaries and nearly \$37,000 in bad debt expenses.

The owner's procurement activities were also not adequately supported in accordance with HUD requirements. As a result, the owner did not ensure that it obtained more than \$146,000 in goods and services at a reasonable cost and in accordance with HUD rules and regulations. In addition, the owner did not always ensure that the project was decent, safe, sanitary, and in good repair. The inspections revealed that the building and 18 of the 32 units inspected did not meet HUD's physical condition standards for HUD housing.

OIG recommended that HUD require the owner-agent to (1) repay the project operating account more than \$143,000 used for ineligible expenses from non-Federal sources; (2) support the bad debt expenses or repay the project's operating account from non-Federal sources; (3) discontinue the practice of using project operating funds to pay for payroll advances; and (4) establish and implement controls and procedures to ensure compliance with the regulatory agreement and other HUD requirements for documenting payroll, using payroll advances, and maintaining procurement documentation and to ensure that all units, common areas, and the emergency call system are decent, safe, sanitary, and in good repair. OIG also recommended that HUD perform a limited review of St. Timothy's Manor's ineligible senior enrichment expenses. (Audit Report: **2011-LA-1011**)



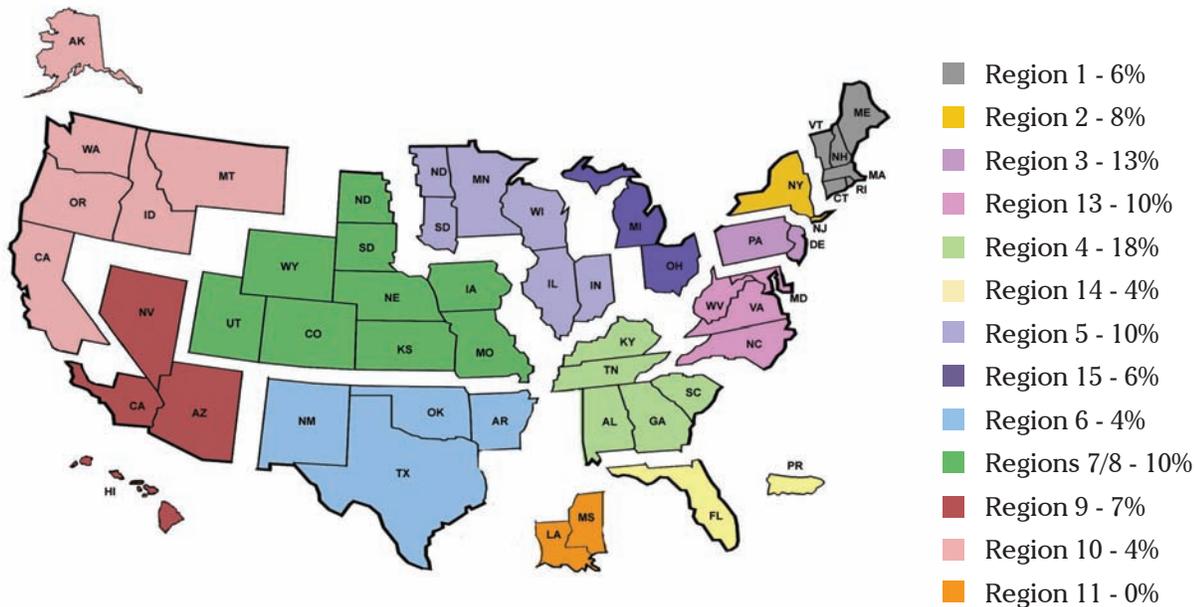
Investigations

Some investigations discussed in this report were generated from leads provided by HUD multifamily housing program staff and conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	52	\$2,550,745	60	43
Our focus	Page 44	• Theft/embezzlement		
	Page 44	• Rental assistance fraud		
	Page 45	• Other fraud/crimes		

Chart 3.2: Percentage of OIG multifamily housing closed investigation cases during this reporting period



Theft/Embezzlement

Danny Smith, an administrator for Hillcrest Hampton House, a HUD-subsidized multifamily housing development, pled guilty in U.S. District Court, **Orlando, FL**, to committing theft from a program receiving Federal funds. From November 2003 to March 2008, Smith fraudulently obtained, deposited, and personally used \$248,770 in tenant rents.



Wendy Barnett, an assistance manager for Vita Gardens, a HUD-subsidized multifamily housing development, was sentenced in New Jersey Superior Court, **Newark, NJ**, to 60 months probation and ordered to pay Bethel Non-Profit Housing Corporation \$45,473 in restitution for her earlier guilty plea to committing theft by deception and forgery. From December 2008 to October 2009, Barnett falsified payroll records, forged signatures on checks, and obtained and personally used \$45,473 in Vita Gardens operating funds.



Betty Jefferson, the former president of St. Stephen Manor, Inc. (St. Stephen), a HUD-subsidized multifamily housing development, was sentenced in U.S. District Court, **New Orleans, LA**, to 15 months home detention and 5 years probation and ordered to pay the State of Louisiana \$604,581 in restitution for her earlier guilty plea to committing a conspiracy to commit mail fraud, aggravated identity theft, money laundering, and Federal income tax evasion. In addition, former State representative and City of New Orleans councilwoman Renee Pratt was convicted of committing a conspiracy to violate the Racketeer Influenced and Corrupt Organizations Act. From 1999 to 2006, Jefferson, Pratt, and other individuals conspired, embezzled, and personally used about \$931,224 in Federal and State funds, including \$9,230 in HUD housing assistance payments.



Joseph Driscoll, the maintenance director for ARCO Management, a former HUD management contractor who previously oversaw the management and maintenance of HUD-owned multifamily housing developments, was sentenced in U.S. District Court, **Manhattan, NY**, to 24 months supervised release and fined \$20,000 for his earlier guilty plea to making false transactions with HUD. In May and June 2000, Driscoll created false bids that enabled another contractor to receive a HUD contract, and in return, the contractor fraudulently subcontracted work to a company owned and controlled by Driscoll.

Rental Assistance Fraud

Bethel Wooten, a former Section 8 tenant at Academy Square Apartments, a HUD-subsidized multifamily housing development, was sentenced in Cook County Circuit Court, **Chicago, IL**, to 6 months incarceration and 3 years probation and ordered to pay HUD \$124,000 in restitution for her earlier guilty plea to committing theft. Between 2001 and 2009, Wooten failed to report income on housing certifications and obtained \$124,000 in housing assistance she was not entitled to receive.



**Judge lets
Jefferson
avoid prison**

She gets house arrest, probation

By Frank Donze
Staff writer

Betty Jefferson, the former New Orleans assessor who confessed to running a scam that looted more than \$1 million in taxpayer funds from sham charities that purported to help the poor and disadvantaged, escaped jail time Wednesday when a federal judge sentenced her to 15 months of home confinement.

U.S. District Judge Ivan Lemelle, who also placed Jefferson on five years of probation, said he considered both her decision to testify for the government and her role as caretaker for her gravely ill daughter in deciding on the punishment.



MICHAEL DEMOCKER / THE TIMES-PICAYUNE
Lawyer Eddie Castaing leads Betty Jefferson into federal court to be sentenced on Wednesday.

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Jessica Almanzar, a former Section 8 tenant at Andrews Plaza Housing Association, a HUD-subsidized multifamily housing development, was sentenced in U.S. District Court, **Manhattan, NY**, to 6 months home confinement and 4 years probation and ordered to pay HUD \$50,582 in restitution for her earlier guilty plea to committing theft of government funds. From February 2006 to October 2010, Almanzar failed to report income on housing certifications and obtained \$50,582 in housing assistance she was not entitled to receive.



John Martinez, a former unauthorized tenant at San Juan Del Centro Apartments (San Juan), a HUD-subsidized multifamily housing development, was sentenced in Boulder District Court, **Boulder, CO**, to 12 months work release and 5 years probation and ordered to pay San Juan \$43,886 in restitution for his earlier conviction of committing theft and forgery and obtaining a signature by deception. From January 2000 to March 2010, Martinez duped a mentally challenged individual into claiming residency and providing annual housing certifications for a subsidized housing unit, but Martinez resided in the subsidized housing unit and fraudulently obtained \$43,886 in housing assistance he was not entitled to receive.

Other Fraud/Crimes

Jack Oliver and Megan Duckers, doing business as Metro Management, and Metro Management, entered into a civil settlement filed in U.S. District Court, **Kansas City, MO**, and agreed to pay the U.S. Department of Justice \$30,000. From January 2001 to January 2004, Oliver, Duckers, and Metro Management allegedly made unauthorized withdrawals from accounts related to Freedom House I, Freedom House II, and Hyde Park Apartments, HUD-insured multifamily properties.



Chapter 4 - Community Planning and Development Programs



The Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted a number of outreach efforts (see chapter 8, page 113).

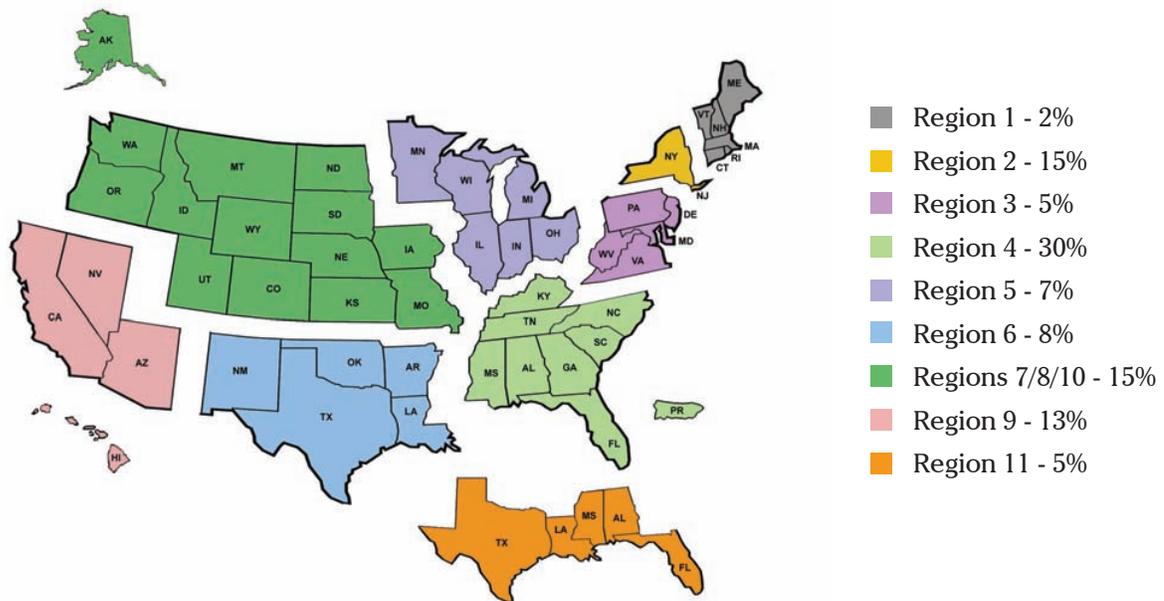
Audit

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	40 audits*	\$56.4 million	\$29.5 million
Our focus	Page 49 Page 49 Page 52 Page 53	<ul style="list-style-type: none"> Community Development Block Grant programs HOME Investment Partnerships Program Neighborhood Stabilization Program Supportive Housing Program and Housing Opportunities for Persons With AIDS 	

* The total CPD audits, questioned costs, and funds put to better use amounts include any American Recovery and Reinvestment Act of 2009 (29 audits) and disaster recovery (1 audit) type audits conducted in the CPD area. The writeups for these audits are shown separately in chapters 5 and 6 of this semiannual report.

Chart 4.1: Percentage of OIG community planning and development audit reports during this reporting period





HUD OIG audited the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships Program (HOME), the Neighborhood Stabilization Program (NSP), the Supportive Housing Program (SHP), and Housing Opportunities for Persons With AIDS (HOPWA). While OIG's objectives varied by auditee, the majority of the reviews were to determine whether the grant funds were administered for eligible activities and that the auditee met program objectives. The following section illustrates the audits conducted in the CPD area.

Community Development Block Grant Programs

HUD OIG audited the operations of the City of **Buffalo, NY**, pertaining to its administration of its CDBG program and found that the City did not always follow applicable HUD regulations in its administration of the program. In addition, it did not always ensure that CDBG funds were expended for eligible activities that met a national objective of the program. Specifically, the City (1) disbursed CDBG funds for questionable street improvement expenditures, (2) did not adequately monitor its subrecipient-administered economic development program, and (3) charged ineligible and unsupported costs for clean and seal program activities to the CDBG program. As a result, program funds were used for ineligible and unsupported expenses, and the City's ability to administer its CDBG program effectively and efficiently and ensure that the program's objectives were met was diminished. Consequently, the City was not able to demonstrate that it made the best use of CDBG funds to meet the community's needs.

OIG recommended that HUD instruct the City to (1) reimburse from non-Federal funds more than \$467,000 for ineligible costs pertaining to street improvement projects not completed and clean and seal code enforcement; (2) provide documentation to justify the more than \$22.8 million in unsupported costs for previously incurred general City maintenance expenses, transactions charged to the CDBG program income account, and unsupported clean and seal program costs; (3) reprogram the more than \$4.7 million in remaining economic development project funds, if there is a lack of capacity, to ensure that these funds are put to better use for other eligible program activities; and (4) ensure that more than \$744,000 in fiscal year 2010 clean and seal program funds will be put to better use by developing administrative control procedures that will ensure compliance with CDBG program requirements. Any costs determined to be ineligible should be reimbursed from non-Federal funds.

Further, OIG recommended that HUD require the City to stop incurring costs or reimbursing itself for costs paid from the City's municipal general expense account for public facilities, economic development, and clean and seal activities until HUD determines that the City has the capacity to carry out these activities in compliance with HUD regulations. (Audit Report: **2011-NY-1010**)

HOME Investment Partnerships Program

HUD OIG audited the Municipality of **San Juan, PR**'s HOME program and found that the Municipality disbursed more than \$3.48 million for four activities that showed signs of slow progress without assurance that the activities would generate the intended benefits. In addition, it failed to ensure that more than \$2.49 million of a community housing development organization's (CHDO) proceeds was used for housing efforts. The Municipality also disbursed more than \$766,000 for two activities that were not carried out and failed to reprogram more than \$1.14 million in unexpended HOME funds for these terminated activities. As a result, HUD had no assurance that funds were used solely for eligible purposes and that HOME program objectives were met.

The Municipality's financial management system did not support the eligibility of more than \$2.3 million in disbursements and allowed the use of more than \$2.2 million for ineligible expenditures. In addition, the Municipality failed to disburse more than \$2.8 million in HOME funds in a timely manner and did not

account for nearly \$15,000 in HOME receipts. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes and in accordance with HUD requirements.

The Municipality did not monitor the accuracy of commitments and other information reported in HUD's Integrated Disbursement and Information System (IDIS). It reported to HUD more than \$8.7 million in HOME commitments without executing written agreements and failed to reprogram and put to better use more than \$1.6 million in unexpended HOME funds associated with terminated activities or for which additional disbursements were no longer needed. In addition, it provided inaccurate information on the amount of program income generated, amount of funding awarded, and program accomplishments. As a result, HUD had no assurance that the Municipality met HOME objectives, commitments, and disbursement requirements.

OIG recommended that HUD determine the eligibility of more than \$4.8 million disbursed from HOME funds on activities that showed signs of slow progress and for unsupported program costs. HUD should require the Municipality to reimburse the HOME program more than \$3 million for ineligible project costs and activities that failed to meet program objectives. HUD should also require the Municipality to recapture or reprogram and put to better use more than \$11.3 million in unexpended obligated funds, overstated commitments, and unexpended HOME funds maintained in its local bank account.

OIG also recommended that HUD require the Municipality to develop and implement an internal control plan to ensure that (1) its HOME-funded activities meet the program objectives, (2) its HOME program has a financial management system that complies with HUD requirements, and (3) the program has controls and procedures which ensure that HOME requirements are followed and accurate information is reported to HUD. In addition, HUD should reassess the Municipality's annual commitment compliance and recapture any amounts that have not been committed within HUD-established timeframes. (Audit Report: **2011-AT-1018**)



HUD OIG audited the Municipality of **Mayaguez, PR**'s HOME program and found that the Municipality disbursed more than \$4.4 million for two activities that did not meet HOME program objectives and more than \$2.8 million for an additional activity for which it could not support its compliance with HOME program objectives. As a result, HUD had no assurance that funds were used solely for eligible purposes and that HOME program objectives were met. Further, the Municipality's financial management system did not support the eligibility of \$1.5 million in disbursements and did not account for more than \$23,000 in HOME receipts. In addition, the Municipality failed to disburse HOME funds in a timely manner and provided HUD with inaccurate information. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes.

OIG recommended that HUD require the Municipality to (1) repay more than \$4.7 million for ineligible expenditures that did not result in benefits to the HOME program, (2) provide supporting documentation to demonstrate the allocability and eligibility of more than \$2.5 million in disbursements, (3) reprogram and put to better use more than \$900,000 in unexpended funds for an activity that did not meet HOME program objectives, and (4) develop and implement an internal control plan to ensure that the HOME program has a financial management system that complies with HUD requirements and controls and procedures which ensure that HOME requirements are followed and accurate information is reported to HUD. (Audit Report: **2011-AT-1006**)



HUD OIG audited the HOME program of the Idaho Housing and Finance Association in **Boise, ID**, and found that Idaho Housing did not always comply with HOME project and cost eligibility requirements. Specifically, it (1) did not always inspect acquisition and acquisition with rehabilitation projects for compliance with property standards and (2) disbursed HOME funds to borrowers for ineligible and unsupported costs.

OIG recommended that HUD require Idaho Housing to perform or procure independent inspections for property standards requirements and require owners to make necessary repairs. If repairs are not made within a reasonable time, Idaho Housing should be required to reimburse its HOME trust fund from non-Federal funds for the more than \$2.6 million expended on these projects. In addition, Idaho Housing should be required to (1) reimburse its HOME trust fund from non-Federal funds for about \$58,000 expended on ineligible costs, (2) provide supporting documentation for any portion of nearly \$400,000 in expenditures which it cannot support as being eligible, (3) implement effective policies and procedures, and (4) receive technical assistance from HUD. (Audit Report: **2011-SE-1008**)



HUD OIG audited the City of **Compton, CA**'s HOME program and found that the City and its subrecipient did not properly administer the program in accordance with HUD requirements. Required completion data were not always entered to close out funded activities, and appropriate source documentation had not been maintained to support activity costs or salary and wages charges. In addition, home-buyer eligibility was not correctly determined, and HOME affordability requirements were not always maintained. Also, HOME funds were not always used within the required timeframe, and program income was not always appropriately processed to ensure compliance with HOME requirements.

OIG recommended that HUD require the City to support or repay more than \$2.2 million in HOME withdrawals for unsupported activity expenditures, salaries, and wages. The City should also repay more than \$193,000 for two home buyers who were ineligible to receive assistance, \$100,000 in HOME funds used for a property that did not maintain affordability standards, and more than \$72,000 that was drawn for a cancelled activity. Policies and procedures should be established or revised as necessary for the administration of the program, and the City should implement regular monitoring of its subrecipient. (Audit Report: **2011-LA-1016**)



HUD OIG audited the City of **Cleveland, OH**'s HOME program and found that the City did not comply with HUD's requirements in its use of HOME funds to provide interest-free second mortgage loans to home buyers through its Housing Trust Fund program and its use of recapture provisions for activities. It (1) provided assistance for an ineligible activity, (2) lacked sufficient documentation to support that activities were eligible, (3) did not implement appropriate recapture provisions for all of the activities reviewed, and (4) did not ensure that its program was reimbursed for HOME funds used to assist a home buyer in purchasing a home that was later sold through a sheriff's sale and ownership of the home had been transferred. As a result, it inappropriately provided \$20,000 in HOME funds to assist a household that was not income eligible and was unable to support its use of \$795,000 in HOME funds. Further, its program was not reimbursed for \$20,000 in HOME funds used for a home that was sold through a sheriff's sale and ownership of the home had been transferred. In addition, the City is at risk of being required to reimburse its program additional non-Federal funds if the ownership of additional homes acquired under its Housing Trust Fund program is transferred through foreclosures.

OIG recommended that HUD require the City to (1) reimburse its program from non-Federal funds for the HOME funds inappropriately used to assist an activity, (2) provide supporting documentation or

reimburse its program \$775,000 from non-Federal funds, (3) reimburse its program from non-Federal funds for the home that had been sold through a sheriff's sale and ownership of the home had been transferred, and (4) implement adequate procedures and controls to address the findings identified. (Audit Report: **2011-CH-1014**)



HUD OIG audited the HOME program of East Orange Revitalization and Development Corporation in **East Orange, NJ**, and found that Corporation officials did not always comply with program requirements and applicable Federal regulations. Specifically, they (1) did not repay the City of East Orange's HOME program nearly \$38,000 in principal and accumulated interest for an overdue predevelopment loan and (2) expended more than \$737,000 in HOME grants without maintaining adequate and complete documents to ensure their compliance with program requirements and applicable Federal regulations.

OIG recommended that HUD instruct the City to (1) direct the Corporation to repay to the City's HOME program a total of nearly \$38,000 in principal and accumulated interest for an overdue predevelopment loan, (2) direct the Corporation to provide documents to support its compliance with HOME program requirements and applicable Federal regulations or reimburse the City's HOME program more than \$737,000, (3) obtain and review documents associated with the Corporation's qualifications to determine whether it is qualified to be designated as a CHDO, and (4) direct the Corporation to establish and implement internal controls that will ensure compliance with HOME program requirements and applicable Federal regulations. (Audit Report: **2011-NY-1009**)



HUD OIG audited the City of **East Orange, NJ**'s compliance with the HOME program in regard to the eligibility of an awarded capacity-building grant and developer fees awarded to the East Orange Revitalization and Development Corporation.

The City did not always comply with HOME program requirements, Federal regulations, and HOME grant agreements. Specifically, City officials authorized the Corporation to use HOME funds for (1) an ineligible capacity-building grant and (2) developer fees in excess of limits imposed by a HOME grant agreement between the City and the Corporation.

OIG recommended that HUD instruct the City to (1) reimburse the HOME program's line of credit more than \$185,000 from non-Federal funds for the disbursed portion of the capacity-building grant that should not have been awarded to the Corporation; (2) reprogram nearly \$15,000 associated with the undisbursed portion of the capacity-building grant to other eligible HOME program activities; (3) reimburse the HOME program's line of credit nearly \$95,000 from non-Federal funds for the disbursed portion of the excessive developer fees; (4) reprogram nearly \$37,000 associated with the undisbursed portion of the excessive developer fees; and (5) establish and implement procedures to ensure that City officials comply with HOME program requirements, Federal regulations, and contractual agreements. (Audit Report: **2011-NY-1801**)

Neighborhood Stabilization Program

HUD OIG audited the NSP administered by the City of **Miami Gardens, FL**, to determine whether the City administered its program in accordance with applicable HUD requirements. Specifically, OIG wanted to determine whether (1) expenditures were allowable and (2) activities met the program's national objectives.

The City met the national objective when it sold the eight program properties reviewed to qualified



low-, moderate-, and middle-income persons. However, it did not adequately support salary expenditures allocated to the program. Without supporting documentation to substantiate that the salary allocations related to actual services performed by personnel, there was no assurance that the salary expenditures were accurate and program related. As a result, nearly \$427,000 allocated to the program for salaries was unsupported.

OIG recommended that HUD require the City to (1) provide supporting documentation or reimburse its program nearly \$427,000 for unsupported salary expenditures from non-Federal funds; (2) develop and implement a salary allocation method that complies with 2 CFR (Code of Federal Regulations) Part 225; and (3) develop, implement, and enforce written procedures for salary allocation among NSP and other Federal and non-Federal programs to include documentation requirements for its employees. (Audit Report: **2011-AT-1007**)

Supportive Housing Program and Housing Opportunities for Persons With AIDS

HUD OIG audited the SHP and HOPWA competitive grants awarded to Pioneer Civic Services, Inc., in **Peoria, IL**, to determine whether Pioneer effectively administered its SHP and HOPWA grants in accordance with HUD's and other Federal requirements.

Pioneer did not effectively administer its SHP and HOPWA grants in accordance with HUD's and other Federal requirements. Specifically, Pioneer did not ensure that (1) its housing units met HUD's habitability standards and local code and (2) Riverside Apartments, a single-room occupancy rooming house for chronically homeless persons with HIV-AIDS, and its four-unit apartment building (Perry Street) met Federal and State accessibility requirements. Although Pioneer generally provided services to program participants who were homeless with two exceptions, it inappropriately used funds from its SHP and HOPWA grants to pay ineligible and unsupported expenses. As a result, HUD lacked assurance that more than \$483,000 in funds from its SHP and HOPWA grants was used for eligible activities and to maintain its housing units in decent, safe, and sanitary condition.

OIG recommended that HUD require Pioneer to (1) certify that the applicable violations have been corrected for the 30 housing units cited; (2) reimburse HUD \$187,000 from non-Federal funds for the housing units that failed to meet HUD's habitability standards and local code; (3) implement adequate procedures and controls to ensure that all of its units meet local and HUD habitability standards to prevent funds from its SHP and HOPWA grants from being spent over the next year on units that do not comply with applicable requirements; (4) ensure that its inspector is properly trained on HUD's habitability standards and local code; (5) discontinue funding for the operation of Riverside Apartments until Pioneer submits written confirmation that the applicable accessibility code violations cited have been corrected; and (6) implement adequate procedures and controls to ensure that the Perry Street building, including the one accessible housing unit, complies with applicable accessibility requirements.

OIG also recommended that HUD require Pioneer to (1) provide documentation to support the eligibility of nearly \$94,000 in SHP and HOPWA grant expenditures and reimburse HUD nearly \$203,000 from non-Federal funds for ineligible expenses, (2) develop and implement adequate procedures and controls to ensure that funds from its SHP and HOPWA grants are only used for eligible activities, and (3) implement adequate procedures and controls to ensure that it serves participants who are eligible to receive SHP benefits. (Audit Report: **2011-CH-1017**)



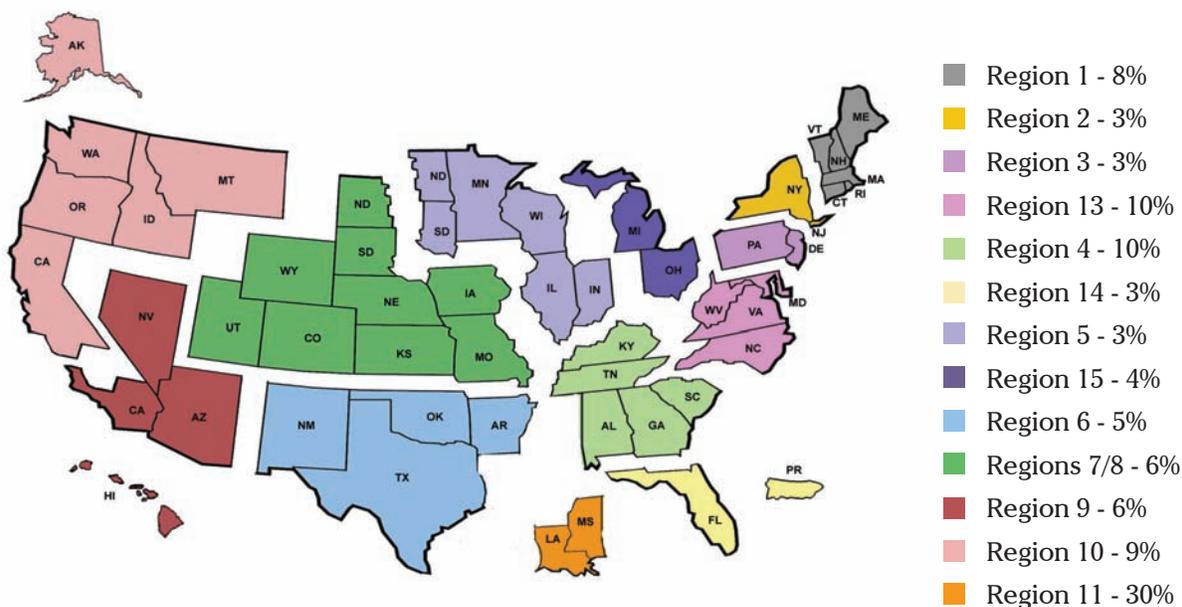
Investigations

Some investigations discussed in this report were generated from leads provided by HUD CPD program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	67	\$6,890,882	37	19
Our focus	Page 55	• Theft/embezzlement		
	Page 56	• Civil and administrative actions		
	Page 57	• Other fraud/crimes		

Chart 4.2: Percentage of OIG community planning and development closed investigation cases during this reporting period



Theft/Embezzlement

Belinda Exon, the former owner and escrow administrator for Rehab Financial Corporation, an organization that manages HUD CPD and CDBG funds for a number of California municipalities, was sentenced in U.S. District Court, **Los Angeles, CA**, to 37 months incarceration and 3 years probation and ordered to pay several California municipalities more than \$3.85 million in restitution for her earlier guilty plea to committing embezzlement of property from organizations that receive Federal funds. From September 2002 to October 2008, Exon diverted and used about \$3.9 million in HUD funds for personal investments.



Yvette Goodwin was sentenced in U.S. District Court, **Louisville, KY**, to 12 months and 1 day incarceration and 3 years probation and ordered to pay HUD \$831,752 in restitution for her earlier guilty plea to making false statements, committing a conspiracy, and obtaining kickbacks involving Federal funds. Between 2001 and 2005, Goodwin and other individuals conspired and assisted previously sentenced Henry Humphrey, the former executive officer for Shiloh Baptist Church Community Renewal Center, an organization that received HUD Economic Development Initiative grant funds, when he fraudulently used more than \$1.2 million in HUD funding.



Donald Miller, the president of Our Father's Arms, Inc., an organization that receives HUD Special Needs Assistance program funds, pled guilty in U.S. District Court, **Monroe, LA**, to committing theft. From 2003 to 2009, Miller fraudulently obtained and personally used \$130,000 in HUD funds.



Seth Butterfield, the former CDBG administrator for the City of Layton, UT, a municipality that receives HUD CDBG funds, pled guilty in U.S. District Court, **Salt Lake City, UT**, to committing a fraudulent transaction with HUD. Between October 2002 and July 2006, Butterfield, while employed as the Layton CDBG grant administrator, created a CHDO and became the CHDO executive director, awarded Layton CDBG contracts to fund the CHDO, and fraudulently obtained more than \$116,000 in salary payments as the executive director of the CHDO at the same time he received salary payments as the Layton CDBG administrator.



Ebony Nelson pled guilty in U.S. District Court, **New Orleans, LA**, to committing a conspiracy to steal government funds, and Sion Robert was sentenced to 3 years probation and ordered to pay HUD \$16,935 in restitution for her earlier guilty plea to committing a conspiracy to steal government funds. From July 2006 to July 2008, Nelson, Robert, and other individuals conspired and stole \$109,702 from House of Ruth, an organization that receives HUD SHP funds.



Shakib Deria and Tabitha Goodner, employees of Ferguson Enterprises, Inc., and Excel Construction, each pled guilty in U.S. District Court, **Detroit, MI**, to committing a conspiracy to structure financial transactions or misprision of a felony. Between May 2003 and September 2010, Deria, Goodner, and other individuals conspired, rigged bids, structured financial transactions, submitted false documents, and fraudulently obtained more than \$100,000 in HUD HOME and other program funds reserved for the rehabilitation of Gardenview Estates, a Detroit Housing Commission housing development.



Arthur Johnson, the director of East St. Louis Community Development (Community Development), an organization that receives HUD HOME and other program funds, pled guilty in U.S. District Court, **East St. Louis, IL**, to corruptly accepting something of value in connection with a program receiving Federal funds and committing wire fraud and aiding and abetting. From April 2009 to March 2010, Johnson accepted cash payments from Kully Construction, Inc. (Kully), and approved fraudulent Kully expenses associated with the building of Bowman Estates, a low-income housing development partially funded with Community Development funds, in exchange for future employment with Kully. HUD realized losses of about \$100,000.



Anthony Jones, a former City of Perth Amboy, NJ, employee, pled guilty in New Jersey Superior Court, **Trenton, NJ**, to falsifying or tampering with records. Jones conspired with previously charged Perth Amboy Mayor Joseph Vas to rig a Perth Amboy lottery drawing that fraudulently awarded Jones \$90,000 in HUD HOME program funds. HUD realized losses in excess of \$90,000.



Kimberly Schultz, a former director of Habitat for Humanity, an organization that receives HUD Self-Help Homeownership Opportunity and other program funds, was sentenced in Louisiana State Court, **Covington, LA**, to 96 months incarceration for her earlier guilty plea to committing theft. From June to November 2010, Schultz stole about \$75,000 in cash from the Habitat for Humanity Re-Store.



Gina Currena, a former employee of Tulane University Health Sciences Center (Tulane), an organization that receives HUD CDBG funds, was sentenced in Louisiana State Court, **New Orleans, LA**, to 6 months incarceration (suspended) and 6 months inactive probation and ordered to pay Tulane \$29,517 in restitution for her earlier guilty plea to committing theft. From January 2008 to October 2010, Currena used a HUD-funded Tulane credit card and embezzled \$29,517 in Tulane funds.



Janice Morelock, a HUD HOME program participant through the Atchison County Housing Authority, was sentenced in Atchison County District Court, **Atchison, KS**, to 12 months probation for her earlier guilty plea to presenting a false claim. In September 2006, Morelock provided false information and fraudulently obtained \$27,493 in HOME program funds.



Mona Odom, the owner of Lurn-n-Ern, an organization that received HUD HOPWA grant funds, pled guilty in U.S. District Court, **Washington, DC**, to making a false statement. Between July and October 2006, Odom created a fictitious employee, submitted a false invoice, and fraudulently obtained \$15,180 in HOPWA funds.

Civil and Administrative Actions

Josephine Moore, who previously pled guilty in U.S. District Court, **Rochester, NY**, to committing theft of government funds, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. Between March and October 2008, Moore provided false information when she applied for and obtained \$24,000 in HUD Community Block Lead Abatement Grant funds from the City of Rochester.



Brian Jeremiah, the former executive director of Shamokin Redevelopment Authority and clerk for the City of **Shamokin, PA**, who was previously sentenced in U.S. District Court, Williamsport, PA, for his earlier guilty plea to making fraudulent transactions with HUD, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 2 years. From 2006 to 2007, Jeremiah misapplied or fraudulently used City of Shamokin HOME program funds without authorization. HUD realized losses of \$8,100.



Mariano Vega, Jr., the former president of and councilman for Jersey City, NJ, who was previously sentenced in U.S. District Court, **Newark, NJ**, for his earlier guilty plea to committing a conspiracy to obstruct interstate commerce by extortion under color of official right, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 5 years. From March to August 2009, Vega obtained \$30,000 in bribes and illicit payments in exchange for his assistance in securing approvals for proposed real estate projects in Jersey City, NJ, a municipality that receives HUD CDBG funds.

Other Fraud/Crimes

Former property developer Travis Soule pled guilty in U.S. District Court, **Portland, ME**, to committing theft of government funds and submitting a false claim. Between June 2007 and May 2008, Soule submitted false documents and fraudulently obtained \$180,000 in HUD HOME program funds through the Lewiston Office of Economic and Community Development, a HUD-funded organization.



Malcolm Crawford, also known as Calvin Gamble, a former West Valley City Housing Authority (West Valley) HOPWA program recipient, was sentenced in U.S. District Court, **Salt Lake City, UT**, to 21 months incarceration and 36 months probation and ordered to pay West Valley, the Social Security Administration (SSA), and Utah Workforce Services \$181,658 in restitution for his earlier guilty plea to committing mail fraud. From August 1993 to July 2010, Crawford used a number of names and Social Security numbers belonging to other individuals, failed to report income on housing and other certifications, and fraudulently obtained \$21,884 in housing assistance and \$159,774 in SSA and other benefits he was not entitled to receive.



Timothy Ladika, a general contractor doing business as T.A. Ladika Construction, LLC, pled guilty in U.S. District Court, **Harrisburg, PA**, to committing theft of government funds. From July 2008 to October 2010, Ladika fraudulently obtained information on competing bids, was awarded HUD HOME program contracts without submitting proper bids, and obtained HOME program funds for fictitious projects or projects he failed to complete in exchange for kickbacks made to unnamed individuals. HUD realized losses of \$14,745.



Dennis Elwell, the former Mayor of the Town of Secaucus, NJ, a municipality that receives HUD CDBG funds, was convicted in U.S. District Court, **Newark, NJ**, of accepting a corrupt payment and acquitted of committing a conspiracy to commit extortion and attempted extortion under official color. In addition, Ronald Manzo, a business associate of Elwell, pled guilty to obstructing commerce by extortion under color of an official right. From February to August 2009, Manzo agreed to give cash payments and other



benefits to public officials and candidates for office in exchange for their support of an unnamed real estate developer, and on May 28, 2009, Elwell accepted a \$10,000 cash bribe in exchange for his assistance in securing approvals for proposed Secaucus, NJ, real estate projects.



Anthony Sharpe, a former HUD Real Estate Assessment Center inspector, former City of Detroit building inspector, and owner of Sharpe Environmental; former City of Detroit building inspector MoReno Taylor, doing business as Taylor Environmental Sampling & Testing; and Sharpe Environmental were collectively sentenced in U.S. District Court, **Detroit, MI**, to 18 months incarceration, 4 months home detention, and 7 years probation; ordered to pay Wayne Metropolitan Action Committee (Wayne Metropolitan) \$1,600 in restitution; and fined \$5,000 for their earlier guilty pleas to committing mail fraud or making false statements. From 2004 to 2007, Sharpe and Sharpe Environmental provided false residential lead inspection reports for Wayne Metropolitan, an organization that receives HUD CDBG funding. In addition, Sharpe, Taylor, and Sharpe Environmental created false lead inspection records for 11 HUD-subsidized multifamily housing developments located in Cincinnati, OH, and Detroit, MI.





Inspections and Evaluations

The HUD OIG Office of Investigation's Inspections and Evaluations Division's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations. The office conducts inspections and evaluations using various study methods and evaluative techniques to provide timely information to improve policies, programs, and procedures.

Inspection of the Washington, DC, Department of Housing and Community Development's Participation in the Emergency Shelter Grant Program

HUD OIG conducted an inspection of the **Washington, DC**, Department of Housing and Community Development's (DHCD) participation in HUD's Emergency Shelter Grant (ESG) program to determine whether DHCD (the grantee) and its subrecipients (1) appropriately used HUD grant funds for eligible homeless assistance services and (2) accurately entered required information into IDIS.

DHCD did not use HUD ESG funds inappropriately for the transactions reviewed. Further, the required information was accurately entered into IDIS for the sample of transactions reviewed.

OIG made no recommendations for corrective action. (I&E Report: **IED-11-007M**)



Chapter 5 - American Recovery and Reinvestment Act of 2009



Introduction and Background

The U.S. Department of Housing and Urban Development (HUD) has received \$13.61 billion in funding under the American Recovery and Reinvestment Act of 2009 (ARRA) in several housing program areas. Table 1 shows the HUD program areas receiving funding and the amounts appropriated to each program.

Table 1: HUD programs receiving ARRA funding

Program	Area	Funding amount
Office of Public and Indian Housing	• Public Housing Capital Fund	\$4,000,000,000
	• Native American Housing Block Grant	\$510,000,000
Office of Community Planning and Development	• Community Development Block Grant	\$1,000,000,000
	• Neighborhood Stabilization Program	\$2,000,000,000
	• HOME Investment Partnerships Program-Tax Credit Assistance Program	\$2,250,000,000
	• Homelessness Prevention Fund	\$1,500,000,000
Office of Multifamily Housing	• Assisted Housing Stability grant	\$2,000,000,000
	• Green Retrofit grant	\$250,000,000
Office of Healthy Homes and Lead Hazard Control	• Lead Hazard Reduction Demonstration program	\$100,000,000
Total		\$ 13,610,000,000

ARRA also provided \$15 million to the HUD Office of Inspector General (OIG). This funding is available until September 2012. The purpose of the funding is for “oversight and audit of programs, grants, and activities funded by this Act and administered by the Department of Housing and Urban Development.”

Through its audit and investigative programs, HUD OIG will constantly tailor and adjust its short- and long-term activities for timely and effective oversight of the ARRA funds expended by HUD programs. OIG’s plans were adjusted as the HUD programs distributed their ARRA funds. OIG will continue outreach and training efforts for the prevention of fraud, waste, and abuse to the Department and recipients of ARRA funds.



Audit

The Office of Audit has initiated a three-phased approach to conducting related audit work. The actions it has taken and plans to take will help position it to meet the increased workload under ARRA and protect the Federal investment over the long term.

The Office of Audit’s overall oversight objectives for HUD funding under ARRA are to determine whether

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes, and instances of fraud, waste, error, and abuse are mitigated;
- Projects funded under ARRA avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

In the prior semiannual reporting periods, HUD OIG reviewed HUD’s front-end risk assessments, audited HUD’s formula allocation dictated in ARRA programs, and assessed the administrative capacity of selected grantees to effectively administer ARRA funds. During this semiannual reporting period, our audits are focusing on grantee expenditures and HUD’s oversight activities. .

The following section demonstrates the audit work that has been completed during this reporting period.

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	64 audits*	\$21.9 million	\$38 million
Our focus	Page 64	• Public Housing Capital Fund audits and reviews	
	Page 72	• Native American Housing Block Grant	
	Page 73	• Community Development Block Grant audits and reviews	
	Page 76	• Neighborhood Stabilization Program	
	Page 79	• Tax Credit Assistance Program	
	Page 80	• Homelessness Prevention and Rapid Re-Housing Program	
	Page 84	• Office of Sustainable Housing and Communities	
	Page 85	• Lead Hazard Reduction Demonstration program	
	Page 85	• Review of HUD’s compliance with obligation deadlines	
Page 86	• Review of Recovery Act Management and Reporting System		

* The total ARRA-related audits consist of community planning and development, public and Indian housing, and other audits. The questioned costs and funds put to better use amounts relate only to ARRA-related costs.

In addition to the audits described in this chapter, HUD OIG, has conducted a number of outreach efforts (see chapter 8, page 115).

Office of Public and Indian Housing Audits and Reviews

Public Housing Capital Fund Audits and Reviews

HUD OIG audited the Housing Authority of the City of **New Haven, CT**'s Public Housing Capital Fund and Public Housing Capital Fund Stimulus Recovery Act Funded projects for compliance with environmental and labor law requirements to determine whether the Authority (1) funded Capital Fund projects for eligible activities in accordance with HUD requirements, (2) complied with environmental requirements for proper removal and disposal of asbestos waste for its Capital Fund and Recovery Act Capital Fund projects, and (3) complied with labor standards enforcement requirements.

The Authority funded Capital Fund projects for eligible activities in accordance with HUD requirements. However, it did not always comply with environmental law requirements. Specifically, the Authority did not ensure that its abatement contractors complied with contract requirements for the proper disposal of asbestos waste removed from its Federal housing projects in accordance with its contracts. OIG reviewed nine abatement contracts with the Authority. Seven of the contractors could not support proper disposal of asbestos waste removed from the projects in accordance with contract requirements. As a result, the Authority could not support disposal costs associated with more than \$2 million in abatement costs paid on these contracts.

The Authority also did not always comply with labor standards enforcement requirements. Specifically, it did not (1) complete the required enforcement reports for at least seven contractors, in which at least six violations appeared to have been willful noncompliance; (2) ensure that all required information reported to HUD in its semiannual enforcement reports was complete and accurate; (3) always document that it performed a review of certified payrolls and followed up on payroll falsification indicators; (4) require contractors to sign a statement of future compliance when underpayment violations were identified; (5) establish an account to hold restitution collected for workers owed restitution but who were not found or for appeals by the contractor; or (6) ensure that its enforcement file system was complete. As a result, HUD did not have assurance that the Authority met its labor standards enforcement requirements. Additionally, there is a risk that the Authority may continue to use contractors that willfully violate labor standards requirements and continue to hire undocumented workers to work on federally funded projects, including ARRA-funded projects. Further, if the Authority does not provide complete and accurate enforcement reports to HUD, HUD cannot comply with its requirements to provide this information to the U.S. Department of Labor as required.

OIG recommended that HUD ensure that the Authority's written policies and procedures comply with requirements for ensuring that hazardous waste is properly disposed of and accounted for. OIG also recommended that HUD require the Authority to (1) ensure that its staff is trained on environmental monitoring requirements, (2) adequately monitor its environmental monitoring contractors to ensure that they meet the requirements of their contracts, and (3) support that asbestos waste removed from Federal projects was properly accounted for and disposed of or repay from non-Federal funds the disposal costs it cannot support from the abatement costs for the projects reviewed.

OIG also recommended that HUD ensure that (1) the Authority's written policies and procedures comply with requirements, include reporting responsibilities and sufficient management controls, and incorporate Davis-Bacon Act streamlining guidance and (2) Authority staff is trained on labor standards compliance. OIG further recommended that HUD require the Authority to (1) revise its contract with the

agency to ensure that it is more specific as to Authority and contractor responsibilities for labor standards administration and enforcement and (2) report cases in which willful intent is apparent or in which restitution for a single employer was \$1,000 or more, including those reviewed, and make any needed corrections to its semiannual enforcement reports. (Audit Report: **2011-BO-1008**)



HUDOIG audited the Allegheny County Housing Authority in **Pittsburgh, PA**, regarding its administration of Public Housing Capital Fund grants that it received under ARRA, to determine whether the Authority properly procured goods and services and obligated its ARRA capital funds according to ARRA and applicable HUD requirements.

The Authority did not always procure goods and services and obligate its ARRA capital funds properly. It (1) did not have a written contract to support \$1.3 million that it paid to a contractor, (2) did not always comply with ARRA's "buy American" requirement, (3) improperly obligated grant funds, (4) erroneously drew grant funds from HUD, (5) did not amend its procurement policy for competitive grants as required, and (6) allowed an apparent conflict of interest to occur.

OIG recommended that HUD require the Authority to (1) provide documentation to support expenditures totaling \$1.8 million or reimburse HUD from non-Federal funds for any amount that it cannot support, (2) reimburse HUD \$102,000 from non-Federal funds for ineligible expenditures, (3) develop and implement controls to demonstrate that funds it obligated for inspection services were related to ARRA-funded work items, (4) stop erroneously drawing grant funds, and (5) ensure that it complies with applicable conflict-of-interest requirements and seek exceptions on a case-by-case basis if applicable. (Audit Report: **2011-PH-1014**)



HUDOIG audited **Albuquerque, NM**, Housing Services' Public Housing Capital Fund Stimulus ARRA-funded activities to determine whether Housing Services (1) properly obligated and expended its ARRA formula grant in accordance with requirements, (2) followed ARRA requirements when procuring contracts for goods or services, (3) maintained inventory controls over its fixed assets to ensure that ARRA funds were used efficiently, and (4) accurately reported its ARRA activities.

Housing Services mismanaged its ARRA formula grant. Specifically, it did not (1) properly obligate its grant in accordance with requirements, (2) ensure that proper approval was obtained for disbursements exceeding \$25,000, (3) properly procure contracts, and (4) maintain inventory controls over its fixed assets. However, it did ensure that expenditures were properly supported, and it properly reported its ARRA activities. Nevertheless, Housing Services' entire grant of more than \$1.8 million was ineligible and unsupported.

OIG recommended that HUD (1) rescind more than \$1 million in ineligible costs and deposit those funds with the U.S. Treasury in accordance with ARRA as amended; (2) require Housing Services to support or repay to the U.S. Treasury more than \$711,000 in unsupported costs and adopt policies, procedures, and internal controls; and (3) place Housing Services under direct review for procurements and provide technical assistance and monitoring. (Audit Report: **2011-FW-1007**)



HUDOIG audited the **Philadelphia, PA**, Housing Authority's use of the Capital Fund formula grant that it received under ARRA to determine whether the Authority's payments to rehabilitate its scattered-

site housing under ARRA were supported and complied with HUD regulations and other applicable requirements.

The Authority's payments to rehabilitate its scattered-site housing under ARRA were not supported and did not comply with applicable requirements. Specifically, the Authority could not support payments of almost \$1 million in ARRA funds to rehabilitate 10 scattered-site units, virtually the entire amount reviewed, raising questions about the propriety of an additional \$26.4 million it spent during the audit period to rehabilitate the units not reviewed. Also, the Authority's tenants were subjected to health- and safety-related hazards, and the Authority failed to use its ARRA funds properly when it failed to ensure that the units it rehabilitated complied with local codes and other contract requirements. The Authority also made unsupported, unreasonable, and unnecessary payments to outside attorneys in an effort to obstruct the progress of the audit.

OIG recommended that HUD require the Authority to (1) provide adequate documentation to support the unsupported costs or reimburse the applicable programs from non-Federal funds for any costs that it cannot support; (2) if it cannot support the unsupported costs, provide documentation to support the remaining ARRA funds used to rehabilitate its scattered sites or reimburse the applicable programs from non-Federal funds for any costs that it cannot support; (3) implement adequate procedures and controls to ensure that its payments for scattered-site rehabilitation comply with relevant laws and regulations and develop and implement controls to ensure that invoices for scattered-site rehabilitation are adequately verified and payments are made according to the terms of the related contracts; (4) implement appropriate measures to ensure compliance with applicable laws, ordinances, codes, rules, and regulations; and (5) task its OIG to periodically audit a sample of current and future payments for scattered-site rehabilitation to ensure that responsible personnel enforce contract requirements and payments are adequately supported, necessary, and reasonable. (Audit Report: **2011-PH-1010**)



HUD OIG audited the **Greensboro, NC**, Housing Authority regarding its capital funds awarded under ARRA to determine whether the Authority obligated and disbursed the funds in accordance with applicable HUD rules and regulations. The specific objectives were to determine whether the Authority (1) properly obligated funds, (2) complied with applicable procurement requirements, (3) properly drew down and expended funds for eligible activities, and (4) properly reported its ARRA activities.

Although the Authority used its ARRA funds for eligible activities and complied with most program requirements, it could not support the eligibility of nearly \$742,000 in obligations, contracts, and expenditures, and its reporting on ARRA activities contained errors.

OIG recommended that HUD require the Authority to develop, implement, and enforce written procedures for its procurement, ARRA reporting, and obligations. The Authority must also provide support showing that more than \$459,000 was awarded for contracts in accordance with procurement regulations and nearly \$67,000 in obligations and nearly \$216,000 in expenditures met HUD's requirements. (Audit Report: **2011-AT-1013**)



HUD OIG audited the Public Housing Capital Fund Stimulus (formula) Recovery Act Funded grant awarded to the Springfield Metropolitan Housing Authority in **Springfield, OH**, to determine whether the Authority administered its grant in accordance with ARRA and HUD requirements.

The Authority did not administer its grant in accordance with ARRA and HUD requirements. Specifically, it did not (1) properly obligate \$152,000 in ARRA grant funds for eligible management improvement costs

and (2) adequately monitor its contractors for the enforcement of labor standards. As a result, its reporting of ARRA-funded activities in FederalReporting.gov was inaccurate.

OIG recommended that HUD require the Authority to (1) implement adequate procedures and controls regarding the administration of its ARRA grant funds, (2) provide supporting documentation or reimburse HUD nearly \$111,000 for wages paid to its contractors, and (3) review all payments to its contractors' employees to determine whether wage restitution is owed and provide the review results to HUD for review and approval. If wage restitution is required, the Authority should make the restitution from non-Federal funds and implement adequate procedures and controls regarding its contracting process to ensure that its contractors' employees are paid the appropriate Federal prevailing wage rates. OIG also recommended that HUD recapture the ARRA capital funds that were improperly obligated for ineligible management improvement expenses for transmission to the U.S. Treasury. (Audit Report: **2011-CH-1015**)



HUD OIG audited the Housing Authority of the County of **San Bernardino, CA**'s ARRA Public Housing Capital Fund formula and competitive grants to determine whether the Authority completed procurements for ARRA capital funds in accordance with 24 CFR (Code of Federal Regulations) Part 85 and HUD's ARRA requirements.

The Authority did not complete all procurements for its ARRA capital funds in accordance with 24 CFR Part 85 and HUD's ARRA requirements. Specifically, it procured one vendor through noncompetitive procurement without adequate justification, and the related contracts were missing 5 of 13 required provisions. In addition, OIG identified an expired assurance of completion for ongoing work, a lack of backup documentation for the independent cost estimates in two of the files reviewed, and a control weakness in the Authority's process for approving change orders. Therefore, the Authority may have spent more ARRA funds toward its projects than it would have had it completed proper procurement procedures.

OIG recommended that HUD require the Authority to (1) support the reasonableness of the nearly \$248,000 contracted through noncompetitive procurement or repay the ARRA funding expended thus far and ensure that no additional ARRA funding is disbursed under the contracts, (2) amend the ongoing noncompetitive procurement contracts to include the missing contract provisions, (3) implement a policy to ensure that its procurement and contracts manager reviews all contracts before they are executed, (4) implement controls to ensure that assurance of completion documents are obtained and valid for the duration of an ongoing contract, (5) implement controls to ensure that all contractor backup documentation is retained and accessible, and (6) implement controls to ensure that all documents requiring signature are approved by multiple parties as intended and that one person does not sign on multiple lines. (Audit Report: **2011-LA-1019**)



HUD OIG audited the Public Housing Capital Fund Stimulus (formula) Recovery Act Funded grant awarded to the Pontiac Housing Commission in **Pontiac, MI**, to determine whether the Commission properly obligated and expended its formula grant and related procurements complied with HUD and ARRA requirements.

The Commission's ARRA obligations and expenses were not properly supported, and its related procurements did not comply with HUD's and its own requirements. Specifically, the Commission did not (1) ensure that its contractors complied with the Davis-Bacon Act, (2) comply with Federal and its own contract administration requirements, and (3) properly administer and account for vacant unit turnovers

by its force account. Further, the Commission created a conflict-of-interest relationship when it awarded a carpet installation contract to an employee. As a result, it used more than \$148,000 in ARRA grant funds contrary to its annual contributions contract with HUD and its own procurement requirements, and HUD lacked assurance that it effectively managed its grant.

OIG recommended that HUD require the Commission to obtain certified weekly payrolls from eight contractors and determine whether the contractors paid the correct wage rates to their employees. If the contractors failed to pay the correct wages, the Commission should pay wage restitution to these employees. HUD should also require the Commission to (1) pay wage restitution of more than \$4,000 to its two contractors' employees and submit proof that the employees received the wage restitution, (2) develop written procedures for the enforcement of labor standards to ensure compliance with its own requirements regarding the enforcement of labor standards, (3) maintain a system of contract administration to ensure that its contractors perform in accordance with their contracts, (4) obtain missing contract administration documents and retain them in the contract files, (5) pay wage restitution of more than \$66,000 to its force account staff and provide proof that the payments were made, (6) identify the specific units assigned to each maintenance staff member for phase II unit turnover work and to the contractor for phase III unit turnover work and provide support, and (7) reimburse HUD more than \$38,000 from non-Federal funds for transmission to the U.S. Treasury for the inappropriate use of grant funds.

OIG also recommended that HUD (1) prohibit the use of force account labor for future unit turnover work until the Commission can demonstrate that it has the capacity to perform the work; (2) follow established procedures for addressing public housing authorities designated as substandard physical, including but not limited to amending the Commission's existing memorandum of agreement with HUD to incorporate the recommendations cited; and (3) recapture all funds that the Commission obligated for unit turnovers by its force account. (Audit Report: **2011-CH-1018**)



HUD OIG audited the Public Housing Capital Fund Stimulus (formula) Recovery Act Funded grant awarded to the Jefferson Parish Housing Authority in **Marrero, LA**, to determine whether the Authority followed ARRA requirements, specifically, whether it (1) expended ARRA funds in accordance with requirements, (2) maintained inventory controls over its fixed assets to ensure that ARRA funds were used efficiently, (3) obligated ARRA funds in accordance with requirements, (4) followed ARRA requirements when procuring goods or services, and (5) accurately reported its ARRA activities.

The Authority generally ensured that it followed ARRA requirements when expending ARRA funds and maintaining inventory controls over its fixed assets, although minor deficiencies were identified. However, it did not properly obligate part of its ARRA funding by the obligation deadline and made purchases in excess of its need. In addition, the Authority did not always properly conduct its ARRA procurements. Consequently, it incurred nearly \$80,000 in ineligible and \$30,000 in unsupported costs and could not provide reasonable assurance that ARRA funds were used effectively and efficiently or to benefit program participants. Further, the Authority did not always completely or accurately report its ARRA activities and submitted its final ARRA report before it had expended all of its ARRA funds. Consequently, the public did not have access to accurate information, and the Authority's use of ARRA funds was not transparent.

OIG recommended that HUD require the Authority to (1) repay the ineligible costs and (2) support the unsupported costs or repay any amounts it cannot support. In addition, as related to its FederalReporting.gov submissions, HUD should require the Authority to (1) correct inaccurate data entered for the third and fourth quarters of 2009 and the first, second, and third quarters of 2010; (2) correct and resubmit its final

report in the correct reporting period; and (3) submit the missing reports for the fourth quarter of 2010 and first quarter of 2011. (Audit Report: **2011-AO-1007**)



HUD OIG audited the Housing Authority of the County of **Monterey, CA**'s administration of more than \$2.9 million in ARRA Capital Fund grant funding to determine whether the Authority administered the procurement and contracting of its grant funds in accordance with HUD laws and regulations.

The Authority did not administer the procurement and contracting of grant funds in accordance with HUD laws and regulations. It (1) did not follow HUD's or its own procurement policies and procedures when it procured grant-funded construction contracts and (2) included required geographic preference clauses in its grant-funded construction contracts, which restricted the procurement process in a manner that was not fair and open to competition.

OIG recommended that HUD require the Authority to (1) provide to HUD documentation of at least three written price quotations showing justification for nearly \$100,000 in unsupported costs incurred for the electrical wiring upgrades at 15 housing units or repay HUD from non-Federal funds for the unsupported payments incurred; (2) conduct all future procurements in compliance with HUD laws and regulations to ensure fair and open competition; (3) establish a record-keeping system that ensures complete, consistent, and accurate documentation of all future procurements to ensure compliance with HUD laws and regulations; and (4) provide appropriate training to responsible personnel to ensure a better understanding of HUD procurement laws and regulations. (Audit Report: **2011-LA-1014**)



HUD OIG audited the **Youngstown, OH**, Metropolitan Housing Authority's ARRA Public Housing Capital Fund Stimulus formula and competitive grants to determine whether the Authority administered its grants in accordance with ARRA, HUD's, and its own requirements.

The Authority's procurement process had weaknesses. Specifically, the Authority did not ensure that contracts were awarded to the contractor that provided the best overall value to the Authority. As a result, it used nearly \$98,000 in formula grant funds contrary to its annual contributions contract with HUD and its procurement requirements. Therefore, HUD lacked assurance that the Authority effectively managed its grant.

OIG recommended that HUD require the Authority to (1) reimburse HUD from non-Federal funds for transmission to the U.S. Treasury for the inappropriate use of grant funds and (2) implement adequate procedures to ensure that its procurement policy requirement that a contract be made to the lowest responsive and responsible bidder unless justified in writing based on price and other specific factors is followed. (Audit Report: **2011-CH-1013**)



HUD OIG reviewed hazard-damaged units, which the Housing Authority of the City of **Los Angeles, CA**, was rehabilitating using formula grant ARRA Public Housing Capital Fund program funds, to determine whether the Authority's use of ARRA program funds on hazard-damaged units subject to property insurance reimbursements met HUD requirements.

The Authority improperly charged its ARRA program more than \$75,000 and an additional pending amount of more than \$8,000 without applying cost reductions or credits related to insurance reimbursements to its program.

OIG recommended that HUD instruct the Authority to (1) reimburse the ARRA program for the insurance reimbursements posted to other accounts, (2) confirm that the additional pending insurance reimbursements are appropriately posted to the ARRA program, and (3) revise its policies and procedures to ensure that cost reductions are applied before disbursing ARRA funds and that credits are applied once reimbursements are received by the Authority. This measure will assure HUD that capital funds, including those provided under ARRA, will be disbursed in accordance with applicable laws and regulations. In addition, OIG recommended that HUD determine legal sufficiency and if legally sufficient, pursue remedies under the Program Fraud Civil Remedies Act against the Authority, the appropriate personnel, or both for improperly charging its ARRA program. (Audit Report: **2011-LA-1802**)



HUD OIG audited the Public Housing Capital Fund Stimulus ARRA-funded activities of the Housing Authority of the City of **Wichita Falls, TX**, to determine whether the Authority followed ARRA rules and regulations when obligating and expending its ARRA capital funds and reported ARRA funds as required.

Generally the Authority followed ARRA rules and regulations with two minor exceptions. It (1) properly used the formula grant funds to expand its extensive capital projects already underway, (2) met the time deadlines and provided support for both obligations and expenditures associated with the formula grant, and (3) reported its use of the funds in a timely manner. However, the Authority (1) relied on its architect's statement that only one asbestos monitor could provide needed services, resulting in a contract being awarded without adequate competition, and (2) did not ensure that water heaters met Federal Energy Management Program requirements before purchase.

OIG recommended that HUD require the Authority to provide support for nearly \$17,000 spent for asbestos monitoring and nearly \$17,000 spent for noncompliant water heater purchases. If the Authority cannot support the costs, HUD should return the unsupported funds to the U.S. Treasury. (Audit Report: **2011-FW-1014**)



HUD OIG audited the **Rockford, IL**, Housing Authority's ARRA Capital Fund Stimulus formula and competitive grants to determine whether the Authority administered its grants in accordance with ARRA and HUD requirements and its administrative plan.

The Authority did not administer its Capital Fund grants in accordance with ARRA and HUD requirements and its administrative plan. Specifically, it did not ensure that (1) its contractors complied with "buy American" and Section 3 requirements and (2) construction work was complete before payments were issued. As a result, it was unaware that one of its contractors purchased nearly \$18,000 in materials manufactured outside the United States, and HUD and the Authority lacked assurance that the contractors followed HUD's Section 3 requirements and work was complete before payments were issued. However, the Authority correctly reported its Recovery Act progress and disbursed its grant funds in a timely manner in accordance with HUD's requirements.

OIG recommended that HUD require the Authority to (1) provide documentation to ensure that Capital Fund grants were not used to reimburse its contractor for materials purchased contrary to the Buy American Act, (2) review the products purchased by its remaining contractors to ensure that they were manufactured in the United States, and (3) implement adequate procedures and controls to ensure that ARRA activities meet "buy American" and Section 3 requirements and construction work is complete before payments are made. (Audit Report: **2011-CH-1010**)





HUD OIG audited the Lafayette Parish Housing Authority in **Lafayette, LA**, regarding its Public Housing Capital Fund Stimulus ARRA-funded grant to determine whether the Authority followed HUD and ARRA requirements. Specifically, OIG wanted to determine whether the Authority (1) properly obligated and expended its ARRA capital funds, (2) accurately reported its ARRA activities, and (3) followed ARRA requirements when procuring contracts for goods or services.

The Authority generally followed ARRA requirements when obligating and expending its grant. However, it did not always (1) enter its ARRA activities into the Recovery Act Management and Performance System (RAMPS), (2) report its ARRA activities by specified deadlines in either RAMPS or FederalReporting.gov, or (3) enter accurate ARRA expenditure information into FederalReporting.gov as required. In addition, the Authority could not justify its reported estimates of jobs created or retained. As a result, it provided minimal transparency of and accountability for its ARRA activities.

The Authority generally procured its ARRA contract in accordance with Federal regulations. However, it did not (1) amend and label its written procurement policy for use with only ARRA grant procurements as required or (2) include HUD-required provisions in its ARRA-funded contract. As a result, it was at risk, during the ARRA funding period, of exposure to disputes over contract selections. Further, by not having the proper contract provisions, the Authority may not have been able to enforce those regulatory provisions with its contractors.

OIG recommended that HUD require the Authority to (1) correct inaccurate ARRA expenditure amounts reported in FederalReporting.gov for the second and fourth quarters of 2010 and (2) provide justification for its estimates of jobs created or retained in FederalReporting.gov for the second, third, and fourth quarters of 2010 and the first quarter of 2011. Since the Authority had completed its ARRA program, OIG did not make a recommendation regarding the procurement violation. (Audit Report: **2011-AO-0002**)



HUD OIG audited the Mississippi Regional Housing Authority VIII in **Gulfport, MS**, regarding its Public Housing Capital Fund formula grant program to determine whether the Authority properly obligated and expended its ARRA capital funds in accordance with requirements, followed ARRA requirements when procuring contracts for goods or services, and accurately reported its ARRA activities.

The Authority generally followed ARRA requirements in the obligation and expenditure of its ARRA capital funds. Additionally, it ensured that procurements were made in accordance with Federal and ARRA requirements. However, it did not accurately report required ARRA Capital Fund grant information in FederalReporting.gov.

For the seven quarterly reports reviewed, the Authority overreported the amount of funds received in five quarters and underreported in one quarter. It also underreported the amount of funds expended in four quarters and overreported in one quarter. In addition, it failed to provide a list of projects and activities funded by name and incorrectly reported the primary place of performance in all seven quarters.

OIG recommended that HUD (1) ensure that the Authority complies with HUD guidance and ensures the assignment of a staff person responsible for becoming familiar with the guidance on the Web site and reporting as required and (2) review the next quarterly report submitted to ensure that it is accurate. (Audit Report: **2011-AO-1006**)



HUD OIG audited the Housing Authority of the City of **Las Cruces, NM**'s Public Housing Capital Fund Stimulus (formula) Recovery Act Funded activities to determine whether the Authority (1) properly followed ARRA rules and regulations when obligating and expending its ARRA formula grant funds, (2) properly followed the environmental requirements for ARRA activities, and (3) accurately reported its ARRA activities.

The Authority properly obligated and expended its ARRA funds. It met the required deadlines and properly supported its obligations and expenditures. However, it did not properly follow environmental requirements before performing ARRA activities. Fortunately, the activities performed using ARRA funds were categorically excluded; that is, no further assessments were required. Further, the Authority did not accurately report on its ARRA-funded activities.

OIG recommended that HUD (1) require the Authority and the City of Las Cruces to establish a process to ensure that future projects have the proper environmental review performed in a timely manner and (2) provide guidance to the Authority and assist it in correcting the information submitted to FederalReporting.gov. (Audit Report: **2011-FW-1015**)



HUD OIG audited the **Philadelphia, PA**, Housing Authority's compliance with HUD conflict-of-interest and financial disclosure requirements to determine whether there were apparent conflicts of interest involving responsible Authority employees and contractors that performed ARRA-funded rehabilitation of the Authority's scattered-site housing units and whether the Authority complied with mandatory financial disclosure reporting requirements.

No apparent conflicts of interest were found involving Authority employees and the contractor or subcontractors that completed ARRA-funded rehabilitation of the Authority's scattered-site housing units. However, the Authority did not comply with provisions in its Moving to Work Demonstration program agreement with HUD that required it to comply with State and local laws because it failed to comply with financial disclosure provisions in the Pennsylvania Public Official and Employee Ethics Act.

OIG recommended that HUD require the Authority (1) take immediate action to ensure that appropriate employees and board members file the required financial disclosures for calendar year 2010 and for the year following their termination of service and (2) fully implement and enforce the financial disclosure statement policies and procedures approved by its board on July 22, 2011. (Audit Report: **2011-PH-1016**)

Native American Housing Block Grant

HUD OIG audited the Tule River Indian Housing Authority in **Porterville, CA**, to determine whether the Authority followed procurement and contracting requirements and used its ARRA Native American Housing Block Grant funding in accordance with HUD requirements.

The Authority did not follow procurement and contracting requirements and did not use its ARRA Native American Housing Block Grant funding in accordance with 24 CFR 85.36 (Procurement), 29 CFR Parts 3 and 5, and its own internal policies and procedures. It also did not have sufficient policies, procedures, and controls in place to ensure that it complied with Federal procurement and contracting requirements, which led to improper cash disbursements and a lack of segregation of duties in its program. As a result, it used nearly \$37,000 for ineligible expenditures and failed to obligate nearly \$96,000 in ARRA Native American Housing Block Grant funds.

OIG recommended that HUD (1) require the Authority to reimburse its ARRA Native American Housing Block Grant from non-Federal funds for the ineligible overpayments made to the contractor for cabinet construction work, (2) recover the remaining unobligated ARRA grant funds from the Authority for return to the U.S. Treasury, and (3) require the Authority to establish and implement sufficient written procurement policies and procedures. In addition, OIG recommended that the Authority implement sufficient written internal control procedures for cash disbursements, including proper segregation of duties. (Audit Report: **2011-LA-1018**)

Office of Community Planning and Development Audits and Reviews

Community Development Block Grant Audits and Reviews

OIG audited the City of **Tulsa, OK**'s Community Development Block Grant-Recovery (CDBG-R) program to determine whether the City complied with HUD's CDBG-R obligation, procurement, expenditure, and reporting requirements.

The City poorly managed its ARRA activities by selecting a subrecipient that did not have the capacity to complete the project within the required time limit. Further, the City did not adequately monitor the subrecipient, did not comply with Federal requirements, and did not apply good financial controls. As a result, it committed more than \$3 million in Federal funds for a project that it might not complete. Further, the City disregarded procurement requirements, did not have policies or procedures regarding the disposal of hazardous waste, and did not implement sound controls over the grant. Therefore, it could not comply with regulations or ensure that its contractors followed requirements.

OIG recommended that HUD require the City to select a subrecipient that has the capacity, both financially and administratively, to complete and operate the Shoppes on Peoria and to provide documentation by November 30, 2011. If the City cannot obtain a subrecipient that can complete the project, it should select another project that it can complete by September 30, 2012. Further, the City should support or repay more than \$49,000 that it spent without a contract and improve its controls for its grants. Also, HUD should seek administrative sanctions against the subrecipient and its related entities to protect HUD and the City from future instances of noncompliance. (Audit Report: **2011-FW-1012**)



HUDOIG audited the City of **Memphis, TN**'s administration of its Homelessness Prevention and Rapid Re-Housing Program (HPRP) and CDBG-R funds received under ARRA to determine whether the City administered its HPRP and CDBG-R funds in compliance with ARRA and other applicable requirements. Specifically, the objective was to determine whether the City ensured that (1) program participants were eligible, (2) program expenditures were supported with adequate documentation, (3) program reporting requirements were met, and (4) subgrantees were monitored and trained.

HUD finds issues with N. Tulsa project

■ The federal audit report says Greenwood should be sanctioned.

BY P.J. LASSEK
World Staff Writer

The Greenwood Community Development Corp. should be sanctioned and its city contract canceled regarding the north Tulsa Shoppes on Peoria project, a federal audit report states.



RESPONSE

Reuben Gant: The Greenwood Chamber executive director says he has documents to refute the findings against the Greenwood Community Development Corp.

The HUD Office of the Inspector General issued a harsh report last week regarding Greenwood's lack of capacity to complete the project on time. The project has \$2.3 million in federal funds committed to it.

The report states that the sanctions are to protect the U.S. Department of Housing and Urban Development and the city from future instances of noncompliance by Greenwood.

While the report is critical of the city's lack of managing some of the federal funds given to Greenwood, it lists a host of actions by Greenwood that have delayed the project and increased costs.

"This is nothing but an attack on me and the Greenwood Chamber," its Executive Director Reuben Gant told the Tulsa World on Monday. "For the city to malign me, malign the chamber, malign our integrity is just beyond the scope of believability," Gant said.

"Everything we're being accused of related to delaying the project is the very thing I've accused the city of doing, and they turned the table on us," he said.

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Although the City complied with most ARRA requirements, its program administration was deficient in some areas. The City (1) procured an architectural and engineering contract using the incorrect procurement methodology and without an adequate cost analysis, (2) paid a contractor for work performed without an executed contract, (3) delayed the execution of a greening and demolition contract until the lowest bidder dropped out, (4) did not always comply with HUD guidance for implementing ARRA's "buy American" provision, and (5) could not support the job figures reported in its most recent quarterly report for either the HPRP or CDBG-R grants. As a result, it incurred more than \$619,000 in questioned costs related to its procurements and could not ensure compliance with all ARRA requirements.

OIG recommended that HUD require the City to (1) provide adequate support and justification for the procurement deficiencies and repay its program any portion of the questioned costs that it cannot support, (2) provide staff training on procurement requirements, and (3) provide HUD assurance that it has sufficient controls in place to ensure compliance with applicable procurement and ARRA requirements. (Audit Report: **2011-AT-1015**)



HUD OIG conducted a review of the City of **Dunkirk, NY**, pertaining to its CDBG funds received under ARRA to evaluate the validity of congressional concern that the City used CDBG-R funds for an activity prohibited by the Recovery Act.

The City's water park ARRA project was an activity prohibited under Section 1604 of ARRA. Federal funding expended on the project was, therefore, ineligible for inclusion under CDBG-R. Accordingly, the remaining grant funding to the City should be reprogrammed to another eligible activity.

OIG recommended that HUD instruct City officials to (1) reimburse the CDBG-R program line of credit for the nearly \$135,000 expended on ineligible ARRA costs from non-Federal funds, (2) reprogram the nearly \$19,000 in CDBG-R funding to other eligible activities and not use ARRA funds to support the water park project, (3) submit a plan to use nearly \$154,000 in funds for a project that is eligible under ARRA and provide guidance on the allowable activities for CDBG-R funds, and (4) establish controls to ensure that all CDBG-R costs are only incurred for eligible activities that are supported by appropriate documentation. (Audit Report: **2011-NY-1802**)



HUD OIG audited **Camden County, NJ**'s administration of its CDBG-R funds to determine whether the County obligated, expended, and reported its CDBG-R funds according to ARRA and applicable HUD requirements.

The County generally administered its CDBG-R funds in accordance with ARRA and applicable HUD requirements. However, it (1) approved a subrecipient to execute a change order for work which was outside the scope of the original contract, (2) could not demonstrate that the subrecipient performed a cost analysis for the change order work items, (3) did not ensure that a subrecipient fully complied with the Davis-Bacon Act, and (4) did not accurately report job creation information on the Federal reporting Web site. No evidence was found to substantiate complaints alleging misuse of Recovery Act funds.

OIG recommended that HUD require the County to (1) provide documentation to demonstrate that nearly \$38,000 expended for work performed under a change order was fair and reasonable or reimburse HUD from non-Federal funds for any amount it cannot support, (2) require a contractor to pay more than \$1,000 to an employee to whom it paid less than the prevailing wage, and (3) report accurate job creation information for the reporting period ending September 30, 2011. (Audit Report: **2011-PH-1015**)





HUD OIG reviewed the administration expenses charged to the City of **Brockton, MA**'s CDBG program to determine whether the City (1) properly accounted for and reported its planning and administrative expenses for its grant and (2) prepared accurate consolidated annual performance and evaluation reports that were adequately supported by operational results.

The City generally accounted for expenses and did not charge the CDBG program for nonprogram expenses. However, the City's subcontractors did not establish and implement an adequate cost allocation plan for salaries and administrative expenses, and one of its subcontractors paid unreasonable costs for its fiscal year 2010 audit. The City and its subcontractors prepared consolidated annual performance and evaluation reports that were supported by operational results.

OIG recommended that HUD require the City and its subcontractor to (1) develop a formal policy to address the allocation of salaries and all other administrative costs, (2) obtain HUD approval of its allocation plan, (3) adapt its financial policies to provide for regular updates of the allocation plan, and (4) train key staff. OIG also recommended that HUD (1) ensure that the City and its administrator honor their commitment not to charge the nearly \$33,000 paid to an auditor for the 2010 annual financial statements to the CDBG program and (2) require the City and its subcontractor to obtain a minimum of three price or rate quotations for the procurement of an independent public auditor for the subcontractor's annual audit for the fiscal year ending June 30, 2011, perform a price comparison of all price or rate quotations obtained, and select the best applicant to conduct the annual audit for the fiscal year ending June 30, 2011. (Audit Report: **2011-BO-1010**)



HUD OIG audited **Broward County, FL**'s CDBG-R program funded under ARRA to determine whether the County administered its program in accordance with applicable HUD and ARRA requirements, specifically, whether the County's program met the national objective(s), had allowable expenditures, and met reporting requirements.

The County demonstrated that it met the national objective, and its expenditures were allowable. However, it did not accurately report program information on the ARRA Web site. As a result, the public did not have access to accurate information on program funds.

OIG recommended that HUD require the County to (1) recalculate the number of jobs created or retained and (2) revise misstatements on the ARRA Web site. (Audit Report: **2011-AT-1017**)



HUD OIG reviewed the **State of Montana**'s CDBG-R program to determine whether the State used its CDBG-R funds in accordance with ARRA rules and regulations.

The State generally used its CDBG-R funds in compliance with ARRA rules and regulations. However, it incorrectly negotiated and serviced loans with the final recipients of the funds. The State decided to directly handle these high-risk loans instead of placing the risk on the nonprofits with which the counties contracted for this function. Since the State serviced the loans, the nonprofits did not have direct access to the program income generated by the CDBG-R loans.

OIG recommended that HUD require the State to transfer the loan servicing of the CDBG-R loans to the pertinent nonprofits. (Audit Report: **2011-DE-1005**)

Neighborhood Stabilization Program

HUD OIG audited the Disaster Recovery Grants Reporting (DRGR) system to determine whether adequate controls were in place to safeguard and accurately track and report \$1.93 billion in ARRA funds allocated to the Neighborhood Stabilization Program 2 (NSP2).

The improvements that HUD had made to the DRGR system within the last year were beneficial to the overall assurance that the system's data were properly maintained, safeguarded, and in compliance with Federal regulations. However, for HUD to address ARRA requirements for accurate data, additional improvements should be made to the system.

OIG recommended that HUD modify the DRGR system to improve its application controls and ensure that (1) the security documentation is updated, (2) the contingency plan is adequately tested, and (3) the system is included in the annual disaster recovery test as it is a mission-critical application. (Audit Report: **2011-DP-0008**)



HUD OIG audited the New Orleans Redevelopment Authority in **New Orleans, LA**, a \$29.7 million HUD NSP2 grantee, to determine whether the Authority's use of the NSP2 funding, including the propriety of its ongoing activities, obligations, reports to HUD, and expenditures, was in accordance with Federal regulations.

The Authority did not always use its NSP2 funds in accordance with Federal regulations. As a result, it could not provide reasonable assurance that it had adequately fulfilled the requirements of its agreement with HUD, and it and one of its consortium members improperly procured eight contracts. In addition, the Authority expended more than \$178,000 in questioned costs. Further, at least \$8.1 million of the remaining funds is at risk of being misspent and, therefore, not serving NSP2's purpose, to stabilize neighborhoods, the viability of which has been and continues to be damaged by the economic effects of properties that have been foreclosed upon and abandoned.

OIG recommended that HUD require the Authority to (1) establish policies and procedures regarding environmental reviews; (2) establish an internal audit function; (3) revise its appraisal, monitoring, procurement, and finance policies; (4) terminate its existing contract and ongoing services for its commercial appraisal services; (5) implement internal controls to adequately track NSP2 costs; (6) revise and submit its cost allocation plan to HUD for review and approval; (7) establish and implement policies and procedures regarding NSP2 reporting; (8) support or repay more than \$178,000 in questioned costs; and (9) support the cost reasonableness for eight NSP 2-funded contracts.

OIG also recommended that HUD (1) provide the Authority with training related to NSP2 and other requirements, (2) closely monitor the Authority's expenditure and procurement activities for the duration of its NSP2 grant or until HUD is satisfied that the NSP2 expenditures and procurements meet Federal requirements, and (3) review the Authority's listing of potential NSP2-assisted properties to ensure eligibility and the accuracy of information. In addition, OIG recommended that HUD ensure that the Authority corrects all of the deficiencies noted, conduct a risk analysis of the Authority, and provide the Authority with ongoing monitoring and technical assistance throughout the duration of the grant, thereby ensuring that program funds can be better used and used for eligible activities. (Audit Report: **2011-AO-1004**)





HUD OIG audited the **State of Michigan**'s Neighborhood Stabilization Program (NSP) administered by the Michigan State Housing Development Authority to determine whether the State (1) complied with Federal requirements in its award, obligation, and use of NSP funds under the Housing and Economic Recovery Act of 2008 (HERA); (2) ensured that a subgrantee complied with HUD's regulations when procuring architectural services for its NSP-funded rehabilitation projects under HERA; and (3) complied with Federal requirements in its reporting of NSP accomplishments under HERA and ARRA.

The State did not comply with Federal requirements in its award, obligation, and use of NSP funds under HERA; ensure that a subgrantee complied with HUD's regulations when procuring architectural services for its NSP-funded rehabilitation projects under HERA; and comply with Federal requirements in its reporting of NSP accomplishments under HERA and ARRA. It (1) lacked sufficient documentation to support its award of NSP funds under HERA for a project, (2) reported NSP obligations under HERA in HUD's DRGR system that did not qualify as obligations, (3) inappropriately disbursed NSP funds under HERA for NSP obligations that did not qualify as obligations, (4) did not maintain sufficient documentation to support the use of NSP funds under HERA for administrative expenses, (5) did not ensure that a subgrantee complied with HUD's regulations when procuring architectural services for its NSP-funded rehabilitation projects under HERA, (6) did not comply with Federal requirements by posting the State's quarterly performance reports for NSP under HERA for the first through third quarters of 2010 on its official Web site more than 30 days after the end of each quarter, and (7) did not maintain sufficient documentation to support the number of jobs it reported as created or retained from the use of NSP funds under ARRA for the first and second quarters of 2010.

As a result, (1) HUD lacked assurance that the Authority awarded \$1 million in NSP funds under HERA for eligible project costs, (2) the Authority inappropriately reported NSP obligations of more than \$719,000 under HERA in HUD's reporting system and disbursed NSP funds for more than \$531,000 in NSP obligations that did not qualify as obligations, (3) HUD lacked assurance that the Authority used nearly \$87,000 in NSP funds under HERA for eligible NSP administrative costs, (4) HUD and the Authority lacked assurance that nearly \$68,000 in NSP funds under HERA was used efficiently and effectively, (5) the public did not have timely access to the State's quarterly performance reports for NSP under HERA, and (6) HUD and the public lacked assurance that the Authority accurately reported the number of jobs that the use of NSP funds under ARRA created or retained.

OIG recommended that HUD require the State to (1) provide sufficient documentation to support the fair market value of the properties and that the Authority's NSP funds awarded under HERA for the purchase of the properties was reasonable or cancel the Authority's award and award the NSP funds to an eligible project(s), (2) reimburse HUD from non-Federal funds for the NSP funds under HERA inappropriately disbursed for NSP obligations that did not qualify as obligations, (3) deobligate in HUD's reporting system the more than \$719,000 in NSP funds under HERA that did not qualify as NSP obligations, (4) provide sufficient supporting documentation or reimburse its NSP from non-Federal funds, as appropriate, for the NSP funds under HERA used for unsupported administrative costs, (5) perform a formal cost or price analysis to determine whether the NSP funds under HERA were reasonable for the architectural services provided for a subgrantee's rehabilitation projects, and (6) implement adequate procedures and controls to address the findings cited.

OIG also recommended that HUD recapture the more than \$188,000 in NSP funds under HERA, which the Authority obligated but did not disburse, that did not qualify as NSP obligations and reallocate the funds in accordance with 42 U.S.C. (United States Code) 5306(c)(4). (Audit Report: **2011-CH-1008**)



HUD OIG audited the NSP2 grant of Chicanos Por La Causa, Inc., in **Phoenix, AZ**, to determine whether the grantee administered its NSP2 grant in accordance with HUD's program requirements.

The grantee did not always administer its NSP2 grant in accordance with HUD's program requirements. Specifically, it expended NSP2 funds for improper procurements, ineligible and unsupported expenditures, and inadequately secured program income. As a result, \$754,000 in NSP2 funds was potentially unavailable for eligible activities.

OIG recommended that HUD require the grantee to (1) provide HUD with supporting documents for \$366,000 in NSP2 funds paid to improperly procured contractors or reimburse the unsupported costs to its NSP2 account from non-Federal funds, (2) reimburse its NSP2 account from non-Federal funds nearly \$210,000 for ineligible and unsupported expenditures, and (3) discontinue payments on developers' fees to subrecipients totaling more than \$178,000. Additionally OIG recommended that HUD require the grantee to update its NSP2 policies and procedures to include obtaining and reviewing all consortium member contracts. (Audit Report: **2011-LA-1015**)



HUD OIG audited the City of **Reading, PA**'s NSP2 to determine whether the City (1) met NSP2 expenditure deadlines, (2) made NSP2 expenditures that were eligible and adequately supported, (3) properly awarded contracts, (4) met appraisal requirements, and (5) adequately monitored its NSP2.

The City met NSP2 expenditure deadlines and generally ensured that expenditures were eligible and adequately supported and that contracts were properly awarded. Some improvements were needed, however, to ensure that some costs were adequately supported and that the City fully met property appraisal requirements and adequately monitored its NSP2.

OIG recommended that HUD require the City to (1) provide documentation showing that more than \$58,000 paid to four contractors without written contracts or detailed invoices was fair and reasonable or reimburse its NSP2 from non-Federal funds, (2) provide documentation showing that it reimbursed its NSP2 more than \$8,000 from non-Federal funds for ineligible vehicle expenses, (3) ensure that all future contracts are in writing and adequately documented, (4) ensure that all required clauses are included in future solicitations and contracts, (5) ensure that it fully meets NSP2 appraisal requirements, and (6) adequately document its NSP2 monitoring and establish an internal audit function as required. (Audit Report: **2011-PH-1012**)



HUD OIG audited the NSP administered by **Palm Beach County, FL**, to determine whether the County's administration of its NSPs complied with Federal requirements. Specifically, OIG wanted to determine whether (1) NSP1 activities met or will meet the low- and moderate-income national objective, (2) program income was properly accounted for, and (3) expended program funds were allowable. In addition, OIG wanted to determine whether expended NSP2 administrative costs were allowable.

The County did not fully comply with Federal regulations when administering its NSP1 activities. Specifically, it did not (1) obtain HUD's approval to waive the conflict-of-interest provision, (2) purchase properties at the required purchase discount, and (3) ensure that NSP1 funds expended did not exceed the amounts authorized. In addition, the County did not execute an agreement between its housing department and the facilities department administering the redevelopment activity. The deficiencies resulted in ineligible costs of \$1.75 million to the NSP1 program. In addition, the County did not report accurate program income to HUD. Thus, HUD could not be assured that the County would use an



appropriate amount of its program income before drawing down NSP1 funds. As a result, the County had program income of nearly \$212,000 that could be put to better use.

The County also did not maintain documentation to sufficiently support the administrative expenditures recorded in its financial system. By not having effective controls, the County could not assure HUD that reviewed administrative expenditures were justified and that accurate program financial results were disclosed. As a result, the County drew down \$10,000 in unsupported NSP2 funds.

OIG recommended that HUD require the County to (1) reimburse the NSP1 program from non-Federal funds for ineligible expenditures made from the program, (2) use the program income earned before drawing down additional NSP1 funds, (3) provide supporting documentation or repay the NSP2 program from non-Federal funds for the funds drawn down to reimburse the unsupported workers compensation, and (4) implement policies and procedures to prevent future occurrences of the conditions identified. (Audit Report: **2011-AT-1008**)

Tax Credit Assistance Program

HUD OIG audited HUD's compliance with initial expenditure requirements related to six programs funded by ARRA to determine whether (1) HUD grantees complied with their initial expenditure requirements, (2) recaptures were properly recorded and controls over the recapture process existed and complied with the Pay It Back Act, and (3) ARRA funds control plans were appropriately modified to include Pay It Back Act requirements.

HUD met the initial expenditure requirements for five of the six ARRA programs reviewed, and the remaining program was on track to meet its initial expenditure requirement by its specific expenditure deadline. However, HUD had \$20.85 million in recaptured ARRA funds that must be returned to the U.S. Treasury's general fund. Additionally, \$6.2 million in available funds, which were recaptured before the Pay It Back Act, had not been reallocated and should be sent back to the U.S. Treasury. Also, the grant closeout process for two of the six programs may have caused noncompliance with ARRA. Further, funds control plans for the selected programs had not been modified to include Pay It Back Act requirements, or modifications had not been reviewed and approved HUD.

OIG recommended that (1) HUD immediately return the recaptured ARRA funds to the U.S. Treasury general fund in accordance with the Pay It Back Act; (2) the Tax Credit Assistance Program (TCAP) immediately recapture deobligated funds to ensure immediate return to the U.S. Treasury; (3) HUD direct the ARRA program offices to review and, if necessary, revise grant closeout and fund retention policies and procedures to ensure that funds are expended or recaptured in accordance with ARRA requirements; and (4) HUD review all ARRA funds control plans to determine whether the plans have been appropriately modified and approved to include Pay It Back Act requirements. (Audit Report: **2011-FO-0006**)



HUD OIG audited the ARRA-funded TCAP of the Missouri Housing Development Commission in **Kansas City, MO**, to determine whether the Commission expended ARRA grant funds in accordance with ARRA requirements and applicable HUD rules.

The Commission did not always disburse TCAP funds in accordance with ARRA requirements and applicable HUD rules. It disbursed more than \$3.6 million in TCAP funds for ineligible and improperly documented expenditures.

OIG recommended that HUD require the Commission to reimburse more than \$137,000 to its U.S. Treasury line of credit from non-Federal funds for the ineligible expenditures. In addition, OIG recommended that the Commission provide supporting documentation showing the amount includable in the eligible basis for the more than \$3.4 million in unsupported costs and reimburse its U.S. Treasury line of credit from non-Federal funds for the amount HUD determines to be ineligible or it cannot support. Further, OIG recommended that HUD verify the implementation of the Commission's new review process for the approval of draw requests to ensure that only eligible TCAP expenditures are paid. (Audit Report: **2011-KC-1003**)



HUD OIG audited Oregon Housing and Community Services in **Salem, OR**, to determine whether Oregon Housing established eligible grant projects, entered TCAP information into FederalReporting.gov correctly, and paid eligible TCAP expenditures in accordance with ARRA requirements.

Oregon Housing complied with applicable ARRA and HUD rules and regulations in establishing eligible grant projects and entering TCAP information into FederalReporting.gov. However, it did not always disburse TCAP funds in accordance with program requirements. It disbursed TCAP funds to two project owners for unsupported legal fees and ineligible appraisal, market study, project compliance, and legal fees.

OIG recommended HUD require Oregon Housing to (1) provide supporting documentation for more than \$80,000 in unsupported costs or reimburse its U.S. Treasury line of credit from non-Federal funds for any costs that remain unsupported, (2) reimburse more than \$20,000 to its U.S. Treasury line of credit from non-Federal funds for the ineligible expenditures, and (3) review the remaining TCAP projects for ineligible costs. As a result of the audit, on March 17, 2011, Oregon Housing reimbursed its U.S. Treasury line of credit for the unsupported and ineligible costs. (Audit Report: **2011-SE-1005**)

Homelessness Prevention and Rapid Re-Housing Program

HUD OIG audited City of **Buffalo, NY**, pertaining to the administration of its HPRP funded under ARRA to determine whether the City efficiently and effectively administered its program in compliance with ARRA and other applicable requirements, specifically, whether City officials had adequate policies and procedures to ensure that (1) program funds drawn from HUD's Line of Credit Control System were supported with adequate documentation, (2) subrecipients were properly procured, and (3) subrecipients were monitored to ensure compliance with all applicable requirements.

City officials did not always administer the HPRP grant in accordance with applicable rules and regulations. They (1) made cash advances to a subrecipient that were not supported by the immediate cash requirements, (2) failed to provide adequate support for the selection of subrecipients, and (3) did not adequately monitor subrecipients. As a result, City officials could not assure HUD that they had effective control over and accountability for all funds and that those funds were used solely for authorized purposes.

OIG recommended that HUD instruct City officials to (1) provide documentation to support advances of more than \$138,000, (2) provide documentation to justify the costs of two subrecipients with contracts totaling more than \$392,000, and (3) revise its monitoring policies and procedures to ensure that it monitors the day-to-day activities of all subrecipients during the term of the grant agreements. (Audit Report: **2011-NY-1016**)





HUD OIG reviewed the City of **Beaumont, TX**'s HPRP to determine whether the City ensured that its HPRP complied with ARRA and HUD program expenditure and reporting requirements.

The City should strengthen its controls over its HPRP to better comply with ARRA requirements. Specifically, it should improve controls over the timely obligation of funds, eligibility of participants, and monitoring of subrecipients.

OIG recommended that HUD require the City to provide support or repay approximately \$215,000 and implement necessary controls to better manage its HPRP and demonstrate more effectively its compliance with requirements. Also, OIG recommended that if the City cannot support the obligation of funds, HUD recapture and rescind the deobligated funds and deposit those funds with the U. S. Treasury in accordance with ARRA as amended. (Audit Report: **2011-FW-1013**)



HUD OIG audited **Essex County, NJ**'s HPRP to determine whether Essex County officials obligated and expended HPRP funds within prescribed timeframes and implemented adequate controls to ensure that grant awards complied with HPRP requirements.

Essex County officials ensured that HPRP funds were obligated and expended within prescribed timeframes; however, they had not established adequate controls to ensure that the County's HPRP was administered in accordance with program requirements. Consequently, its subrecipient expended nearly \$44,000 contrary to program requirements, disbursed more than \$141,000 on behalf of recipients whose eligibility was not adequately supported, and awarded grants that did not always comply with administrative requirements. As a result, Essex County officials could not adequately assure HUD that HPRP funds were expended in accordance with program requirements.

OIG recommended that HUD instruct Essex County officials to (1) reimburse the HPRP line of credit for funds expended on ineligible program costs, (2) provide documentation to adequately support the unsupported disbursements, and (3) strengthen subrecipient monitoring procedures before administering future similar HUD-funded programs. (Audit Report: **2011-NY-1015**)



HUD OIG audited the HPRP grant awarded to the State of Alabama Department of Economic and Community Affairs in **Montgomery, AL**, to determine whether the grantee administered the grant in compliance with ARRA and other applicable regulations to ensure that (1) it properly reported results on the Recovery.gov Web site, (2) it properly monitored its subgrantees, and (3) program participants and activity expenditures were eligible and their eligibility was supported.

The grantee adequately reported results on the Recovery.gov Web site. However, it did not ensure that its subgrantees' program participants and activity expenditures were eligible and their eligibility was supported. As a result, the grantee missed opportunities to detect and prevent errors by its subgrantees on a timely basis. Consequently, program funds totaling more than \$69,000 were paid for participants who were not eligible or whose eligibility was not supported.

OIG recommended that HUD require the grantee to repay the U.S. Treasury account from non-Federal funds the ineligible costs of more than \$1,000 charged to its program and properly support the nearly \$68,000 charged to its program or repay the U.S. Treasury account from non-Federal funds the amount that it cannot support. (Audit Report: **2011-AT-1019**)





HUD OIG audited the HPRP at the Georgia Department of Community Affairs in **Atlanta, GA**, to determine whether the Department established policies and procedures to ensure that (1) HPRP participants were eligible, (2) HPRP expenditures were supported with adequate documentation, (3) HPRP reporting requirements were met, and (4) subgrantees were monitored and trained.

The Department paid for HPRP services for participants whose eligibility was not supported with the required income verification documentation. As a result, 11 of 32 HPRP participants' files reviewed did not include adequate income verification documentation. Consequently, the participants' eligibility was not supported for nearly \$67,000 in HPRP services.

OIG recommended that HUD require the Department to properly support or repay the current amount owed in questioned costs, ensure that the subgrantees follow HPRP requirements for verifying and documenting participant eligibility, and review a sample of the subgrantees' files not included in OIG's review to verify the participants' eligibility. (Audit Report: **2011-AT-1009**)



HUD OIG audited the HPRP of the Mid-Willamette Community Action Agency in **Salem, OR**, to determine whether the Agency disbursed HPRP funds and reported data in accordance with ARRA requirements.

The Agency paid for HPRP services without adequate supporting documentation for participant eligibility and expenses and did not always enter participant data accurately into the HPRP reporting system.

OIG recommended that HUD require the Agency to provide supporting documentation for participant eligibility and expenditures or reimburse its program accounts nearly \$65,000 and develop and implement a quality control plan to ensure that it verifies and documents the eligibility of HPRP participants and expenditures. In addition, OIG recommended that the Agency correct discrepancies in the HPRP reporting system and implement procedures to ensure that case managers enter accurate participant data. (Audit Report: **2011-SE-1006**)



HUD OIG audited the City of **Houston, TX**'s HPRP to determine whether the City ensured that its HPRP complied with ARRA and HUD laws, regulations, and requirements.

The City did not ensure that its HPRP complied with ARRA requirements. Specifically, it did not ensure that subrecipients properly documented eligibility for 13 of the 16 client files reviewed. As a result, it paid more than \$59,000 in HPRP assistance for tenants whose eligibility was not adequately documented and inappropriately paid \$300 directly to one tenant.

OIG recommended that HUD require the City to (1) conduct quarterly onsite monitoring of its subrecipient agencies to ensure that they comply with HPRP rules and requirements and ensure that the agencies maintain adequate records of client eligibility, (2) provide supporting documentation for 13 participants lacking adequate documentation or reimburse its HPRP account from non-Federal funds, and (3) reimburse its HPRP account from non-Federal funds for ineligible expenses. (Audit Report: **2011-FW-1009**)





HUD OIG audited the HPRP of Special Services for Groups in **Los Angeles, CA**, to determine whether Special Services administered its HPRP in accordance with ARRA and other requirements.

Special Services did not always administer its HPRP in accordance with ARRA and other requirements. Of 30 participant files reviewed, Special Services approved HPRP assistance for an ineligible participant and 25 participants whose eligibility was not supported. As a result, OIG questioned the use of nearly \$54,000 in HPRP assistance provided to these participants.

OIG recommended that HUD require Special Services to (1) reimburse its HPRP more than \$2,000 from non-Federal funds for an ineligible participant whose income exceeded HUD requirements; (2) provide supporting documentation for 25 participants lacking adequate documentation or reimburse its HPRP nearly \$52,000 from non-Federal funds; and (3) establish and implement sufficient HPRP eligibility and documentation policies and procedures for income determinations, homelessness, financial resources, support networks, participant recertification, and subsequent housing options. (Audit Report: **2011-LA-1009**)



HUD OIG audited the HPRP of People Assisting the Homeless (PATH) and three of its subgrantees in **Los Angeles, CA**, to determine whether PATH administered its HPRP in accordance with ARRA and other requirements.

PATH did not always administer its HPRP in accordance with ARRA and other requirements. OIG reviewed 30 participant files and determined that PATH and its subgrantees approved HPRP assistance for 4 ineligible participants and 13 participants whose eligibility was not supported. In addition, 18 of the 30 participant files contained deficiencies such as missing staff affidavit forms and missing participant household identification documents. As a result, OIG questioned the use of more than \$29,000 in HPRP assistance provided to these participants.

OIG recommended that HUD require PATH to (1) reimburse its HPRP more than \$8,000 from non-Federal funds for 4 ineligible participants; (2) provide supporting documentation for 13 participants lacking adequate documentation or reimburse its HPRP more than \$21,000 from non-Federal funds; (3) establish and implement sufficient HPRP eligibility and documentation policies and procedures for income determination, homelessness, financial resources, support networks, participant recertification, and subsequent housing options; (4) develop and implement procedures to ensure that its subgrantees verify and document participant eligibility in accordance with HPRP requirements; (5) ensure that staff affidavit forms determining eligibility are maintained in each participant file for each person and are signed by a supervisor; and (6) ensure that it follows its own internal policies when determining HPRP eligibility. (Audit Report: **2011-LA-1010**)



HUD OIG audited the City of **Las Vegas, NV**'s HPRP, established by ARRA, to determine whether the City administered and expended its grant in accordance with program requirements.

The City paid for HPRP services for ineligible participants and participants whose eligibility was unsupported. It also paid for ineligible activities. OIG reviewed 18 case files and found that 8 participants were ineligible and 7 did not have adequate documentation to support eligibility. Further, the City did not have adequate procedures to ensure that HPRP expenditures and activities were accurately tracked and recorded.

OIG recommended that HUD require the City to (1) reimburse the program nearly \$46,000 from non-Federal funds for the ineligible participants and activities and determine and reimburse any amounts that have been spent since the review for these participants; (2) provide supporting documentation for participants' eligibility or reimburse its program accounts more than \$29,000 for participants reviewed who lacked adequate documentation and determine and reimburse any unsupported amounts that have been spent since the review for these participants; (3) design and implement adequate procedures for determining, reviewing, and approving eligibility for participants and activities that will provide reasonable assurance that assistance payments are made only for eligible participants and activities; (4) develop and implement new controls and procedures to ensure that financial records are accurate and prevent the deficiencies identified; and (5) perform a complete review of assistance payments to date and correct any errors. OIG also recommended that HUD review additional case files and identify additional questioned costs. (Audit Report: **2011-LA-1012**)



HUD OIG audited the HPRP administered by the City of **Hialeah, FL**, to determine whether the City administered its program in accordance with HUD and ARRA requirements, specifically, whether (1) expenditures were allowable, (2) HPRP participants were eligible, and (3) HPRP reporting requirements were met.

The City demonstrated that the costs were allowable and HPRP participants were eligible. However, it did not accurately report the number of jobs created or retained for the quarter ending March 31, 2011, on the ARRA Web site. As a result, the public did not have access to transparent information on the number of jobs created or retained with ARRA funds.

OIG recommended that HUD require the City to (1) calculate and maintain documentation to support the correct number of jobs created or retained for the quarter ending March 31, 2011, and (2) develop and implement procedures to ensure that the City adequately supports and calculates the number of jobs created or retained in future periods. (Audit Report: **2011-AT-1016**)

Office of Multifamily Housing Audits and Reviews

Office of Sustainable Housing and Communities

HUD OIG audited the implementation of HUD's partnership with the U.S. Department of Energy (DOE) to determine whether HUD multifamily properties were eligible to receive ARRA funding under DOE's Weatherization Assistance Program.

HUD did not have records regarding which properties had been weatherized. Although HUD entered into a memorandum of understanding with DOE to improve energy efficiency in its qualified housing properties, it did not require DOE to provide data on which HUD qualified housing properties had been selected to be weatherized. Specifically, HUD did not require DOE to report which HUD properties participated in the weatherization program. As a result, HUD could not identify improved properties or cost savings achieved through reduced energy costs.

OIG recommended that HUD request reports from DOE that identify which HUD qualified housing properties have been weatherized. (Audit Report: **2011-HA-0004**)

Office of Healthy Homes and Lead Hazard Control Audits and Reviews

Lead Hazard Reduction Demonstration Program

HUG OIG audited HUD's Office of Healthy Homes and Lead Hazard Control's monitoring of its ARRA grant recipients to determine whether Healthy Homes monitored its recipients of ARRA grants in accordance with ARRA and HUD requirements.

Healthy Homes did not maintain documentation in accordance with its requirements to support payments to four recipients totaling more than \$4.2 million of the nearly \$5 million in grant awards. The payments were made to reimburse the recipients for their claimed grant expenses. Additionally, Healthy Homes did not review the voucher requests for payment in a timely manner. Documentation to support the recipients' voucher requests for payment was either missing or not adequate. Healthy Homes accepted operating ledgers, billing summaries, email lists, a list of expenditures, budgets showing the current request by category, and copies of check stubs as support for the voucher requests for payment. It also did not ensure that recipients' working files included the required documents and reports.

OIG recommended that HUD (1) obtain adequate documentation to support the payment of the unsupported ARRA funds, (2) ensure that recipients' voucher requests for payment are reviewed in a timely manner, (3) implement adequate procedures and controls to correct voucher processing deficiencies, and (4) implement adequate policies and procedures to ensure that recipients' files contain the documentation and reports required by Healthy Homes' issued guidance. (Audit Report: **2011-CH-0003**)

Review of the Overall ARRA Program

Review of HUD's Compliance With Obligation Deadlines

HUD OIG audited HUD's compliance with obligation deadlines and progress toward meeting expenditure requirements related to eight programs funded by ARRA to determine whether HUD obligated ARRA funds in accordance with applicable deadlines and to assess HUD's oversight of grantees' expenditure of ARRA funds and HUD's internal requirements.

OIG determined that (1) \$1.6 million in Capital Fund and Native American Housing Block Grant funds, recaptured after July 21, 2010, must be returned to the U.S. Treasury under the provisions of the Pay It Back Act and (2) ARRA monitoring and oversight could be better documented in HUD's funds control plans.

OIG recommended that HUD (1) ensure that the recaptured funds are returned to the U.S. Treasury as required by the Pay It Back Act and (2) establish and implement procedures to ensure the accuracy and completeness of ARRA funds control plans. (Audit Report: **2011-FO-0005**)



Review of Recovery Act Management and Reporting System

HUD OIG audited HUD's management procedures, practices, and controls related to RAMPS to assess its capability to record and provide data required by ARRA on which HUD is required to report.

Overall, RAMPS had the capability to record ARRA data and produce the reports necessary for HUD to comply with ARRA reporting requirements. However, OIG identified areas in which vulnerabilities existed. These vulnerabilities could compromise the validity of the information that is required to be disclosed to the public.

OIG recommended that HUD ensure that (1) reports required by ARRA are accurate and complete, (2) access controls over RAMPS adequately protect ARRA data that are required to be disclosed to the public, and (3) the RAMPS technical problem reporting process is limited to a single point of contact. (Audit Report: **2011-DP-0007**)



Investigations

Some investigations discussed in this report were generated from leads provided by HUD program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Theft/Embezzlement

Dori McGeshick, a current HUD Office of Native American Programs employee and former community planner for the Sokaogon Chippewa Community Housing Department (Sokaogon), an organization that receives HUD- and ARRA-funded Indian Housing Block Grant funds, was indicted in U.S. District Court, **Milwaukee, WI**, for allegedly committing theft from a program receiving Federal funds. Between December 2009 and January 2010, McGeshick allegedly diverted and personally used \$13,000 in Sokaogon ARRA funds.



Christopher Bender, a landlord for Real Estate Investment Companies, an organization that receives HUD HPRP funds, pled guilty in U.S. District Court, **Harrisburg, PA**, to making false statements. From September to November 2010, Bender created and provided false documents that fraudulently claimed that HUD HPRP program recipients were homeless. HUD realized losses of \$5,450.



Fern Smith, a former social worker for the Louisville Metro Department of Housing and Family Services (Louisville), an organization that receives HUD HPRP program funds, was indicted in Jefferson County Circuit Court, **Louisville, KY**, for allegedly committing theft. From 2007 to 2010, Smith allegedly falsified documents and personally used about \$4,763 in Louisville HPRP funds.

Other Fraud/Crimes

George and Elias Saad and Kristijan Katjna each pled guilty in U.S. District Court, **Boston, MA**, to making false statements, committing a conspiracy to commit wire fraud, submitting false claims, or aiding and abetting. From 2008 to September 2010, George and Elias Saad, Kristijan Katjna, and other individuals conspired, recruited straw borrowers, provided false information used by unqualified borrowers to obtain Federal Housing Administration-insured mortgages, or submitted false claims for ARRA-funded “first-time homebuyer tax credit.” HUD losses have not yet been determined.



Chapter 6 - Disaster Grant Programs





Introduction and Background

In response to disasters, Congress may appropriate additional funding as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Over the past several years, disaster funding for the U.S. Department of Housing and Urban Development (HUD) has exceeded \$29 billion, from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. These active disaster grants nationwide have approximately \$26 billion in obligations and \$20 billion in disbursements. Of the total \$29 billion in current HUD disaster funds, \$19.6 billion was provided for Hurricanes Katrina, Rita, and Wilma. Regarding the \$19.6 billion in funds provided to Gulf Coast States, \$16.3 billion, or 83.2 percent of the funds, has been disbursed for the period ending September 30, 2011.

Keeping up with communities in the recovery process can be a challenging position for HUD. The HUD Office of Inspector General (OIG) continues to take steps to ensure that the Department remains diligent in assisting communities with their recovery efforts. During the current semiannual period, the Office of Audit completed two Katrina audits. For these two audits, OIG questioned costs of \$3.1 million and provided recommendations for management improvements.



Audit

During this period, OIG's Office of Audit issued two new audit reports on HUD's disaster programs. The reviews covered the Community Development Block Grant (CDBG) disaster program and the Disaster Housing Assistance Program (DHAP). HUD provides disaster assistance through the CDBG program, which is made available from supplemental appropriations for recovery from major disasters declared by the President. DHAP, which provides housing assistance and case management services for eligible families, is administered by HUD's Office of Public and Indian Housing. These reviews were performed by HUD OIG's Office of Audit, Gulf Coast Region.

Key program results		Questioned costs	Funds put to better use
Audit	2 audits*	\$3.1 million	\$75,000

* The total disaster grant program audits consist of community planning and development and public and Indian housing audits. The questioned costs and funds put to better use amounts relate only to disaster-related costs.

HUD OIG audited the HUD CDBG Supplemental Disaster Recovery program funds administered by the **State of Mississippi**, a \$5.5 billion CDBG Supplemental Disaster Recovery program grantee, to determine whether the State ensured that disbursements made under the Homeowner Assistance Elevation Grant Program were eligible and supported.

The State generally ensured that disbursements to Program participants were eligible and supported. However, it disbursed funds to participants who (1) were initially eligible but later defaulted, making the disbursements ineligible, and (2) received duplicate assistance. As a result, the State paid \$90,000 in ineligible costs.

OIG recommended that HUD require the State to (1) repay its Program for ineligible costs; (2) reallocate \$75,000 in unreimbursed funds, thereby ensuring that these funds are put to better use; and (3) develop and implement written policies to assess the need for elevation construction before disbursing funds to Program participants. OIG also recommended that HUD require the State to consider amending its Program policy to require (1) staff performing file reviews to document reviews and verify required documentation; (2) land surveyors, engineers, and architects to submit photographs of properties with the elevation certificate; (3) periodic site visits to properties to ensure that homes were elevated in accordance with the Program elevation requirements; and (4) eligibility reviews across its disaster recovery programs to ensure that different participants did not receive assistance for the same damaged property. (Audit Report: **2011-AO-1005**)



HUD OIG audited the Lafayette Parish Housing Authority in **Lafayette, LA**, regarding the operations of its public housing program and DHAP to determine whether the Authority operated in accordance with HUD's and other requirements. Specifically, OIG wanted to determine whether the Authority (1) complied with requirements in the procurement and monitoring of its contracts and (2) ensured that its contracts were reasonable and necessary.

The Authority neither properly administered its contracting activities nor ensured that its contracts were reasonable and necessary. It also paid its contractors, including its DHAP contractors, outside of



specified contract timeframes, in excess of specified contract amounts, and excessive contract increases. As a result, it could not provide reasonable assurance that more than \$2.9 million in disbursements from its operating and/or capital fund was spent properly; protected from fraud, waste, and abuse; or used to benefit program participants.

The Authority also did not always ensure that its contracts were reasonable and necessary. As a result, it could not provide reasonable assurance that HUD funds were used effectively and efficiently or to benefit program participants. In addition, HUD funds may have been exposed to fraud, waste, and abuse.

OIG recommended that HUD require the Authority to (1) support or repay from non-Federal funds the portion of the operating and/or capital funds that it cannot support, (2) modify its procurement policy to reflect applicable State and local laws and regulations and applicable Federal laws, (3) implement additional internal controls related to its procurement and monitoring activities, (4) ensure that its staff attends HUD-approved procurement training on contract administration and oversight, (5) ensure that it maintains adequate levels of competent staff, (6) immediately stop payments to the DHAP accounting specialist working without an executed contract and support or repay any amounts that it cannot support from non-Federal funds, and (7) remain under HUD receivership for at least a year or until it can demonstrate to HUD that its procurement and other practices consistently meet Federal requirements. After the HUD receivership is lifted and an executive director is hired, HUD should place the Authority on a zero dollar threshold for at least a year or until it can demonstrate to HUD that its procurement and other practices consistently meet Federal requirements.

In addition, OIG recommended that HUD take appropriate administrative action, up to and including debarment, against the former deputy director and require the Authority to (1) perform a cost or price analysis in connection with every procurement action and (2) review proposed procurements to avoid the purchase of unnecessary or duplicative items. (Audit Report: **2011-AO-0001**)



Investigation

The HUD OIG Office of Investigation continues to pursue HUD disaster assistance crimes with other law enforcement agencies, including the Federal Bureau of Investigation and other Federal, State, and local partners. While the majority of prosecutions during this reporting period involved individuals who obtained disaster assistance through fraud, OIG is vigorously pursuing public corruption, infrastructure, and procurement crimes. Working with the Louisiana Recovery and Mississippi Development Authorities, OIG is taking a proactive role to prevent fraudulent disaster-related claim payments and to assist with the recovery of deceptive or fraudulent grants. In addition, HUD OIG continues to be a dedicated partner in the National Center for Disaster Fraud Task Force (previously known as the Hurricane Katrina Fraud Task Force). HUD OIG provides personnel to support the joint command center in Baton Rouge, LA, continues to support disaster-related investigative efforts throughout the country, and actively participates in the sharing of information and the receipt and referral of complaints with other law enforcement agencies.

Homeowner Grant Fraud

Judy Carter pled guilty in U.S. District Court, **Gulfport, MS**, to committing theft of government funds. Carter applied for and received \$300,000 in CDBG Disaster Recovery Assistance funds through the Mississippi Development Authority (MDA) and \$49,517 in Federal Emergency Management Agency (FEMA) disaster assistance for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Ellaine Mullone was sentenced in U.S. District Court, **New Orleans, LA**, to 5 years probation and ordered to pay the Louisiana Office of Community Development \$150,000, the Small Business Administration (SBA) \$178,113, and FEMA \$22,984 in restitution for her earlier guilty plea to committing theft of government funds. Mullone applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the Louisiana Road Home (Road Home) program and \$245,676 in SBA and FEMA disaster assistance for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Vanessa Jones pled guilty in U.S. District Court, **New Orleans, LA**, to making false statements. Jones applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



James Pizzolato remitted \$146,849 to the Louisiana Office of Community Development, entered into a pretrial diversion filed in U.S. District Court, **New Orleans, LA**, and agreed to 1-year probation for his earlier admission to making false statements. Pizzolato applied for and received \$146,849 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.





Ivan Alfonso was charged in U.S. District Court, **New Orleans, LA**, with allegedly committing theft of government funds. Alfonso applied for and received \$123,437 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Cecile Payne was sentenced in U.S. District Court, **New Orleans, LA**, to 3 years probation and ordered to pay the Louisiana Office of Community Development \$102,718 and FEMA \$20,121 in restitution for her earlier guilty plea to committing theft of government funds. Payne applied for and received \$102,718 in CDBG Disaster Recovery Assistance funds through the Road Home program and \$20,121 in FEMA disaster assistance for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Vernon Ponder was charged in U.S. District Court, **Gulfport, MS**, with allegedly committing theft of government funds. Ponder applied for and received \$100,000 in CDBG Disaster Recovery Assistance funds through MDA for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Portia Williams entered into a pretrial diversion filed in U.S. District Court, **New Orleans, LA**, and agreed to pay the Road Home program \$96,258. On September 21 and October 1, 2007, Williams admitted that she erroneously received \$96,258 in Road Home program funds and refused to repay the money after the mistake was discovered.



Gerald and Michael Haydel each pled guilty in U.S. District Court, **Jackson, MS**, to committing theft of government funds. Gerald and Michael Haydel applied for and received \$92,856 in CDBG Disaster Recovery Assistance funds through MDA and \$22,373 in FEMA disaster assistance for hurricane-damaged residential property, but the damaged property was not their primary residence during Hurricane Katrina.



Hoa Tran Shelton pled guilty in U.S. District Court, **Gulfport, MS**, to committing theft of government funds. Shelton applied for and received \$73,848 in CDBG Disaster Recovery Assistance funds through MDA for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Donna Fowler was sentenced in U.S. District Court, **Gulfport, MS**, to 6 months incarceration and 3 years supervised release and ordered to pay MDA \$77,994 in restitution for her earlier guilty plea to committing theft of government funds. Fowler applied for and received \$77,994 in CDBG Disaster Recovery Assistance funds through MDA for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Rosalyn Kelsey was sentenced in U.S. District Court, **Gulfport, MS**, to 6 months home detention and 5 years probation and ordered to perform 70 hours of community service and pay FEMA \$22,369 in restitution for her earlier guilty plea to committing theft of government funds. Kelsey applied for and received \$64,875 in CDBG Disaster Recovery Assistance funds through MDA for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Annette Stallworth was sentenced in U.S. District Court, **Gulfport, MS**, to 3 years probation and ordered to perform 80 hours of community service and pay MDA \$53,790 in restitution for her earlier guilty plea to making false statements. Stallworth applied for and received \$53,790 in CDBG Disaster Recovery Assistance funds through MDA and \$38,800 in SBA disaster assistance for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Carlas Williams was sentenced in U.S. District Court, **Baton Rouge, LA**, to 3 years probation and ordered to pay SBA \$46,300 in restitution for her earlier guilty plea to making false statements. Williams provided fraudulent income information when she applied for and received \$51,449 in CDBG Disaster Recovery Assistance funds through the Road Home program and \$98,000 in SBA disaster assistance for hurricane-damaged residential property.



Valinda Pullen pled guilty in U.S. District Court, **Gulfport, MS**, to making false statements. Pullen submitted a false elevation certificate when she applied for \$30,000 in CDBG Disaster Recovery Assistance funds through the MDA Elevation Grant program.



Anthony Spears, Sr., pled guilty in U.S. District Court, **Gulfport, MS**, to committing theft of government funds and mail fraud. Spears applied for and received \$23,452 in CDBG Disaster Recovery Assistance funds through MDA and \$128,858 in SBA and FEMA disaster assistance for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.

Civil and Administrative Actions

Former HUD attorney Diane Walder and her husband James Groomes, who previously pled guilty in U.S. District Court, **Gulfport, MS**, to committing theft of government funds, were each debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. Walder and Groomes applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through MDA and \$50,000 in SBA disaster assistance for hurricane-damaged residential property, but the damaged property was not their primary residence during Hurricane Katrina.



LaTancia McMillan-Rogers and Wayne Rogers, who previously pled guilty in U.S. District Court, **Jackson, MS**, to committing theft of government funds, were each debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for an indefinite period. McMillan-Rogers and Rogers applied for and received \$91,021 in CDBG Disaster Recovery Assistance funds through MDA and \$156,358 in SBA and FEMA disaster assistance for hurricane-



damaged residential property, but the damaged property was not their primary residence during Hurricane Katrina.

HUD and FEMA Disaster Housing Assistance Fraud

Jefferson Thompson, a Jefferson Parish Housing Authority (Jefferson Parish) Disaster Housing Assistance and Housing Choice Voucher program landlord, was sentenced in U.S. District Court, **New Orleans, LA**, to 1 year probation, ordered to pay Jefferson Parish \$13,770 in restitution, and fined \$1,000 for his earlier guilty plea to committing theft of government funds. From August 2006 to February 2008, Thompson fraudulently obtained \$13,770 in dual housing subsidies for a disaster housing assistance recipient.



Chapter 7 - Other Significant Audits and Investigations/OIG Hotline



In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), has conducted a number of outreach efforts (see chapter 8, page 115).

Audit

Strategic Initiative 4: Contribute to improving HUD’s execution and accountability of fiscal responsibilities as a relevant and problem-solving advisor to the Department’s execution

Key program results		Questioned costs	Funds put to better use
Audit	12 audits ¹	\$6 million	\$27.1 million
Our focus	Page 98	• Alleged false statements in loan application and scheme to defraud a financial institution	
	Page 99	• Alleged violations of HUD’s real estate-owned owner-occupancy program	
	Page 99	• Reviews of Office of Chief Procurement Officer	
	Page 100	• Office of Healthcare Programs	
	Page 100	• Evaluation of Office of Labor Relations’ management of Davis-Bacon wage restitution and deposit account	

¹ The total “other” audits, questioned costs, and funds put to better use amounts include any American Recovery and Reinvestment Act of 2009 (six audits) type audits conducted in the “other” area. The writeups for these audits are shown separately in chapters 5 of this semiannual report.

HUD OIG’s more significant audits are discussed below.

Civil Actions

Alleged False Statements in Loan Application and Scheme To Defraud a Financial Institution

HUD OIG conducted a civil fraud review of IndyMac Bank in **Pasadena, CA**, to determine whether IndyMac followed Federal Housing Administration (FHA) policies and procedures when it originated FHA-insured loans.

OIG focused on loans secured by California properties that were in claim or default status as of February 12, 2009. Within this group, OIG identified a set of questionable loans originated by IndyMac that had been generated by Beechwood Incorporated, a company located in Moreno Valley, CA, that conducts various real estate services.

Based on OIG’s review, the U.S. Attorney’s Office of the Central District of California filed a civil complaint against Beechwood and four individuals associated with the company, under the Financial Institutions Reform, Recovery, and Enforcement Act, 12 U.S.C. (United States Code) 1833a, alleging that Beechwood and the individuals made false statements in support of a loan application and devised a scheme to defraud a financial institution.



On June 1, 2011, Beechwood entered into a settlement agreement to pay \$100,000 to the U.S. Government to resolve the complaint. The parties agreed that the settlement agreement was not an admission of liability or fault on the part of either party and was entered into for the purpose of compromising disputed claims arising under or related to the complaint and to avoid the expenses and risks of litigation. (Audit Memorandum: **2011-CF-1803**)

Alleged Violations of HUD's Real Estate-Owned Owner-Occupancy Program (*Report Not Available to the Public*)

HUD OIG reviewed alleged violations of HUD real estate-owned (REO) owner-occupancy program requirements by the subject (name withheld for privacy reasons). OIG concluded that the subject failed to comply with the HUD REO program requirement that an individual who purchases an REO home during its initial offering period must be the owner-occupant of the purchased home for 1 full year. In April 2011, HUD notified the subject of its intent to seek a false statement charge against the subject under the Program Fraud Civil Remedies Act. In May 2011, HUD reached a settlement with the subject, who paid \$5,000 to HUD to resolve the matter. OIG has determined that the content of this memorandum is not appropriate for public disclosure and has, therefore, limited its distribution to selected officials. (Audit Memorandum: **2011-CF-1802**)

Reviews of Office of Chief Procurement Officer

HUD OIG audited HUD's administration of interagency agreements (IAA). This audit was part of the fiscal year 2010 audit plan because of congressional hearings on the use and management of IAAs throughout the Federal Government. The audit objective was to determine whether HUD effectively administered its IAAs and the costs to procure these products and services were reasonable.

HUD had improved its administration of IAAs by significantly reducing the backlog of expired IAAs. However, it must ensure that current IAAs are closed out in a timely manner. In addition, the costs HUD incurred to procure the products and services via IAAs were reasonable. OIG made no formal recommendations because HUD had addressed the noted issues based on a previous audit. (Audit Report: **2011-HA-0002**)



HUD OIG audited the Office of the Chief Procurement Officer's procedures for closing out completed and expired Government National Mortgage Association (Ginnie Mae) contracts in compliance with applicable regulations. The audit objective was to determine whether HUD performed timely closeouts on completed and expired Ginnie Mae contracts.

The procurement office did not (1) obtain documentation from Ginnie Mae to close out completed and expired contracts in a timely manner, (2) follow the Federal Acquisition Regulation (FAR) and HUD guidelines for contract closeout procedures, and (3) have access to Ginnie Mae's financial systems or data. In addition, Ginnie Mae did not (1) follow HUD's guidelines for contract closeout and (2) always retain documentation needed to close aged contracts.

OIG recommended that HUD's Chief Procurement Officer (1) ensure that her staff follows the closeout procedures and the FAR time standards for closing out contracts and (2) clearly define the type and frequency of financial data Ginnie Mae needs to provide to HUD to close out contracts.



OIG recommended that the President of Ginnie Mae require his staff to (1) follow HUD's policies and procedures for closing out contracts, (2) retain complete contract files until contracts are formally closed, and (3) routinely provide the required financial data to HUD. (Audit Report: **2011-HA-0003**)

Office of Healthcare Programs

HUD OIG reviewed Blue Mountain Hospital to determine whether it had adequate written procedures for collecting, dispersing, and accounting for project funds.

The Hospital did not have adequate written procedures for collecting, disbursing, and accounting for project funds. It had only a general finance policy manual, which was developed after operations started. It did not have written procedures to guide each of its financial department positions.

OIG recommended that HUD require that the Hospital establish and implement written procedures for the financial department positions involved with collecting, disbursing, and accounting for project funds. (Audit Report: **2011-DE-1002**)

Evaluation of Office of Labor Relations' Management of Davis-Bacon Wage Restitution and Deposit Account

HUD OIG audited HUD's Office of Labor Relations' wage restitution and deposit process to gain an understanding of the deposit process and determine whether the controls used to administer and distribute restitution payments were adequate.

Labor Relations had weak internal controls over its deposits and wage restitution payments. Complete responsibility for managing the deposits, processing payments, and reporting for the deposit account was vested in Labor Relations' senior policy advisor. Its internal controls were deemed weak because only one person was designated to manage these duties. This lack of segregation of duties heightened the risk of undetected errors and allowed opportunities to misappropriate funds or conceal intentional misstatements of wage restitution payments and refunds.

OIG recommended that HUD (1) reassign and disperse among the Labor Relations regional offices the duties of tracking the deposit transactions and certifying payment vouchers, (2) decrease the senior policy advisor's access to HUD's LR2000 system to a level lower than that of the system administrator, (3) ensure that the Director of Labor Relations has final approval authority over all vouchers for payments to workers or refunds to depositors, and (4) ensure that the deposit account balance is immediately reconciled with the balance reported by the Office of the Chief Financial Officer. (Audit Memorandum: **2011-HA-0801**)



Investigations

Strategic Initiative 4: Contribute to improving HUD's execution and accountability of fiscal responsibilities as a relevant and problem-solving advisor to the Department's execution

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	25	\$10,540	3	13

The investigation shown below was generated from leads provided by HUD program staff.

Matt McDermott was sentenced in U.S. District Court, **Omaha, NE**, to 5 years probation for his earlier guilty plea to intimidating HUD employees engaged in the performance of their official duties. McDermott sent threatening emails and voice messages to HUD employees at the National Servicing and Loss Mitigation Center located in Oklahoma City, OK.



Inspections and Evaluations

The HUD OIG Office of Investigation's Inspections and Evaluations Division's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations. The office conducts inspections and evaluations using various study methods and evaluative techniques to provide timely information to improve policies, programs, and procedures.

Evaluation of HUD's Governmentwide Purchase Card Program

HUD OIG evaluated HUD's Governmentwide Purchase Card Program to determine whether purchase card transactions complied with prescribed policies and procedures.

Cardholders did not always ensure that (1) the availability of funds was properly documented, (2) required sources were used, (3) competitive bids were obtained when required, (4) purchase orders were used as required, (5) purchase logs were maintained, (6) sales tax charges were not paid, (7) purchase logs were reconciled with monthly bank statements, and (8) supporting records were retained for a sufficient period. In addition, some purchases were split, apparently to avoid exceeding the micropurchase threshold or cardholders' single-purchase limits.

OIG recommended that HUD take steps to correct these problems, including ensuring that (1) purchase card transactions are conducted in accordance with applicable laws and regulations, (2) managers and approving officials perform a thorough review for potential split purchases, and (3) cardholders are properly trained. (I&E Report: **IED-11-003R**)



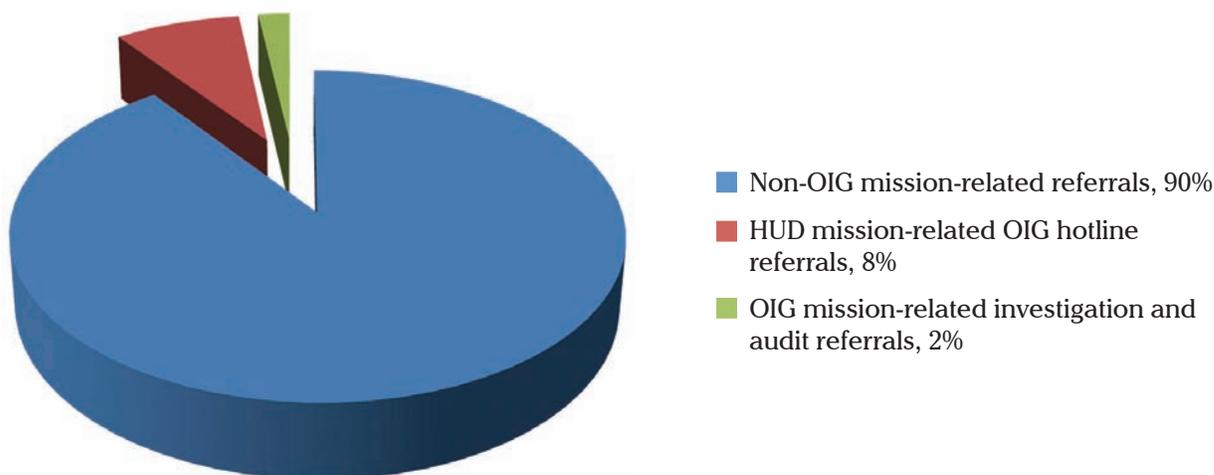
OIG Hotline

The hotline is staffed by OIG employees, who take allegations of waste, fraud, abuse, or serious mismanagement in HUD or HUD-funded programs from HUD employees, contractors, and the public. The hotline also coordinates reviews with internal audit and investigative units or with HUD program offices.

During this reporting period, the hotline received and processed 4,160 complaints -- 23 percent received by telephone, 12 percent by mail, and 65 percent by email. Every allegation determined to be related to the OIG mission is logged into a database and tracked.

Of the complaints received, 344 were related to the mission of OIG and were addressed as hotline cases. Hotline cases are referred to OIG's Offices of Audit and Investigation or to HUD program offices for action and response. The following illustration shows the distribution of hotline case referrals by percentage.

Chart 7.1: Hotline cases and non-case referrals opened



The hotline closed 168 cases this reporting period. The closed hotline cases included 41 substantiated allegations. The substantiated allegations resulted in 13 administrative sanctions, including action taken against a tenant for failing to report all income and allowing unauthorized live-ins to reside in her HUD-subsidized residence. The Department also took 19 corrective actions that resulted in \$51,153 in recoveries of losses and \$751,320 in HUD funding that could be put to better use. The recoveries included repayments of overpaid rental subsidies. Some of the funds that could be put to better use were the result of cases in which tenants were terminated from public housing or multifamily housing programs for improperly reporting their incomes or family composition to qualify for rental assistance.

Chart 7.2: Hotline dollar impact from program offices

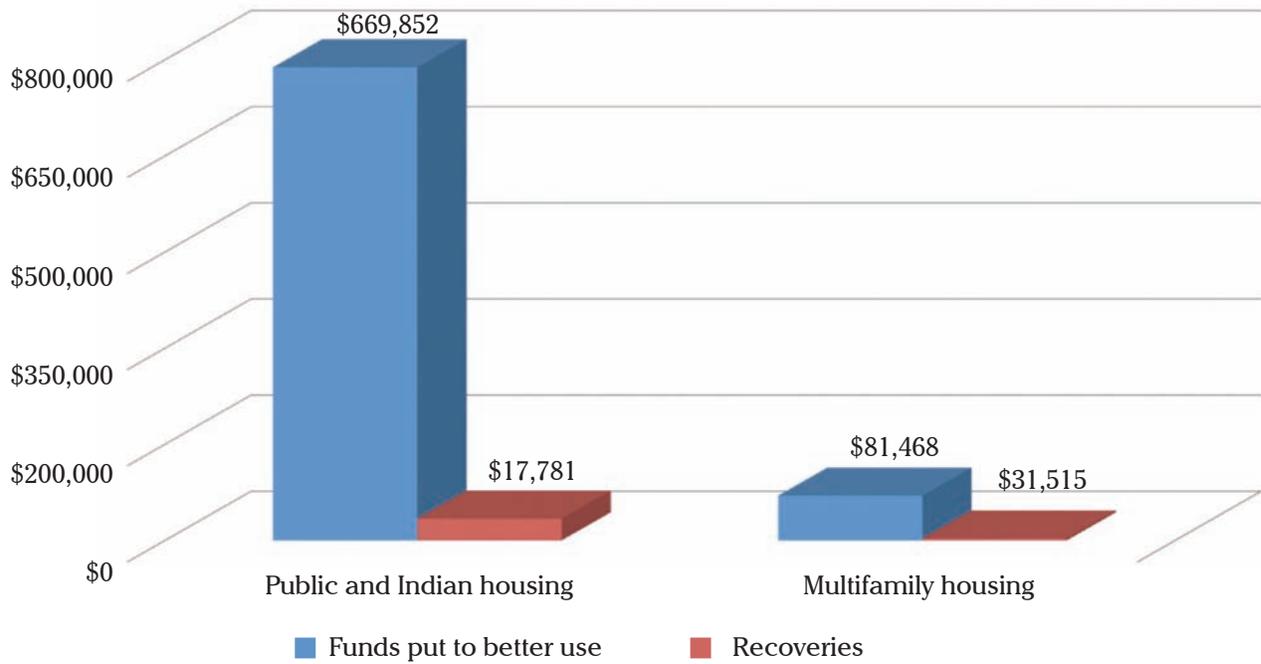
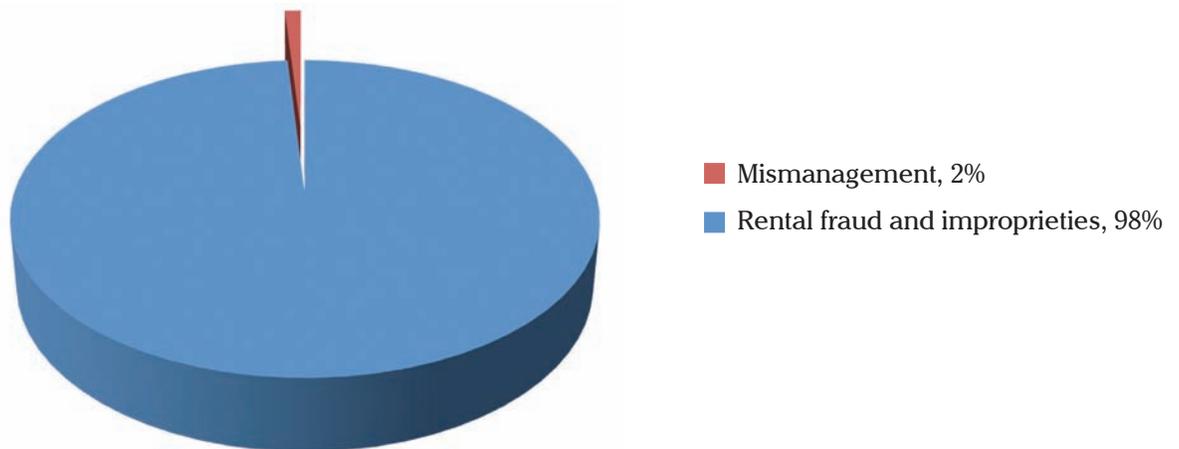


Chart 7.3: Substantiated cases by type of complaint received by hotline



Chapter 8 - Outreach Efforts



To foster cooperative, informative, and mutually beneficial relationships with agencies and organizations assisting the U.S. Department of Housing and Urban Development (HUD) in accomplishing its mission, the Office of Inspector General (OIG) participates in special outreach efforts. The outreach efforts described below complement routine coordination with Federal, State, and local law enforcement agencies; various congressional committees or subcommittees; and other OIGs. During outreach efforts, OIG personnel present information about HUD OIG's role and function, provide audit and investigative results, and discuss desired goals and objectives..

Single-Family Housing Programs

Deputy Assistant Inspector General for Audit (DAIGA) Joan Hobbs, Civil Fraud Division (CFD) Director Kim Randall, Regional Inspector General for Audit (RIGA) Edgar Moore, and Supervisory Forensic Auditor (SFA) Fran Ranzie met in **Brooklyn, NY**, with the Civil Division of the U.S. Attorney's Office for the Eastern District of New York. HUD OIG described its Civil Fraud Division as well as the civil enforcement efforts being conducted by Office of Audit regional staff. The group discussed mortgage fraud trends, ideas for developing HUD-related mortgage cases, and protocols for working cases through parallel proceedings. The group also discussed the current status of and plans to complete a large loan origination fraud case underway between HUD OIG and the U.S. Attorney's Office.



DAIGA Joan Hobbs, CFD Director Kim Randall, RIGA Heath Wolfe, and SFA Muhammad Akhtar met with the Chief of the Civil Division of the Northern District of Illinois, Eastern Division, in **Chicago, IL**. DAIGA Hobbs described HUD OIG's new Civil Fraud Division and its pursuit of civil actions, particularly with regard to mortgage fraud. The group discussed current and potential cases and the recent focus on foreclosure fraud. The HUD OIG staff announced its plan to look for civil action potential with each criminal case and to continually look for opportunities to work cases as parallel proceedings.



Special Agent in Charge (SAC) Kenneth Taylor provided an overview of HUD OIG's mission and described foreclosure scams and prevention options at a Fair Housing Workshop sponsored by the Virginia Fair Housing Office in **Virginia Beach, VA**. More than 225 homeowners, landlords, developers, and realtors attended.



SAC Wayne North provided an overview of HUD OIG's mission and role in mortgage and bank fraud investigations at a meeting held for Washington Bank security officials in **Seattle, WA**. Approximately 65 financial institution officials attended.



SAC Barry McLaughlin and RIGA Kelly Anderson provided an overview of HUD OIG Offices of Investigation and Audit and described regional fraud trends and audit results at a meeting for congressional staffers sponsored by HUD in **Chicago, IL**. Approximately 30 congressional representatives attended.



SAC Wayne North and Special Agents (SA) Bozena Schrank, Dana Papesh, Dan Austin, and Mike Radyshevsky provided an overview of HUD OIG and described mortgage fraud trends, red flag indicators,



and OIG's role in mortgage fraud investigations at three outreach presentations in **Puyallup** and **Northgate, WA**. Approximately 50 real estate agents and others attended.



CFD Director Kim Randall, SFA Frances Ranzie, and Forensic Auditor (FA) Robert Fisher met with the Civil Division of the U.S. Attorney's Office for the Middle District of Florida in **Tampa, FL**. The Civil Division Chief, stationed in Tampa, and an Assistant U.S. Attorney (AUSA) from the Ft. Myers office held a conference call with HUD OIG to learn about the Civil Fraud Division and discuss ideas for working together on civil fraud cases. The group discussed mortgage fraud trends that OIG was seeing in its civil fraud work, ideas for developing HUD-related mortgage cases, and the attorneys' particular interest in identifying and pursuing bad appraisers.



CFD Director Kim Randall met with two AUSAs from the Western District of Missouri, Civil Division, in **Kansas City, MO**. The AUSAs specialize in affirmative civil enforcement actions (primarily using the False Claims Act), civil mortgage fraud, and financial litigation cases. Director Randall described HUD OIG's new Civil Fraud Division and its pursuit of civil actions against those that commit fraud against HUD programs, particularly with regard to mortgage fraud. The attorneys offered their services and expressed their desire to work with HUD OIG on mortgage fraud cases, emphasizing that the U.S. Department of Justice is also interested in mortgage fraud cases.



CFD Director Kim Randall and SFA Fran Ranzie met with the Civil Division of the U.S. Attorney's Office for the Southern District of New York, in **New York City, NY**. Director Randall described HUD OIG's new Civil Fraud Division and how HUD OIG expected to work civil actions with HUD and the U.S. Department of Justice. The U.S. Attorney's Office described its new unit that will handle HUD civil fraud cases and expressed its desire to focus on mortgage fraud cases. The group also discussed several ongoing civil cases and the best protocols to employ to bring about effective coordination and outcomes.



Assistant Special Agent in Charge (ASAC) Tony Meeks provided an overview of the Federal Housing Administration (FHA) and home equity conversion mortgages and discussed current and emerging mortgage fraud schemes at a Financial Crimes conference sponsored by the Federal Deposit Insurance Corporation (FDIC) in **San Diego, CA**. Approximately 300 FDIC and other government agency investigators and program staff attended.



ASAC James Siwek and Federal Bureau of Investigation (FBI) SA Hillary Sallee provided an overview of mortgage fraud trends and red flag indicators and discussed mortgage fraud case studies at an Escrow Association conference in **SeaTac, WA**. Approximately 150 escrow agents attended.



ASAC Kevin McBride provided an overview of HUD OIG's mission and role in FHA-insured mortgage fraud investigations and described current mortgage fraud trends at a National Residential Mortgage Litigation and Regulatory Enforcement conference sponsored by the American Conference Institute in



Washington, DC. At the conclusion, a question and answer forum was held for more than 100 mortgage industry professionals and attorneys in attendance.



ASAC Jim Siwek and SAs Dan Austin, Charles Grace, and Mike Radyshevsky provided an overview of HUD OIG and described mortgage fraud trends, red flag indicators, and OIG's role in mortgage fraud investigations at outreach presentations held for members of the real estate profession in Issaquah, Kent, and **Seattle, WA.** Approximately 100 realtors attended.



ASAC Michael Gibson provided an overview of HUD OIG's mission and described FHA and home equity conversion mortgage fraud trends at a Mortgage and Foreclosure Fraud Awareness workshop sponsored by the Fair Housing Lending Center in **Ontario, CA.** At the conclusion, a question and answer forum was held for approximately 100 real estate professionals, government representatives, and members of the Riverside County District Attorney's office in attendance.



ASAC Lisa Gore provided an overview of HUD OIG's mission and goals; described the functions of the Office of Investigation; explained OIG's role in single-family mortgage fraud investigations; and discussed real estate-owned, foreclosure rescue, and sovereign citizen fraud schemes at a meeting with HUD asset management contractor HomeTelos in **Nashville, TN.** Approximately 80 employees attended.



ASAC Brad Geary and Cook County State Attorney Liam Reardon provided an overview of mortgage fraud trends and shared potential fraud detection and referral ideas at an Association for Title Information Management conference in **Chicago, IL.** Approximately 60 individuals representing the title industry and governmental recorder offices attended.



ASAC Brad Geary described mortgage fraud trends, how mortgage fraud affects the bankruptcy process, and the role of bankruptcy trustees in mortgage fraud investigations at a meeting in **Chicago, IL.** Approximately 50 U.S. Bankruptcy Court trustees attended.



ASAC Michael Gibson and SA Murray Stravers provided an overview of current fraud trends that involve loan modifications, reverse mortgages, and foreclosure rescue schemes and explained how fraudulent appraisals are used in the loan origination process at an Appraisal Institute meeting in **Las Vegas, NV.** At the conclusion, a question and answer forum was held for approximately 45 appraisers in attendance.



ASAC Ray Espinosa and SA Cari Williams provided a presentation, entitled "The Latest Trends in Mortgage Fraud," and described changes in FHA programs, the role of housing counselors, property flipping, deed



theft, short sales, and related criminal statutes at a loss mitigation training seminar sponsored by HUD in **Indianapolis, IN**. More than 40 housing counselors attended.



ASAC Brad Geary provided a presentation, entitled “The Latest Trends in Mortgage Fraud,” and described FHA program vulnerabilities, common fraud schemes, and related criminal statutes at a Mortgage Fraud Prevention seminar sponsored by Fidelity National Financial in **Chicago, IL**. Approximately 40 title industry personnel attended.



ASAC Jim Siwek and SAs Dan Austin and Dana Papesh provided an overview of HUD OIG and described mortgage fraud trends, red flag indicators, and OIG’s role in mortgage fraud investigations at two “Short Sale Fraud” presentations in **Seattle** and **Lynnwood, WA**. Approximately 30 realtors and short-sale negotiators attended.



ASAC Eric Bizjak and SAs Steve Tsourkas and Jennifer Ferguson provided an overview of HUD OIG’s mission, goals, and priorities and described the functions of the Office of Investigation and current mortgage fraud trends at a meeting held at the Miami Valley Fair Housing Center in **Dayton, OH**. Approximately 26 individuals attended.



ASAC Brad Geary provided a presentation, entitled “The Latest Trends in Mortgage Fraud,” and described FHA programs, property flipping, deed theft, short sales, and related criminal statutes at an Illinois Association of Financial Crime Investigators meeting sponsored by Harris Bank in **Chicago, IL**. Approximately 15 financial institution loss prevention specialists attended.



SFA Anthony Putzulu and SAC James Todak met with the Los Angeles Investigations Unit staff of the Federal Home Loan Mortgage Corporation in **Los Angeles, CA**. The unit is part of the Enterprise Risk Management Branch and is responsible for investigations west of the Mississippi River. SFA Putzulu described OIG’s Civil Fraud Division and its focus on fraud committed against FHA, particularly with regard to single-family housing programs. The group also discussed mortgage fraud trends, including the recent increase in short-sale fraud, and ways to work together on mortgage fraud cases.



Assistant Regional Inspector General for Audit (ARIGA) Helen Sparks and Senior Auditor Chad Gagon gave a presentation to approximately 40 real estate and mortgage professionals at a National Association of Real Estate Brokers meeting in **Las Vegas, Nevada**. ARIGA Sparks provided an overview of HUD OIG, and Senior Auditor Gagon discussed the audit process for single-family audits and what the attendees can do to avoid mortgage fraud. The event panel consisted of the State of Nevada’s Deputy Attorney General, legal counsel from the Greater Las Vegas Association of Realtors, and HUD OIG personnel. There was a question and answer period for the panel members after the presentations.



SFA Muhammad Akhtar and FA Rick Urbanowski met with the Chief of the Civil Division of the U.S. Attorney's Office in **Minneapolis, MN**. They described OIG's Civil Fraud Division, including the organization and its pursuit of civil actions against those that commit fraud against HUD programs, particularly with regard to mortgage and multifamily fraud. The group also discussed working together on current and future civil cases involving HUD programs.



SFA Frances Ranzie and FA Dianne Benjamin attended the Mortgage Fraud Working Group meeting in **New York, NY**, with officials from various Federal and State agencies. AUSA Pierre Armand from the U.S. Attorney's Office for the Southern District of New York presented an overview of its case against Deutsche Bank (MortgageIT), a case for which the Civil Fraud Division has conducted work and provided support. SFA Ranzie and FA Benjamin networked with the group, introduced the Civil Fraud Division to attendees, and provided contact information for working together on future civil cases.



Senior Auditor Chad Gagon and Auditor Stacey Andersen gave a presentation to approximately 20 housing counseling professionals at a loss mitigation training seminar sponsored by HUD in **Las Vegas, NV**. Auditor Andersen provided an overview of HUD OIG, and Senior Auditor Gagon discussed how housing counselors can get caught up in mortgage fraud schemes. Senior Auditor Gagon also discussed the results of recent HUD OIG audits of housing counseling agencies across the country and how HUD OIG audits differ from HUD monitoring reviews. Other presenters included a HUD housing program specialist, a HUD senior management analyst, a State of Nevada mediator, and a lawyer from the Legal Aid Center of Southern Nevada.



SA Heather Yannello, AUSA Kathleen Lynch, and U.S. Postal Inspector Shelly Carosella provided an overview of home equity conversion mortgage fraud schemes and described the Federal Government's response to the increase in elderly targets at two National Association of Protective Services Association conferences in **Buffalo, NY**. More than 245 elder law professionals, social service providers, and consumers attended.



SA Savedow provided a presentation, entitled "Government Insured Mortgages and Low-Income Housing Investigations," at a Financial Institution and Law Enforcement seminar sponsored by the Palm Beach Economic Crime Unit in **Boynton Beach, FL**. More than 100 representatives from financial institutions and Federal, State, and local law enforcement agencies attended.



SA Heather Yannello and AUSA Kathleen Lynch provided an overview of mortgage and foreclosure fraud and described the Federal Government's response to recent mortgage and foreclosure scams at a seminar in **Buffalo, NY**, sponsored by Empire Justice, Western New York Law Center, and the University at Buffalo Law School. Approximately 83 real estate attorneys attended.



SA Heather Yannello and AUSA Kathleen Lynch provided an overview of mortgage and foreclosure fraud and described the Federal Government's response to recent mortgage and foreclosure fraud scams at an



Appraisal Institute of America training conference in **Verona, NY**. More than 57 residential and commercial real estate appraisers attended.



SA Stacie Wilson, AUSA Kathleen Lynch, and additional members of the Western New York Mortgage Fraud Task Force provided an overview of mortgage fraud schemes, illustrated the process of detecting and preventing fraud, and described the procedures for selecting and conducting investigations at a meeting with Manufacturer's and Traders Trust Bank employees in **Buffalo, NY**. Approximately 15 mortgage representatives attended.



SAs David Smith and Carissa Barnes provided an overview of HUD OIG's mission and role at a Foreclosure Prevention Task Force meeting held in **Salt Lake City, UT**. Approximately 15 bank employees and HUD-approved housing counselors attended.

Public Housing and Rental Assistance Programs

SAC Kenneth Taylor provided an overview of HUD OIG's mission and role in assisted housing investigations and described tenant, landlord, and management fraud schemes at a Maryland Association of Housing and Redevelopment Agencies meeting in **Ocean City, MD**. Approximately 35 housing officials attended.



SAC Robert Anderson and ASAC Wyatt Achord provided an overview of HUD OIG's mission and goals; described the HUD Enterprise Income Verification system and OIG's rental assistance initiatives; and illustrated housing management and tenant fraud schemes at a Crime Reduction and Prevention meeting in **Jefferson, LA**. At the conclusion, a question and answer forum was held for approximately 35 local government representatives, law enforcement personnel, and private citizens in attendance.



RIGA Jerry Kirkland and Senior Auditors Danita Wade and Laura Cantu gave a presentation to about 30 member of the Big Country Housing Association, a group of small housing authority representatives in **Fort Worth, TX**. They discussed OIG's operations, how OIG selects audits, the audit process, the types of public housing audits conducted, and the audit resolution process.



ASAC Julie de Mello and SA Michael Wagenhauser provided an overview of HUD OIG's mission and described rental assistance fraud prevention, detection, and investigations at a West Virginia Multifamily Rental Housing conference in **Charleston, WV**. At the conclusion, a question and answer forum was held for approximately 50 individuals in attendance.



ASAC Kevin Chan and SAs Stephen Huvane and Elizabeth Peralta provided an overview of HUD OIG; described HUD's FHA, Community Development Block Grant (CDBG), and Section 8 programs; and explained the process for selecting and conducting investigations and the methods for detecting and

preventing housing assistance fraud at a Hudson Valley Association of Housing Authorities meeting in **Yonkers, NY**. Approximately 30 housing officials and administrators attended.



ASAC Gene Westerlind and SA Janine Cotrel provided an overview of HUD OIG's mission and priorities at a Connecticut Housing Authorities workshop sponsored by HUD in **Hartford, CT**. At the conclusion, a question and answer forum was held for approximately 30 housing officials in attendance.



ARIGA Todd Gagon and SAC Michael Powell participated in a Kansas National Association of Housing and Redevelopment Officials (NAHRO) conference in **Salina, KS**. ARIGA Gagon gave an introduction to HUD OIG and discussed common audit findings; the importance of developing strong internal controls; and their role in preventing fraud, waste, or abuse. SAC Powell discussed different types of fraud in public housing and government contracting and the importance of fraud prevention. SAC Powell and ARIGA Gagon also discussed the impact of the large amounts of American Recovery and Reinvestment Act of 2009 (ARRA) funding and the increased risk of fraud, waste, or abuse related to those funds. Approximately 15 participants attended the presentation.



ARIGA Ron Farrell and Senior Auditor Kim Toler made a presentation to more than 65 housing commission executive directors at a joint conference of the Michigan Housing Directors Association and NAHRO in **Sault Saint Marie, MI**. ARIGA Farrell and SA Toler discussed the Public Housing Capital Fund program being funded by ARRA. The presentation included ARRA accountability and reporting requirements. It also covered the audit process, common findings in public housing agency nonprofit development activities, the Office of Public and Indian Housing's Section 8 Housing Choice Voucher and Project-Based Voucher programs, and the Office of Audit's affirmative civil enforcement initiative.



As part of a presentation to about 40 housing authority grantees at the 2011 Annual Washington Housing Authority Accounting Professional Conference in **Kennewick, WA**, Senior Auditor Lana Monfort and SAs Dana Papesh and Dan Austin provided an overview of HUD OIG's mission, authority, organization, and work. They also presented common findings and indicators of fraud in housing authority programs as well as examples of investigations and the results of those investigations.



Senior Auditors Laura Cantu and Lynelle Kunst gave a presentation to about 12 housing authority officials at the 71st Southwest NAHRO Annual Conference in **Albuquerque, NM**. They discussed OIG's operations, how OIG selects audits, the audit process, the types of public housing audits OIG conducts, and the audit resolution process.



SA Scott Savedow, Florida State Attorney William Minton, and Palm Beach County Sheriff detectives Michael Leatherman and Ronald Bloeser, Sr., provided a presentation, entitled "The Impact of Public Assistance Fraud - A Partnership to Prevent Crime and Maintain Healthy, Safe, and Secure Government



Housing Communities,” at a national crime prevention conference sponsored by the Florida Attorney General’s Office and the U.S. Department of Justice in **Miami, FL**. Approximately 100 housing industry professionals, law enforcement personnel, and attorneys attended.



SA John Raney and Senior Auditor Beth Archibald provided a presentation, entitled “File Audits: Top Ten Findings,” and described HUD OIG’s mission and public housing investigations and audits at a Colorado NAHRO conference in **Breckenridge, CO**. Approximately 53 public housing officials attended.



SA Amy Durso and Senior Auditor Christy Thomas provided an overview of HUD OIG’s mission; described public housing and landlord fraud and the avenues available to report waste, fraud, and abuse; and explained the audit selection process, the importance of internal controls, audit findings in nonprofit housing developments and the Section 8 program, and the responsibilities of housing authority boards and executive directors at a Section 8 and Public Housing workshop sponsored by NAHRO in Lake of the **Ozarks, MO**. At the conclusion, a question and answer forum was held for approximately 40 public housing officials in attendance.



SAs Carissa Barnes and David Smith provided an overview of HUD OIG’s mission and function, described fraud detection and enforcement methods used to successfully prosecute housing investigations, and illustrated a current housing assistance fraud investigation at a Mountain Plains NAHRO conference in **Park City, UT**. Approximately 35 housing officials attended.



SA Keith Williams provided an overview of HUD OIG’s mission and role and described fraud detection and prevention strategies at a NAHRO conference in **Casper, WY**. Approximately 20 public housing officials attended.

Community Planning and Development

SAC Kenneth Taylor and ARIGA Kimberly Harrison provided an overview of HUD OIG’s mission and role in community planning and development (CPD) audits and fraud investigations and described specific CPD audits and investigations at a grantee seminar sponsored by HUD in **Richmond, VA**. Approximately 75 CPD grantees attended.



SAC Robert Anderson and RIGA Nikita Irons provided an overview of HUD OIG’s mission and role at a Mississippi Housing and Community Development conference sponsored by HUD in **Hattiesburg, MS**. At the conclusion, a question and answer forum was held for approximately nine housing authority executive directors, local governmental representatives, and housing and social service agency personnel in attendance.





SAC Kenneth Taylor provided an overview of HUD OIG's mission and role in CPD fraud investigations and described specific CPD investigations at a grantee seminar sponsored by HUD in **Baltimore, MD**. More than 50 CPD grantees attended.



ARIGA Brent Bowen and SAC Barry McLaughlin provided an overview of OIG's Offices of Investigation and Audit, described the False Claims and Program Fraud Civil Remedies Acts, and explained documentation requirements and the OIG referral process for subgrantees attending a CDBG agreement workshop sponsored by the Cook County Bureau of Economic Development in **Chicago, IL**. More than 75 individuals attended.



As part of a presentation to about 160 CPD grantees attending a **Seattle, WA**, CPD grantee conference, ARIGA Tracey Vargas and SAC Wayne North provided an overview of HUD OIG's mission, authority, organization, and work. They also presented red flags and indicators of fraud in CPD programs as well as examples of investigations and the results of those investigations.



ASACs Michael White and Robert Jones and FBI SA Holley Kelley provided an overview of HUD OIG's mission, goals, and priorities; described HUD programs and ARRA funding and OIG initiatives relating to single-family, community development, and public and multifamily housing programs; and illustrated joint OIG and FBI fraud investigations at an All Texas CPD Grantee seminar in **Round Rock, TX**. Approximately 140 CPD grantees and HUD staff attended.



ASAC Wyatt Achord and ARIGA Tracey Carney provided an overview of HUD OIG's mission and role at a meeting held in **Slidell, LA**, for the City of Slidell mayor, his staff, and a number of HUD employees in attendance.



As part of a conference for about 60 CPD grantees attending a **Portland, OR**, CPD grantee conference, ARIGA Tracey Vargas provided an overview of HUD OIG's mission, authority, organization, and audit process. She also presented red flags and indicators of fraud in CPD programs as well as examples of findings in CPD audits.



SAs Michael Weinstein and Lisa Carling provided an overview of HUD OIG's mission, illustrated CPD and housing assistance fraud, and disclosed fraud awareness resources for approximately 25 individuals attending a Maryland Department of Housing and Community Development workshop in **Baltimore, MD**.



SA Gail Keller provided an overview of HUD OIG's mission, goals, and priorities; explained the functions of the Offices of Investigation and Audit; and described OIG initiatives relating to single-family, public and Indian housing, disaster assistance, and CPD programs at a meeting with members of the Urban League in **Houston, TX**. Approximately 10 individuals attended.

American Recovery and Reinvestment Act

RIGA Tanya Schulze and ARIGA Vince Mussetter participated in the Region IX Office of Public Housing's quarterly Proactive Exchange session in **Los Angeles, CA**. The participants included HUD and housing authority staff in the Southern California and Arizona jurisdictions. RIGA Schulze spoke about OIG's audit goals and accomplishments, its mission and responsibilities, and the audit process. ARIGA Mussetter cited some examples of recurring and typical public housing audit findings and deficiencies. Both RIGA Schulze and ARIGA Mussetter talked about OIG's priority to conduct ARRA audits, particularly focusing on recent Public Housing Capital Fund audits.



ARIGA Todd Gagon and SAC Michael Powell participated in the **North Dakota/South Dakota** Regional NAHRO conference. SAC Powell introduced HUD OIG, discussed different types of fraud in public housing and government contracting, and discussed the importance of fraud prevention. ARIGA Gagon discussed the importance of developing strong internal controls and their role in preventing fraud, waste, or abuse. They also discussed the impact of the large amounts of ARRA funding and the increased risk of fraud, waste, or abuse related to those funds. Approximately 30 participants attended the presentation.



ARIGAs Todd Gagon and Carrie Gray met with the new Missouri State Auditor, Thomas Schweich, in **Jefferson City, MO**. They introduced State Auditor Schweich to the office and the type of work that OIG does and discussed the possibility of joint audit efforts. ARIGAs Gagon and Gray discussed the potential for audits of ARRA funds, disaster relief funds, and other HUD funding sources at the State and local levels. State Auditor Schweich designated his chief of staff, Matt Beckmann, as the point of contact for coordinating any future audits of mutual interest.

Law Enforcement Outreach

ASAC Wyatt Achord provided an overview of HUD OIG's mission and goals; described the Offices of Investigation and Audit, rental assistance initiatives and fraud schemes, and HUD's Enterprise Income Verification system; and illustrated housing management and tenant fraud schemes at a Louisiana Police Chiefs conference in **Baton Rouge, LA**. At the conclusion, a question and answer forum was held for 275 law enforcement personnel in attendance.



ASAC Brad Geary and SA Kevin Maher provided a presentation, entitled "Gangs and Mortgage Fraud," and described mortgage fraud schemes involving gangs at a Chicago Intelligence training seminar sponsored by the U.S. Department of Justice Drug Enforcement Administration in **Chicago, IL**. More than 100 law enforcement analysts attended.

Other Outreach

DAIGA Joan Hobbs and RIGA Tanya Schulze met with five individuals from the Los Angeles City Attorney's criminal and civil litigation branches in **Los Angeles, CA**, to explore possible avenues for referring future cases for prosecution. DAIGA Hobbs and RIGA Schulze explained their authority and described typical cases to gain a better understanding of each other's organizations. They also talked about current obstacles

and brainstormed on ways in which OIG may be able to refer civil and criminal cases that may otherwise go unprosecuted at the Federal level.



ASAC Wyatt Achord and SAs Kevin Leonhardt, Aimee Peralta, Samuel Pickens, Thomas Redmann, and Jerry Rogers participated in a 6-mile Special Olympics Torch Run sponsored by the Kenner Police Department in **New Orleans, LA**. More than 100 Federal, State, and local law enforcement personnel participated.



Senior Auditor Bob Johnson and Auditor Greg Soames presented “HUD 101 IG” training for the **Denver, CO**, HUD program offices. The presentation included a brief introduction and overview of OIG’s mission, role, and function. Eight HUD officials attended, and the presentation will be posted on HUD’s internal Web site.



SA Eric Kolb provided an overview of HUD OIG’s mission and functions and described a number of HUD programs for Missouri Gaming Commission administrators and Enforcement Division investigators meeting in **Kansas City, MO**.



SA Carissa Barnes and a number of FBI special agents participated in a 192-mile “Wasatch Back Ragnar Relay Race” from **Logan, UT**, to **Park City, UT**. The proceeds from the race benefit local Utah charities.



ARIGA Tracey Carney provided information and insight on working as an auditor for the Federal Government at a career day hosted by Fannie C. Williams Elementary School in **New Orleans, LA**. More than 20 students, faculty, and staff attended.



ARIGA Ed Schmidt and Auditor James Byers gave a presentation to an accounting class at the University of Washington in **Seattle, WA**. ARIGA Schmidt and Auditor Byers discussed the role of inspectors general, outlined the mission and organization of HUD OIG, and provided a description of the work performed by the Office of Audit. The audience consisted of approximately 20 undergraduates studying not-for-profit and governmental accounting at the Foster School of Business.



Chapter 9 - Legislation, Regulation, and Other Directives



Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During the reporting period, OIG completed the review of 170 issuances. The draft directives consisted of 26 notices of funding availability, 95 mortgagee letters and notices, and 49 other directives. OIG provided comments on 32 percent of these draft directives. In addition, OIG did not concur on the proposed rule (5 CFR (Code of Federal Regulations) Part 7501, Supplemental Standards of Conduct for Employees of the Department of Housing and Urban Development). Such nonconcurrence was due to the deletion of "Inspector General" from the definition of agency designee. As a result, OIG recommended that "the Counsel to the Inspector General" be substituted for "Inspector General" in the definition of agency designee. This chapter highlights some of OIG's comments for this reporting period.

Enacted Legislation

Due to the collapse of the subprime mortgage market and resulting increase in foreclosures, Congress and the President approved the Housing and Economic Recovery Act of 2008 (HERA) and the American Recovery and Reinvestment Act of 2009 (ARRA). These legislations contained significant new funding and programs for the U.S. Department of Housing and Urban Development (HUD). Specifically, the Neighborhood Stabilization Program (NSP) was created under HERA and provided an initial \$3.9 billion in funding to State and local governments for the redevelopment of abandoned and foreclosed-upon homes and residential properties. ARRA provided an additional \$13.6 billion to existing programs, including an additional \$2 billion for NSP. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided the third NSP funding totaling \$1 billion.

On May 20, 2009, the President signed the Helping Families Save Their Homes Act of 2009. This new law (1) provided the Federal Housing Administration (FHA) with additional loss mitigation authority to assist FHA borrowers under the Making Home Affordable program and (2) expanded the authority to use FHA loss mitigation to assist defaulted home buyers in avoiding foreclosure to include those facing imminent default. The President also signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which established an office of housing counseling within HUD to boost home ownership and rental housing counseling and provided for foreclosure legal assistance. Specifically, the Act authorized a HUD-administered program for making grants to provide foreclosure legal assistance to low- and moderate-income homeowners and tenants related to home ownership preservation, home foreclosure prevention, and tenancy associated with home foreclosure. In addition, the Act provided \$1 billion to HUD to implement the Emergency Homeowners' Loan Program, which is under development and will be managed by HUD's Office of Housing Counseling. HUD began accepting applications for the Emergency Homeowners' Loan Program in June 2011. The application deadline ended in mid-September, and only about \$432 million of the \$1 billion will be disbursed to assist homeowners in avoiding foreclosure.

On September 21, 2010, FHA introduced a new modified version of its home equity conversion mortgage (HECM) product through Mortgagee Letter 2010-34. Specifically, FHA designed HECM Saver as a second reverse mortgage option for the purpose of lowering upfront loan closing costs for homeowners who want to borrow a smaller amount than would be available with a HECM standard loan. This option is available for all HECM case numbers assigned on or after October 4, 2010.

OIG is performing audits of recipients of HERA and ARRA funding. Based on risks identified in HUD's front-end risk assessments, OIG has targeted program areas and will propose regulatory changes, as necessary, to control risks in these new program areas. In addition, OIG is conducting foreclosure reviews of FHA-insured properties.

OIG has also participated in a number of meetings with HUD officials regarding these additional funds and the programmatic risks of the activities. OIG continues to express concerns in review comments to clearance items and directly to HUD officials, about the capacity of many of the HUD grantees.

The Federal Housing Commissioner continued to propose a number of risk management initiatives related to HUD's single-family programs and has started the process of updating its multifamily program requirements. As part of the issuances reviewed, OIG provided comments on the preliminary rules. Many of the proposed changes required rule making. On April 20, 2010, HUD issued the final rule on Federal Housing Administration: Continuation of FHA Reform; Strengthening Risk Management Through Responsible FHA-Approved Lenders [Docket No. FR 5356-F-02]. This final rule increases the net worth requirements for FHA-approved lenders, provides for the elimination of FHA approval of loan correspondents, and updates FHA regulations to incorporate criteria specified in the Helping Families Save Their Homes Act of 2009 designed to ensure that only entities of integrity are involved in the origination of FHA-insured loans. Further, in Docket No. FR Notice 5404-N-02, FHA announced its final decision on imposing a minimum credit score of 500 to be eligible for FHA-insured mortgage financing. Borrowers with credit scores at or above 580 will be eligible for maximum financing, while those with scores between 500 and 579 are limited to a 90 percent loan-to-value ratio.

Notices and Policy Issuances

Federal Housing Administration

In mid-May 2011, HUD submitted for review a notice announcing additional risk management changes concerning seller concessions. Specifically, HUD announced a two-part proposal with a percentage cap and dollar limitation. The proposal provides that concessions as offsets to actual closing costs be permitted on individual loans up to 3 percent of the property value or \$6,000, whichever is greater.

On June 10, 2011, FHA issued Mortgagee Letter 2011-20, which provided instructions on how to process cases during the phaseout of the HOPE for Homeowners program. The program ended on September 30, 2011. This temporary program was authorized by HERA and was amended by the Helping Families Save Their Homes Act of 2009.

On July 7, 2011, FHA issued Mortgagee Letter 2011-23, which temporarily amended the type I special forbearance program as it pertains to unemployed borrowers. Specifically, this mortgagee letter removed the requirement that lenders verify that the borrower has a good payment record and stable employment history and extended the minimum forbearance period to 12 months.

On August 19, 2011, FHA issued Mortgagee Letter 2011-29, which provided the temporary FHA loan limits. Specifically, FHA issued loan limits effective between October 1 and December 31, 2011. The FHA national loan limit "floor" remains at \$417,000, whereas the "ceiling" was reduced from \$729,750 to \$625,500.

In late August 2011, FHA submitted for review a final rule, updating and enhancing the lender insurance process through which a majority of FHA-insured mortgages are endorsed for insurance. These changes also further HUD's efforts to improve and expand FHA's risk management activities. One notable announced decision is the knowing standard for indemnification. Specifically, the final rule provides that the lender must indemnify HUD for an insurance claim if the lender "knew or should have known" that fraud or misrepresentation was involved.

Public and Indian Housing

Partnering With Public Housing on the Proposed Changes to the Demolition and Disposition Regulations

OIG is participating with the Office of Public and Indian Housing (PIH) in the development of revised regulations for the Demolition and Disposition Program described in 24 CFR Part 970. Under the U.S. Government Accountability Office's Government Auditing Standards, OIG's participation is limited to a purely

advisory capacity. OIG may provide advice in implementing its audit recommendations and establishing internal controls. OIG may also answer technical questions and provide information on best practices; however, it does not participate in decision making. Also, any decisions on whether to follow OIG's advice would remain with HUD management officials. These restrictions on OIG's participation are needed to maintain its independence in performing audits as specified in the Government Auditing Standards.

Changes to the Operating Fund Formula

HUD has proposed using the operating reserve to fund current-year expenses. The industry has estimated that the operating reserves are about \$4 billion. HUD suggests that the housing agencies' reserves are approximately \$1.927 billion in excess of their immediate needs. HUD guidelines are for a public housing agency (PHA) to have a reserve level of 4 months (6 months for small agencies). HUD has decided for housing agencies with significant "excess reserves" that these agencies will either not receive operating subsidies in 2012 or receive a reduced amount. Further, Moving to Work agencies will receive a proration equal to the average subsidy reduction of their PHA size peer group. Finally, HUD will not calculate final eligibility for 2012 until all adjustment requests have been made and HUD reestimates reserves. HUD plans to have reserves calculated for all PHAs by October 31 2011, and will finalize operating fund eligibility estimates by December 15, 2011. OIG is concerned that HUD lacks (1) the systems to monitor the reserve levels at PHAs to detect any financial destabilizing effects from the offsets and (2) unobligated funds to react in a timely manner to any financial destabilization the offset may cause and plans to comment as the adjustment process proceeds.

Regulations Lacking for the Capital Fund and Capital Fund Financing Programs

In 1996, the Quality Housing and Work Responsibility Act was passed with many changes to the Housing Act of 1937, including revisions to the Public Housing Capital Fund program and the establishment of a new Capital Fund Financing Program. PIH has not published regulations to implement the changes to the Housing Act of 1937. Instead, HUD has used notices to provide operating instructions. The notices contribute to inconsistent processing of transactions. One recent example is the statutory mandate that the Capital Fund program is precluded from funding energy systems and capital equipment unless they are obsolete. PIH did not provide a definition for the term "obsolete" and allows each housing agency to determine whether the energy systems and capital equipment are obsolete. OIG detected many transactions of premature replacement, but without a standard for obsolete energy systems and capital equipment, the statutory mandate cannot be enforced.

Multifamily Housing

The Office of Multifamily Housing has updated some of its handbooks and issued updated policies and clarifications during this reporting period. In response to findings issued in connection with the annual financial audit, the Office of the Chief Financial Officer issued two notices to field offices outlining instructions for multifamily staff regarding collecting delinquent debt on Section 202 direct loans and collecting delinquent excess income under the Section 236 program. In August, the Office of Multifamily Housing submitted a revised version of the Multifamily Accelerated Processing Guide. It had not been updated since May 2002. The most significant update to the guide was to incorporate the new closing documents discussed in OIG's last report.

The Office of Healthcare Programs submitted a handbook for clearance on August 12, 2011. The handbook was in response to an audit report issued in 2002 (2002-KC-0002). The responsibility fell to the Office of Healthcare Programs when it was created, and responsibility for the Section 232 program was transferred to it. The delay was in part related to the delay in completing the multifamily closing documents. The audit recommended the creation of new closing documents specifically related to the Section 232



program and regulations limiting the use of project funds. These items are being reviewed by HUD legal advisors and have not reached departmental clearance.

Community Planning and Development

On July 2, 2011, HUD, after an article appeared in the Washington Post regarding the HOME Investment Partnerships Program, proposed revisions to the HOME program. HUD plans to issue proposed rules that would amend HOME regulations to establish requirements designed to enhance accountability by States and units of local government in the use of HOME funds by strengthening performance standards and requiring more timely housing production. OIG suggested additional revisions to portions of the proposed regulations in such areas as income determinations, eligible project costs and administrative and planning costs, tenant-based rental assistance, and troubled HOME-assisted rental housing and property standards.



Chapter 10 - Audit Resolution



In the audit resolution process, Office of Inspector General (OIG) and U.S. Department of Housing and Urban Development (HUD) management agree upon the needed actions and timeframes for resolving audit recommendations. Through this process, OIG hopes to achieve measurable improvements in HUD programs and operations. The overall responsibility for ensuring that the agreed-upon changes are implemented rests with HUD managers. This chapter describes significant management decisions with which OIG disagrees. It also contains a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on audit resolution, see appendix 3, table B, "Significant Audit Reports Described in Previous Semiannual Reports in Which Final Action Had Not Been Completed as of September 30, 2011."

Audit Reports Issued Before Start of Period With No Management Decision as of September 30, 2011

HUD Lacked Adequate Controls To Ensure The Timely Commitment and Expenditure of HOME Funds, Issue Date: September 28, 2009

HUD OIG audited HUD's HOME Investment Partnerships Program (HOME). The OIG report included a recommendation that the HUD Office of Community Planning and Development (CPD) establish and implement controls to ensure that field offices require participating jurisdictions to close out future HOME activities within a timeframe that will permit reallocation and use of the funds for eligible activities in time to avoid losing them to recapture by the United States Treasury under provisions of Public Law 101-510.

OIG rejected two management decisions proposed by CPD to address the recommendation because they did not provide for the establishment and implementation of all of the controls that are needed to address the recommendation. During the reporting period, OIG followed up with CPD about the need for a management decision for this recommendation, but CPD did not provide OIG with another proposed management decision.

OIG also recommended that CPD obtain a formal legal opinion from HUD's Office of General Counsel regarding whether

- HUD's cumulative technique for assessing compliance with commitment deadlines is consistent with and an allowable alternative to the 24-month commitment required by 42 U.S.C. (United States Code) § 12748 and
- HUD's first-in, first-out (FIFO) method for assessing compliance with HOME expenditure requirements is consistent with and an allowable alternative to the 8-year recapture deadline pursuant to Public Law 101-510, codified at 31 U.S.C. § 1552.

CPD obtained a legal opinion from the Assistant General Counsel for Community Development on March 5, 2010. The legal opinion supports the Department's use of the cumulative approach and FIFO accounting method. Based on this legal opinion, CPD does not plan to implement OIG's recommendation to discontinue use of the FIFO method to account for the commitment and expenditure of HOME funds or the cumulative technique for assessing deadline compliance.

OIG requested reconsideration of the opinion. On June 10, 2010, HUD's General Counsel and Chief Financial Officer provided additional information regarding HUD's recapture requirements of the HOME program statute and CPD's use of cumulative accounting and the FIFO method for financial management.

HUD explained that CPD's use of cumulative accounting in its financial management represents a reasonable interpretation of the statutory duties imposed on the HUD Secretary and addresses the complex

administrative challenges inherent in managing the HOME Investment Trust. HUD also explained that obligations and expenditures under the HOME program are accounted for on a FIFO basis by fund type instead of by fiscal year and that CPD, in enforcing the obligation and expenditure requirements, looks to total cumulative obligations and expenditures instead of accounting for them by fiscal year. Based on the Chief Financial Officer's financial analysis, given the origin of these requirements and the fundamental nature of this block grant program, HUD believed that the FIFO accounting method for obligations and expenditures by fund type was consistent with Federal accounting requirements and had no objection to the total cumulative obligations and expenditures methods used for assessing compliance with the 24-month commitment and 5-year expenditure requirements.

OIG continues to disagree that CPD's use of the FIFO method for recognizing commitments and expenditures that participating jurisdictions make against their HOME appropriations or its cumulative accounting is consistent with the legislation under 42 U.S.C. § 12748, requiring recapture of funds not committed by statutory deadline dates. These methods of accounting also potentially violate the closure of accounts under 31 U.S.C. § 1552.

Another issue raised by CPD's accounting methods is whether its FIFO accounting method complies with Federal accounting requirements for maintaining the U.S. Standard General Ledger and general appropriations law. The accounting issues require review for compliance with Federal accounting standards and appropriation law. Since OIG's last semiannual report date, in conjunction with its annual audit of HUD's financial statements, OIG has continued to discuss the FIFO accounting method with the U.S. Government Accountability Office (GAO) and requested that GAO determine whether the FIFO accounting method violates Federal standards for appropriation accounting and whether the cumulative method is an acceptable alternative to the statutory recapture provision. (Audit Report: **2009-AT-0001**)

The City of Binghamton, NY, Did Not Always Administer Its Section 108 Loan Program in Accordance With HUD Requirements, Issue Date: December 21, 2010

OIG audited the operations of the City of **Binghamton, NY**, pertaining to its administration of its Community Development Block Grant (CDBG) Section 108 Loan Guarantee program. The audit objectives were to determine whether the City (1) administered its Section 108 loan program effectively, efficiently, and economically in accordance with applicable rules and regulations; (2) used Section 108 loan proceeds on eligible activities that met a national objective of the program; and (3) expended additional CDBG funds for subsequent Section 108 loan repayments and other related costs that were necessary, reasonable, and in accordance with all applicable contracts, agreements, and Federal regulations.

OIG found that the City did not ensure that its Section 108 loans and related activities were administered effectively, efficiently, and economically in accordance with applicable rules and regulations and that loan proceeds were expended on eligible activities that met a national objective of the program. In addition, the City did not ensure that additional expenditures of CDBG funds for subsequent Section 108 loan repayments and other related costs were necessary, reasonable, and in accordance with all applicable contracts, agreements, and Federal regulations. Consequently, significant CDBG funds were disbursed for Section 108 debt repayments, and future CDBG funds will be required until the Section 108 debts have been fully paid. Therefore, the ability to provide program benefit to low- and moderate-income residents of the City has been diminished.

OIG recommended that HUD instruct the City to repay from non-Federal funds more than \$1.5 million in hotel sale proceeds that were used for City expenses to the established Section 108 loan repayment account (recommendation 1D). Further, OIG recommended that the City use the funds from the Section 108 loan repayment account to pay all future Section 108 payments that are due in accordance with the HUD-approved refinancing agreement. Should the account contain less than the \$4.5 million in required payments, the City should pay the balance from non-Federal funds (recommendation 1F).

Recommendation 1D: HUD proposed a management decision contending that payments made out of hotel sale proceeds to satisfy the tax liens were acceptable and that the City will be ordered to repay more than \$549,000 in hotel sale proceeds unless it can show that the use of funds to operate the hotel was necessary to preserve the collateral. Further, HUD contends that had the City initially sought permission to use the proceeds from the sale to operate the hotel for this purpose, permission would have likely been granted since failure to do so would have resulted in a loss in value of HUD's lien on the property.

OIG disagrees and rejected the proposed management decision on April 28, 2011. It is true that the City was contractually required to pay operating shortfalls; however, it is not the responsibility of HUD to pay for operating losses. The City had agreed to pay for all operating losses when it assumed ownership of the hotel in 2008. Since the City did not properly account for the sale proceeds and use them for only Section 108 debt, as required by the Section 108 contract, it began using the sale proceeds for operating losses. Not only would this practice set a terrible precedent for HUD (i.e., HUD could be responsible for virtually unlimited operating costs—not just the Section 108 debt), but HUD could not point to a provision of the Section 108 contract whereby sale proceeds can be used for anything other than debt. Further explanation of HUD's justification of the City's use of the more than \$549,000 for daily operating costs at the City-owned hotel is needed.

Recommendation 1F: HUD proposed a management decision agreeing that the City should use all available amounts in the Section 108 loan repayment account to make payments on the guaranteed loan. However, HUD disagrees that the City should be required to make payments from non-Federal sources if the amount of funds in the loan repayment account is insufficient to make the payments.

OIG disagrees and rejected the proposed management decision on April 28, 2011. Although HUD is probably technically correct when referring to the allowable use of CDBG funds for Section 108 debt, HUD did not create the default; the City did. OIG agrees that HUD could pursue legal remedies under the Section 108 contract and CDBG regulations if HUD determined failure to comply with the Section 108 contract and the applicable act.

HUD stated that the City is under a disaster designation due to extensive flooding caused by Hurricane Irene, and it has been difficult to contact the Binghamton Community Development office as City personnel are continuing to assess the damage, which includes power outages and intermittent telephone service. HUD plans to propose revised management decisions shortly for recommendations 1D and 1F. On April 27, 2011, management decisions were reached on the remaining recommendations 1A-B and 2A-E, and recommendations 1C and 1E are closed. (Audit Report: **2011-NY-1004**)

An Underwriting Review of 15 FHA Lenders Demonstrated That HUD Missed Critical Opportunities To Recover Losses to the FHA Insurance Fund, Issue Date: March 2, 2011

OIG conducted an initiative in 2010, known as Operation Watchdog, to review the underwriting of 15 Federal Housing Administration (FHA) direct endorsement lenders having default and claim rates indicating lender performance problems. The initiative took place because the FHA Commissioner had expressed concerns regarding the increasing default and claim rates against the FHA insurance fund for failed loans. OIG determined that the lenders did not properly underwrite 140 of 284 loans reviewed, or 49 percent, because its underwriters did not follow FHA's requirements. As a result, FHA's insurance fund suffered or could expect to suffer losses of more than \$11 million.

In a larger perspective, OIG determined that HUD did not have a formal process established to review all claims paid on defaulted mortgages or at least all claims paid that met high-risk criteria, resulting in unrecovered losses to the insurance fund for loans that should not have been insured. Operation Watchdog indicated systemic problems in how lenders certified to loans' being properly underwritten and eligible for



FHA insurance when the loans were not eligible. Therefore, when HUD paid claims on defaulted loans and then did not review the underlying loans for insurance eligibility, it was missing critical opportunities to recover unnecessary losses from the lenders on the loans that should not have been insured.

Not all defaults and resulting claims are caused by poor underwriting, as OIG pointed out in the report. However, poor underwriting played a major role in the 140 ineligible loans identified through Operation Watchdog. OIG concluded that reviewing loans that have had claims paid by using risk-based targeting or a statistically valid sample of quickly defaulting loans could provide HUD with an opportunity to recover unnecessary losses caused by these loans. OIG, therefore, recommended that HUD develop and implement procedures to review a statistical or risk-based selection of loans, for which FHA paid a claim on the mortgage insurance within the first 2 years of endorsement, to verify that the loans met FHA requirements and were qualified for insurance.

This was not the first time that OIG had expressed concerns about HUD's unnecessary exposure when paying FHA insurance claims on loans that did not qualify for insurance. For example, OIG reported in July 2006 (OIG Audit Report No. 2006-SE-0001) that HUD did not independently validate that mortgage loans insured under the FHA program met requirements after paying billions in insurance claims. HUD paid the claims, as required by law, but did not review the loan documentation for compliance with program requirements, fraud, and/or misrepresentations. HUD relied on lender certifications that the loans were eligible for insurance. In response to the audit, HUD generally disagreed with OIG's recommendation to establish procedures to review paid claims associated with early defaulted loans and related costs and independently verify that loans met FHA requirements and were, therefore, eligible for insurance. HUD ultimately agreed to review loans that had gone to claim when it performed lender reviews. It further agreed that if claim file reviews showed inadequate documentation by the lender, it would take appropriate corrective actions regarding the responsible lender.

In conjunction with Operation Watchdog, OIG reviewed HUD's annual risk-based targeting plan, which included claims, defaults, and compare ratios, among other factors. HUD also used a case-level tool to select loans for review. HUD asserted that the tool prepared a statistically valid sample of loans based upon various risk factors, which included claims. However, OIG concluded that this method did not ensure that all claims were reviewed and may not have targeted sufficient loans with claims paid to reasonably protect the fund.

Further, OIG recognized that HUD had recently tightened FHA lending requirements but stated that those improvements would affect future loans and not the rapidly growing influx of claims from lenders that had originated loans in the past few years. OIG also commended HUD for taking important steps in recent years to implement risk-based techniques to identify lenders and loans that pose significant risk to the FHA insurance fund. OIG encouraged HUD to continue to strengthen its requirements and hold lenders accountable but pointed out that HUD also needed to quickly confront the problem of billions being paid for defaulted loans and not being recovered when many loans were not eligible for FHA insurance.

On February 4, 2011, HUD responded to OIG's draft report with a description of its multifaceted approach to minimizing losses to the FHA insurance fund, which it maintained would achieve the intent of OIG's recommendation. The majority of the multifaceted approach was proactive and did not indicate an increase in the review of loans for which claims had already been paid. However, OIG agreed that HUD's targeting tools and other recent initiatives generally met the intent of OIG's recommendation, which was aimed at protecting the FHA insurance fund from unnecessary costs. Therefore, OIG committed to working with HUD, through the management decision process, to gain more insight into the risk-based factors used to select lenders and loans for review, the targeting enhancements that were under development, and the two new initiatives launched in fiscal year (FY) 2010.

However, no meaningful communication took place between report issuance on March 2, 2011, and June 16, 2011, when OIG received the proposed management decision memorandum from HUD, which disagreed with OIG's proposed actions. HUD acknowledged that some of the cases reviewed in the Operation Watchdog initiative were not underwritten in accordance with FHA requirements but mainly focused its response on HUD's proactive approach for identifying high-risk lenders and initiating counterparty risk initiatives to minimize losses to the FHA insurance fund.

As a result of providing what it deemed sufficient information to address OIG's concerns, HUD determined that no further action was required. OIG disagreed. On July 5, 2011, OIG notified HUD that OIG was rejecting the proposed management decision for further action. OIG maintained that claims paid on loans that should not have been insured continued to have a significant, negative impact on the FHA insurance fund and HUD needed to do more to identify ineligible loans and pursue recoveries from the responsible parties. OIG further expressed concern that despite multiple efforts by OIG to obtain sufficient information from HUD to determine whether its current and planned actions sufficiently met the recommendation, HUD had not provided sufficient information for OIG to make that determination. OIG's questions and concerns continued regarding what HUD was doing to look into a targeted, meaningful portion of paid claims and take appropriate actions against lenders that caused FHA to pay claims on ineligible loans.

By August 11, 2011, HUD had not responded, and, therefore, OIG referred the matter to the Acting Assistant Secretary for Housing – FHA Commissioner. On September 30, 2011, the last day of the semiannual reporting period, the FHA Commissioner responded with a proposed revised management decision that essentially repeated HUD's stance that it was in HUD's best interest to take a proactive prospective approach that focused on reviewing risky loans as early as possible before claims were filed. The revised management decision did not respond to the recommendation in question or provide a target date by which the Department believed it would complete the final action to address the issue of claims noted in the report. Thus, OIG continues to be at an impasse in obtaining an agreeable management decision.

OIG maintains that the FHA insurance fund has incurred billions in losses annually that HUD could have recovered if more was being done to target and review loans for which claims were paid and pursue the lenders that caused these losses. The FHA fund has sustained historical losses in recent years and is poised to continue a high level of losses in the near future, which will surely include loans that should not have been insured. Without appropriate focus on claims, OIG maintains that FHA is missing critical opportunities to recover unnecessary losses. (Audit Report: **2011-CF-1801**)

Significantly Revised Management Decisions

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significant revised management decisions made during the reporting period. During the current reporting period, there were significant revised management decisions on seven audits.

Baytown Housing Authority, Baytown, TX, Issue Date: December 13, 2005

HUD OIG audited the Baytown Housing Authority to determine whether the Authority (1) advanced, transferred, or encumbered resources subject to its annual contributions contract to the benefit of other entities without HUD approval and (2) equitably distributed salary costs between the Authority's HUD and non-HUD activities in accordance with Federal requirements. The report stated that the Authority violated its contract with HUD by inappropriately advancing, transferring, and encumbering public housing funds to support its nonprofit and related entities. The report recommended that the Authority repay or provide support for improper advances, transfers, and encumbrances. HUD agreed with the recommendations, and on March 31, 2007, the Authority entered into a repayment agreement, in which it agreed to repay its

HUD programs nearly \$951,000 plus simple interest of 3 percent annually. Recently, the Authority asked to transfer land equal in value to the amount owed to its HUD programs. HUD agreed and expects this transfer to be completed by December 12, 2012. On September 30, 2011, OIG agreed with the revised significant management decision. (Audit Report: **2006-FW-1002**)

Elders Place II, Incorporated, Did Not Properly Administer HUD Funds in Accordance With HUD Requirements, Philadelphia, PA, Issue Date: April 19, 2007

OIG issued an audit report entitled “Elders Place II, Incorporated, **Philadelphia, PA**, Did Not Properly Administer HUD Funds in Accordance With HUD Requirements.” Elders Place II was a 40-unit housing project funded under the Section 202 program. It did not (1) maintain complete and accurate books and records to support the receipt and disbursement of HUD funds, (2) deposit all HUD funds intended for the construction of the project into the project’s construction account, (3) maintain adequate control over the disbursement of project funds, (4) establish an escrow account to cover additional construction costs, and (5) submit an acceptable cost certification to bring the project to final closing. As a result, it made ineligible disbursements of nearly \$88,000 and unsupported disbursements totaling more than \$605,000 and drastically delayed the process of bringing the project to final closing.

OIG recommended that HUD direct Elders Place II to (1A) repay the project nearly \$88,000 from non-Federal funds for the ineligible costs identified by the audit; (1B) provide documentation to support the more than \$605,000 in questioned costs identified by the audit, and if the costs cannot be supported, reimburse the project for any unsupported costs from non-Federal funds; (1C) develop and implement written procedures to ensure that disbursements of HUD funds are eligible and consistent with applicable HUD and Federal regulations; (1D) establish an escrow account and deposit more than \$95,000 or the amount determined to be due to the contractor from nonproject funds into the account; (1E) take appropriate action to resolve the amount due to the general contractor; (1F) submit an acceptable cost certification to account for the project’s funding; (1G) bring the project to final closing; (1H) establish a functioning board of directors to provide adequate oversight of project operations and controls to ensure that the board fulfills its responsibilities and documents its actions; and (1I) maintain appropriate books and records as required by applicable agreements and HUD regulations.

In the original management decisions, HUD agreed to require the owner to (1A) repay the project the ineligible costs, (1B) support the questioned costs or repay the project the costs that cannot be supported, (1C) develop and implement written procedures regarding disbursements of HUD funds, (1D) escrow the more than \$95,000 due to the contractor, (1E) resolve the amount due to the general contractor, (1F) submit an acceptable cost certification, (1G) bring the project to final closing, (1H) establish a functioning board of directors, and (1I) maintain adequate books and records.

HUD stated that the owner was uncooperative in resolving the financial and physical issues at the project and the lack of cooperation and compliance resulted in a foreclosure action. HUD met and corresponded with the ownership entity, the board of directors, and the legal representatives of the owner over a period of several years in an attempt to obtain compliance, to no avail. In addition, all required regulatory violation and default notices were served on the ownership entity, as legally required, to take the project to foreclosure. The foreclosure and sale of the project were the remaining actions available to HUD to recover on the asset. The project was sold on August 24, 2011.

HUD submitted revised management decisions for recommendations 1A to 1I, stating that it foreclosed on and disposed of the project. The sale resulted in proceeds of more than \$467,000 to the Department for the purchase of the project. Thus, on September 29, 2011, OIG concurred with the revised management decisions for recommendations 1A to 1I and to write off the more than \$321,000 as uncollectible. (Audit Report: **2007-PH-1006**)

Elders Place, Incorporated, Did Not Administer Project Operating Funds in Accordance With HUD Requirements, Philadelphia, PA, Issue Date: March 28, 2008

OIG issued an audit report entitled “Elders Place, Incorporated, **Philadelphia, PA**, Did Not Administer Project Operating Funds in Accordance With HUD Requirements.” Elders Place, Inc., was a 47-unit housing project funded under the Section 202 program. It did not administer project operating funds in accordance with HUD requirements. It made nearly \$310,000 in unsupported disbursements and more than \$73,000 in ineligible disbursements and, thereby, did not sufficiently protect HUD’s and the residents’ interest in the project. OIG recommended that HUD direct Elders Place, Inc., to (1A) provide documentation to support the nearly \$310,000 in unsupported costs identified by the audit and, if the costs cannot be supported, reimburse the project for any unsupported costs from non-Federal funds; (1B) repay the project more than \$73,000 from non-Federal funds for the ineligible costs identified by the audit; (1C) begin funding the replacement reserve account with the monthly deposit as required by the regulatory agreement; and (1D) develop and implement written procedures to ensure that disbursements of HUD funds are eligible and consistent with applicable HUD and Federal regulations.

In the original management decisions, HUD agreed to require the owner to (1A) support the questioned costs or reimburse the project from non-Federal funds, (1C) begin funding the replacement reserve account, and (1D) develop and implement written procedures to ensure that disbursements of HUD funds are eligible and consistent with applicable HUD and Federal regulations. Regarding recommendation 1B, HUD agreed with nearly \$42,000 of the ineligible costs reported. HUD did not agree with nearly \$32,000 of the ineligible costs reported because payments for management of the property to the sponsor organization were eligible to cover the salaries of the employees who allocated time to the property for that purpose.

HUD stated that the owner was uncooperative in resolving the financial and physical issues at the project and the lack of cooperation and compliance resulted in a foreclosure action. HUD met and corresponded with the ownership entity, the board of directors, and the legal representatives of the owner over a period of several years in an attempt to obtain compliance, to no avail. In addition, all required regulatory violation and default notices were served on the ownership entity, as legally required, to take the project to foreclosure. The foreclosure and sale of the project were the remaining actions available to HUD to recover on the asset. The project was sold on August 24, 2011.

HUD submitted revised management decisions for recommendations 1A to 1D, stating that it foreclosed on and disposed of the project. The sale resulted in proceeds of nearly \$383,000 to the Department for the purchase of the project. Thus, on September 29, 2011, OIG concurred with the revised management decisions for recommendations 1A to 1D. (Audit Report: **2008-PH-1005**)

New Phoenix Assistance Center, Chicago, IL, Substantially Failed To Manage Its Supportive Housing Program Grants, Chicago, IL, Issue Date: October 24, 2008

OIG issued an audit report entitled “New Phoenix Assistance Center, **Chicago, IL**, Substantially Failed To Manage Its Supportive Housing Program Grants.” OIG found that the Center (1) materially failed to manage its program grants, (2) did not comply with Federal requirements regarding its use of program funds, and (3) lacked sufficient documentation to support that it followed HUD’s requirements in providing contributions for its program grants. It (1) could not support that it used program funds for appropriate program expenses, (2) inappropriately used program funds, and (3) could not support that it followed HUD’s requirements in providing contributions for its program grants. Further, it (1) could not support its use of more than \$574,000 in program funds for appropriate lease payments and more than \$72,000 in program funds for eligible nonlease expenses, (2) used nearly \$16,000 in program funds for improper nonlease expenses, and (3) could not support that its transfers of \$25,000 in program funds among its program grants were allowable. Due to the Center’s lack of documentation, HUD could not be assured

that the Center provided more than \$333,000 in eligible contributions for its program grants.

OIG recommended that HUD (1) terminate the Center's three current authorized program grants, (2) reallocate the nearly \$92,000 in remaining program funds, (3) deny the Center's three applications for nearly \$838,000 in future program funds, (4) require the Center to provide sufficient supporting documentation or reimburse HUD from non-Federal funds for the unsupported payments and contributions, (5) reimburse HUD from non-Federal funds for the improper use of program funds, and (6) pursue the appropriate administrative sanctions against the Center's officers for their failure to adequately manage its program grants.

Before the original management decision on February 20, 2009, HUD allowed the Center to draw down more than \$74,000 in program funds from the three previously authorized grants for leasing, supportive services, and operating costs. Further, HUD entered into grant agreements with the Center for leasing and salary costs until HUD could determine an acceptable nonprofit organization(s) to take over the grant agreements to prevent Chicago Continuum of Care from losing the nearly \$838,000 in program funds. HUD's original management decision stated that it would determine the allowability of the more than \$74,000 in costs and consider the additional drawdowns when a final amount to be collected from the Center was determined and recapture the nearly \$18,000 in remaining program funds. The original management decision also stated that HUD would determine an acceptable nonprofit organization(s) to take over the grant agreements by May 31, 2009. Further, the Center would be required to submit supporting documentation with its draw request and obtain HUD approval before drawing down program funds from the three grant agreements. HUD agreed with the remaining recommendations.

HUD determined that the more than \$74,000 in program funds drawn down from the three previously authorized grants was not for eligible expenses and recaptured the nearly \$18,000 in remaining program funds. Further, HUD allowed the Center to draw down more than \$601,000 in program funds from the new grant agreements and recapture the nearly remaining \$237,000 in program funds. After its approval, HUD determined that the more than \$601,000 in program funds drawn down from the new grant agreements was not for eligible expenses. Effective November 24, 2010, HUD debarred both the Center and its executive director for a 3-year period.

As of June 2011, the Center no longer operated and had no owners or assets. Therefore, HUD submitted a revised management decision and requested the writeoff of nearly \$1.7 million and closure of the recommendations. Thus, on September 29, 2011, OIG concurred with the revised management decision and wrote off nearly \$1.7 million. (Audit Report: **2009-CH-1001**)

HUD's Receivership Did Not Ensure That the Housing Authority of New Orleans Properly Accounted for Its Fungibility Funding, Monitored and Paid Two of Its Contractors, and Paid Its Accounts Payable Disbursements, Issue Date: January 29, 2009

OIG issued an audit report entitled "HUD's Receivership Did Not Ensure That the Housing Authority of New Orleans Properly Accounted for Its Fungibility Funding, Monitored and Paid Two of Its Contractors, and Paid Its Accounts Payable Disbursements." Among the issues reported was that of 41 financial operations contract invoices reviewed, the Authority overpaid one of its contractors more than \$97,000 in 4 of those invoices. In recommendation 2A, OIG advised the Authority to seek repayment to the Public Housing Capital Fund program from the contractor for more than \$97,000 in unauthorized payments and overpayments identified in those four invoices.

At the time of the original management decision, OIG partially disagreed with HUD's prescribed actions for this recommendation. OIG communicated its disagreement in writing. Then OIG and HUD met to discuss the areas of disagreement, and HUD submitted a revised management decision. In the revised management decision, HUD stated that the Authority was working with OIG regarding the questioned

contract and upon completion of the investigation, would follow any recommendations or other actions deemed appropriate.

After the completion of the investigation, HUD submitted another revised management decision, stating that (1) payments deemed unauthorized totaling more than \$50,000 had been justified, (2) overbillings totaling nearly \$11,000 were recovered through offsets, and (3) payments deemed unauthorized totaling more than \$36,000 were included in the court-ordered restitution paid by the contractor. HUD asked OIG for concurrence and closure of the recommendation. OIG worked closely with HUD to obtain and review supporting documentation and resolve this recommendation. Thus, on July 6, 2011, OIG concurred with the revised management decision for recommendation 2A to reverse more than \$50,000 as supported and eligible and reflect nearly \$47,000 as recovered. (Audit Report **2009-AO-0002**)

The Housing Authority of the City of Terre Haute, IN, Failed To Follow Federal Requirements Regarding Its Turnkey III Homeownership Program Units' Sales Proceeds, Terre Haute, IN, Issue Date: September 29, 2009

OIG issued an audit report entitled "The Housing Authority of the City of **Terre Haute, IN**, Failed To Follow Federal Requirements Regarding Its Turnkey III Homeownership Program Units' Sales Proceeds." OIG found that under the direction of the former executive director and board of commissioners, the Authority did not comply with HUD's requirements regarding the use of the program proceeds from the sale of its program units. The Authority did not maintain documentation to support that the sales proceeds were used in accordance with its approved program plan. OIG recommended that HUD require the Authority to maintain accurate books of record to account for the activities and expenditures under the program and provide adequate supporting documentation for the use of the program proceeds from the sale of its program units. If the Authority could not determine the activities and expenditures under the program and/or provide supporting documentation, it should reimburse more than \$579,000 in sales proceeds to the program from non-Federal funds. HUD agreed to require the Authority to reimburse its low-rent public housing program in the amount of nearly \$580,000.

The original management decision would not have resulted in the appropriate corrective action that was intended. The Authority had already transferred the sales proceeds to its account for its low-rent public housing program; however, it did not use the funds in accordance with its approved plan.

On August 19, 2011, HUD submitted a revised management decision, stating that it would submit a proposal to the Office of General Counsel to allow for the approval of a retroactive amended plan to permit the transfer of the proceeds from the sale of the Authority's Turnkey III units to the Authority's account for its low-rent public housing program. OIG concurred with the revised management decision but did not write off funds totaling nearly \$580,000 that were associated with the recommendation since actual retroactive approval had yet to be obtained. (Audit Report: **2009-CH-1017**)

Fiscal Year 2010 Review of Information Systems Controls in Support of the Financial Statements Audit, Issue Date: January 14, 2011

OIG issued an audit report entitled "Fiscal Year 2010 Review of Information Systems Controls in Support of the Financial Statements Audit." Among the issues reported was that HUD did not require all users to sign and acknowledge the specific rules of behavior form created for HUD's Integrated Disbursement and Information System (IDIS) application. In addition, HUD did not implement a formal user recertification process for IDIS. OIG recommended that HUD require IDIS users to complete and sign the IDIS rules of behavior form when access is granted and annually at recertification. The original agreed-upon management decision was for a paper-based process. HUD now has a new IDIS Online Project Manager, and the revised agreed-upon management decision is for HUD to implement an automated process which



it believes will expedite the initial user request, reduce costs associated with processing the requests manually (i.e., paper, mailing, storage, and man-hours), and bring them into further compliance with the Paper Work Reduction Act 1995. The final action target completion date remains the same. (Audit Report: **2011-DP-0004**)

Significant Management Decision With Which OIG Disagrees

During the reporting period, there were no reports in which the OIG disagrees with the significant management decision.

Federal Financial Management Improvement Act of 1996

In FY 2011, HUD did not substantially comply with FFMIA. In this regard, HUD's financial management systems did not substantially comply with Federal financial management system requirements.

During FY 2011, HUD made limited progress in bringing the financial management systems into compliance with FFMIA. However, HUD's financial management systems continued to not meet requirements. HUD's systems were not operated in an integrated fashion and linked electronically to efficiently and effectively provide agencywide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

HUD's financial systems, many of which were developed and implemented before the issue date of current standards, were not designed to provide the range of financial and performance data required. HUD is in the process of modernizing its financial management systems by developing an integrated financial management system. The modernization development, HUD's Integrated Financial Improvement Project (HIFMIP), was launched in FY 2003 but has been plagued by delays. Originally planned for implementation in 2006, the contract for HIFMIP was awarded on September 23, 2010. The 10-year contract plan was established based on the implementation project start date and current schedule. The Office of the Chief Financial Officer began phase II of the project on September 27, 2010, and it is scheduled to run through March 26, 2012.

FFMIA requires OIG to report in its Semiannual Reports to the Congress instances and reasons when an agency has not met the intermediate target dates established in its mediation plan required by FFMIA. At the end of 2011, 4 of the 41 financial management systems were not in substantial compliance with FFMIA. These four systems are the HUD Procurement System (HPS), Small Purchase System (SPS), IDIS, and Facilities Integrated Resources Management System. The Department acquired a new application, HUD Integrated Acquisition Management System, to replace HPS and SPS on September 30, 2010, and it is scheduled to go live in the first quarter of FY 2012. OIG determined that IDIS was not in substantial compliance with FFMIA. Although 38 individual systems had been certified as compliant with Federal financial management systems requirements, HUD had not performed independent reviews of all of its financial management systems in accordance with Office of Management and Budget Circular A-127. Collectively and in the aggregate, deficiencies continued to exist.



Appendix 1 - Peer Review Reporting





Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203), Section 989C, requires Inspectors General to report the latest peer review results in their semiannual reports to Congress. The purpose in doing so is to enhance transparency within the government. Both the Office of Audit and Office of Investigation are required to undergo a peer review of their individual organizations every 3 years. The purpose of the reviews is to ensure that the work completed by the respective organizations meets the applicable requirements and standards. The following is a summary and status of the latest round of peer reviews for both organizations.

Office of Audit

Peer Review Conducted on HUD OIG

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), received a grade of pass (the highest rating) on the peer review report issued by U.S. Treasury Inspector General for Tax Administration on September 22, 2009. There were no recommendations included in the System Review Report. The report stated:

In our opinion, the system of quality control in effect for the year ended March 31, 2009, for the audit organization of the HUD OIG has been suitably designed and complied with to provide the HUD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. The HUD OIG has received a peer review rating of pass.

Peer Review Conducted by HUD OIG on USDA

The U.S. Department of Agriculture (USDA) OIG received a rating of pass on the peer review report issued by HUD OIG on September 30, 2009. The System Review Report contained no findings or recommendations.

Office of Investigation

Peer Review Conducted on HUD OIG

The most recent peer review of the Office of Investigation was conducted in 2011 by the United States Department of Health and Human Services Office of Inspector General. The results of the peer review found HUD OIG compliant (the highest rating) with the quality of standards established by the inspector general community and the attorney general guidelines.



Appendix 2 - Audit Reports Issued



Internal Reports

23 Audit Reports

Chief Financial Officer (2 Reports)

- 2011-FO-0005 HUD Can Improve Its Oversight of ARRA Obligation and Expenditure Requirements, 05/20/2011.
- 2011-FO-0006 American Recovery and Reinvestment Act of 2009 Grantees Met Initial Expenditure Requirements, but HUD Should Return Recaptured Funds to the U.S. Treasury and Ensure That Grant Closeout Procedures Comply With the Act, 09/30/2011.

Chief Information Officer (2 Reports)

- 2011-DP-0007 Review of the National Environmental Policy Act and Core Activity Modules Within the Recovery Act Management and Performance System, 07/22/2011.
- 2011-DP-0008 The Disaster Recovery Grant Reporting System that Maintained Recovery Act Information Had Application Security Control Deficiencies, 07/28/2011.

Chief Procurement Officer (2 Reports)

- 2011-HA-0002 HUD Improved Its Administration of Interagency Agreements, 05/25/2011.
- 2011-HA-0003 HUD Needs To Obtain Complete Documentation To Close Ginnie Mae Contracts, 07/15/2011.

Community Planning and Development (1 Report)

- 2011-KC-0002 HUD's Region VII Office of Community Planning and Development Complied With HUD's Monitoring Requirements for Recovery Act Recipients, 06/23/2011.

Housing (6 Reports)

- 2011-CH-0002 HUD's Oversight of Its Multifamily Housing Subsidy Payment Review Process Needs Improvement, 06/06/2011. Questioned: \$830,205; unsupported: \$830,205.
- 2011-FW-0001 The National Servicing Center Implemented the FHA-HAMP Loss Mitigation Option in Accordance With Rules and Regulations, 04/08/2011.
- 2011-FW-0002 The Office of Healthcare Programs Could Increase Its Controls To More Effectively Monitor the Section 232 Program, 04/26/2011. Questioned: \$756,833; unsupported: \$756,833.
- 2011-KC-0001 FHA Has Improved Its Annual Lender Renewal Process, but Challenges Remain, 06/14/2011. Questioned: \$404,600; better use: \$178,600.
- 2011-KC-0004 FHA Did Not Prevent Corporate Officers of Noncompliant Lenders From Returning to the FHA Program, 09/26/2011.
- 2011-LA-0002 HUD Did Not Always Follow its Requirements for the Preclosing and Postclosing Review of Mortgage Files Submitted by New Direct Endorsement Lenders, 04/18/2011.

Lead Hazard Control (1 Report)

- 2011-CH-0003 The Office of Healthy Homes and Lead Hazard Control Needs To Improve Its Monitoring of American Recovery and Reinvestment Act Grant Recipients, 09/30/2011. Questioned: \$4,247,991; unsupported: \$4,247,991.

Office of Sustainable Housing and Communities (1 Report)

2011-HA-0004 HUD Could Not Identify Whether Its Properties Had Been Included in the Recovery Act Weatherization Assistance Program, 09/27/2011.

Public and Indian Housing (6 Reports)

2011-AO-0001 The Lafayette Parish Housing Authority Violated HUD Procurement Requirements and Executed Unreasonable and Unnecessary Contracts, 06/22/2011. Questioned: \$2,976,813; unsupported: \$2,976,813.

2011-AO-0002 The Lafayette Parish Housing Authority Generally Followed Requirements When Obligor and Expending Its Public Housing Capital Fund Stimulus Recovery Act funds But Did Not Always Comply With Recovery Act Procurement and Reporting Requirements, 08/26/2011.

2011-BO-0001 Office of Public Housing Monitored Recovery Act Grants Awarded to Region 1 Public Housing Authority Grantees in Accordance With Applicable Requirements, 05/13/2011.

2011-KC-0003 HUD Did Not Ensure That Housing Authorities Resolved Items on the Multiple Subsidy Report in a Reasonable Amount of Time, 09/26/2011. Better use:\$340,679.

2011-LA-0003 Office of Public Housing Monitored Recovery Act Grants Awarded to Region IX Public Housing Agency Grantees in Accordance With Applicable Requirements, 07/15/2011.

2011-NY-0002 HUD Could Improve Its Financial Reporting Process for Obtaining Information on Public Housing Authorities' Pension and Other Postemployment Benefit Obligations, 06/27/2011.

Audit-Related Memorandums¹

Office of Departmental Operations and Coordination (1 Report)

2011-HA-0801 Interim Memorandum Report on the Office of Labor Relations' Management of the Davis-Bacon Wage Restitution and Deposit Account, 09/28/2011.

Public and Indian Housing (1 Report)

2011-BO-0801 HUD's Controls over Energy Audits and Using Recovery Act Funds for Energy Equipment Did Not Warrant Further Audit Testing, 06/14/2011.



¹ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government audit standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, to report results, or to report the results of civil actions or settlements.

External Reports

91 Audit Reports

Community Planning and Development (37 Reports)

2011-AO-1004	The New Orleans Redevelopment Authority Had Not Administered Its Recovery Act NSP2 in Accordance With Federal Regulations, New Orleans, LA, 04/08/2011. Questioned: \$178,148; unsupported: \$84,372; better use: \$8,101,539.
2011-AO-1005	The State of Mississippi Generally Ensured That Disbursements to Program Participants Were Eligible and Supported, Jackson, MS, 04/18/2011. Questioned: \$90,000; better use: \$75,000.
2011-AT-1005	The Nashville Metropolitan Development and Housing Agency Generally Complied With NSP2 Requirements, Nashville, TN, 04/06/2011.
2011-AT-1006	The Municipality of Mayaguez Did Not Ensure Compliance With HOME Program Objectives, Mayaguez, PR, 04/08/2011. Questioned: \$7,292,897; unsupported: \$2,586,853; better use: \$908,099.
2011-AT-1007	The City of Miami Gardens Did Not Adequately Support Salary Costs Charged to the Neighborhood Stabilization Program, Miami City, FL, 04/12/2011. Questioned: \$426,852; unsupported: \$426,852.
2011-AT-1008	Palm Beach County Did Not Fully Comply With Federal Requirements When Administering Its NSP, Palm Beach, FL, 04/22/2011. Questioned: \$1,761,947; unsupported: \$10,000; better Use: \$211,952.
2011-AT-1009	The Georgia Department of Community Affairs Paid for Some Unsupported Program Participants, Atlanta, GA, 06/07/2011. Questioned: \$66,879; unsupported: \$66,879.
2011-AT-1012	The Office of the Commissioner for Municipal Affairs Did Not Always Ensure Compliance With Block Grant Recovery Act Program Requirements, San Juan, PR, 07/08/2011. Questioned: \$135,445; unsupported: \$135,445; better use: \$42,829.
2011-AT-1014	Louisville-Jefferson County Metropolitan Government Generally Complied With Recovery Act Requirements for Its Homelessness Prevention and Rapid Re-Housing and CDBG-Recovery Programs, Louisville, KY, 08/11/2011.
2011-AT-1015	The City of Memphis Did Not Ensure Compliance With All Requirements for Its Homelessness Prevention and Rapid Re-Housing and CDBG-Recovery Programs, Memphis, TN, 08/26/2011. Questioned: \$594,114; unsupported: \$545,978; better use: \$25,000.
2011-AT-1016	The City of Hialeah Did Not Accurately Report the Number of Jobs Created or Retained on the Recovery Act Web Site for Its Homelessness Prevention and Rapid Re-Housing Program, Hialeah, FL, 09/14/2011.
2011-AT-1017	Broward County Did Not Accurately Report Recovery Act Grant Information for Its CDBG-R Program, Fort Lauderdale, FL, 09/19/2011.
2011-AT-1018	The Municipality of San Juan Did Not Properly Manage Its HOME Investment Partnerships Program, San Juan, PR, 09/28/2011. Questioned: \$7,839,666; unsupported: \$4,809,387; better use: \$11,332,341.

2011-AT-1019	The Alabama Department of Economic and Community Affairs Used Homelessness Prevention and Rapid Re-Housing Program Funds for Ineligible and Unsupported Purposes, Montgomery, AL, 09/28/2011. Questioned: \$69,036; unsupported: \$67,961.
2011-BO-1010	City of Brockton Did Not Implement an Adequate Cost Allocation Plan for Administrative Expenses and Paid Unreasonable Costs for Its Fiscal Year 2010 CDBG Audit, Brockton, MA, 09/07/2011. Better use: \$32,500.
2011-CH-1008	The State of Michigan Lacked Adequate Controls Over Its NSP Regarding Awards, Obligations, Subgrantees' Administrative Expenses and Procurement, and Reporting Accomplishments, Lansing, MI, 06/03/2011. Questioned: \$685,190; unsupported: \$154,060; better use: \$188,369.
2011-CH-1014	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program-Funded Housing Trust Fund Program Home-Buyer Activities, Cleveland, OH, 09/29/2011. Questioned: \$815,000; unsupported: \$775,000.
2011-CH-1017	Pioneer Civic Services, Inc., Did Not Properly Administer Its Supportive Housing Program and Housing Opportunities for Persons With AIDS Grants, Peoria, IL, 09/30/2011. Questioned: \$483,576; unsupported: \$93,972; better use: \$296,000.
2011-DE-1005	The State of Montana Generally Used Its CDBG-R Funds in Compliance With Requirements but Improperly Negotiated and Serviced Loans, Helena, MT, 09/26/2011.
2011-FW-1009	The City of Houston Did Not Ensure That Its Homelessness Prevention and Rapid Re-Housing Program Complied With Recovery Act Requirements, Houston, TX, 06/02/2011. Questioned: \$59,574; unsupported: \$59,274.
2011-FW-1012	The City of Tulsa Mismanaged Its Recovery Act Funding, Tulsa, OK, 06/16/2011. Questioned: \$49,089; unsupported: \$49,089; better use: \$2,318,392.
2011-FW-1013	The City of Beaumont Should Strengthen Its Controls Over Its Homelessness Prevention and Rapid Re-Housing Program, Beaumont, TX, 06/30/2011. Questioned: \$214,908; unsupported: \$214,908.
2011-KC-1003	The Missouri Housing Development Commission Did Not Always Disburse Its Tax Credit Assistance Program Funds in Accordance With Recovery Act Requirements, Kansas City, MO, 04/01/2011. Questioned: \$3,610,009; unsupported: \$3,472,947.
2011-LA-1009	Special Services for Groups Approved Homelessness Prevention and Rapid Re-Housing Program Assistance for Unsupported and Ineligible Participants, Los Angeles, CA, 04/06/2011. Questioned: \$53,931; unsupported: \$51,631.
2011-LA-1010	People Assisting the Homeless Did Not Always Ensure That Homelessness Prevention and Rapid Re-Housing Funds Were Used To Assist Eligible and Supported Participants, Los Angeles, CA, 05/17/2011. Questioned: \$29,214; unsupported: \$21,004.
2011-LA-1012	The City of Las Vegas Did Not Always Ensure That Homelessness Prevention and Rapid Re-Housing Funds Were Used as Required, Las Vegas, NV, 07/06/2011. Questioned: \$75,273; unsupported: \$29,448.

2011-LA-1015	Chicanos Por La Causa, Inc., Did Not Always Administer Its NSP2 Grant In Accordance With HUD Requirements, Phoenix, AZ, 07/22/2011. Questioned: \$575,947; unsupported: \$429,498; better use: \$178,451.
2011-LA-1016	The City of Compton Did Not Administer Its HOME Program in Compliance With HOME Requirements, Compton, CA, 08/18/2011. Questioned: \$2,918,290; unsupported: \$2,552,473; better use: \$81,775.
2011-NY-1009	The East Orange Revitalization and Development Corporation Did Not Always Comply With HOME Program Requirements and Federal Regulations, East Orange, NJ, 04/07/2011. Questioned: \$737,437; unsupported: \$737,437; better use: \$37,712.
2011-NY-1010	The City of Buffalo Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Buffalo, NY, 04/15/2011. Questioned: \$23,310,258; unsupported: \$22,842,829; better use: \$5,484,308.
2011-NY-1015	Weaknesses Existed in Essex County's Administration of Its Homelessness Prevention and Rapid Re-Housing Program, Essex County, NJ, 09/20/2011. Questioned: \$185,093; unsupported: \$141,260.
2011-NY-1016	The City of Buffalo Did Not Always Disburse Homelessness Prevention and Rapid Re-Housing Program Funds in Accordance With Regulations, Buffalo, NY, 09/22/2011. Questioned: \$432,427; unsupported: \$432,427; better use: \$97,982.
2011-PH-1012	The City of Reading Generally Complied With NSP2 Requirements, Reading, PA, 06/30/2011. Questioned: \$66,414; unsupported: \$58,263.
2011-PH-1015	Camden County Generally Administered Its CDBG-R Act Funds According to Applicable Requirements, Camden, NJ, 09/22/2011. Questioned: \$37,610; unsupported: \$37,610; better use: \$1,041.
2011-SE-1005	Oregon Housing and Community Services Did Not Always Disburse Its Tax Credit Assistance Program Funds in Accordance With Program Requirements, Salem, OR, 04/28/2011. Questioned: \$100,432; unsupported: \$80,098.
2011-SE-1006	Mid-Willamette Valley Community Action Agency Did Not Always Follow Recovery Act Homelessness Prevention and Rapid Re-Housing Program Requirements, Salem, OR, 06/13/2011. Questioned: \$64,608; unsupported: \$64,608.
2011-SE-1008	The Idaho Housing and Finance Association Did Not Always Comply With HOME Investment Partnerships Project and Cost Eligibility Regulations, Boise, ID, 09/23/2011. Questioned: \$3,071,846; unsupported: \$3,013,845.

Housing (14 Reports)

2011-AT-1010	Crossfire Financial Network Did Not Follow HUD Requirements in Approving FHA Loans and Implementing Its Quality Control Program, Miami, FL, 06/24/2011. Questioned: \$210,453; better use: \$1,142,100.
2011-AT-1011	Prospect Mortgage, LLC, Did Not Always Comply With FHA Underwriting and Quality Control Requirements, Sherman Oaks, CA, 07/08/2011. Questioned: \$550,257; unsupported: \$202,655; better use: \$1,694,217.
2011-CH-1007	PNC Mortgage Complied With HUD's Requirements for Loss Mitigation, Miamisburg, OH, 04/06/2011.

2011-CH-1016	Countrywide Bank, FSB, Did Not Comply With HUD Requirements for Underwriting FHA Loans and Fully Implement Its Quality Control Program In Accordance With HUD's Requirements, Calabasas, CA, 09/30/2011. Questioned: \$730,091; unsupported: \$3,211.
2011-DE-1002	Blue Mountain Hospital, a HUD Section 242 Insured Mortgagee, Did Not Have Adequate Written Procedures for Its Project Funds, Blanding, UT, 06/02/2011.
2011-DE-1004	Mountain States Mortgage Center Did Not Follow HUD's Underwriting, Quality Control, and Advertising Requirements, Sandy, UT, 07/22/2011. Better use: \$188,483.
2011-FW-1008	Midland Mortgage Company Generally Complied With FHA-HAMP Rules and Regulations, Oklahoma City, OK, 04/08/2011.
2011-FW-1010	Wells Fargo Home Mortgage Did Not Always Approve FHA-HAMP Loans or Trial Plans in Accordance With Rules and Regulations, Fort Mill, SC, 06/07/2011. Questioned: \$127,853.
2011-FW-1016	AmeriHomeKey, Inc. Did Not Follow HUD-FHA Loan Requirements in Underwriting 13 of 20 Manufactured Home Loans, Dallas, TX, 09/23/2011. Questioned: \$538,132; unsupported: \$23,803; better use: \$683,718.
2011-KC-1005	CitiMortgage Did Not Properly Determine Borrower Eligibility for FHA's Preforeclosure Sale Program, O'Fallon, MO, 09/30/2011. Questioned: \$4,942,822.
2011-LA-1011	Multifamily Insured Project Saint Timothy's Tower Was Not Administered in Accordance With HUD Rules and Regulations, Compton, CA, 06/20/2011. Questioned: \$179,990; unsupported: \$36,869.
2011-LA-1017	Universal American Mortgage Company Branch Did Not Comply With HUD Regulations in the Origination and Quality Control of FHA-Insured Loans, Las Vegas, NV, 09/21/2011. Questioned: \$118,861; better use: \$1,188,588.
2011-NY-1012	Ameritrust Mortgage Bankers, Inc., Did Not Always Comply With HUD-FHA Loan Origination and Quality Control Requirements, Lake Success, NY, 08/16/2011. Questioned: \$187,170; better use: \$2,742,810.
2011-NY-1014	All American Home Mortgage Corp. Did Not Always Comply With HUD-FHA Loan Underwriting Requirements, Brooklyn, NY, 09/06/2011. Questioned: \$182,195; better use: \$1,070,963.

Public and Indian Housing (32 Reports)

2011-AO-1006	The Mississippi Regional Housing Authority VIII Generally Followed Requirements When Obligating and Expending Its Recovery Act Capital Funds but Did Not Accurately Report Recovery Act Grant Information, Gulfport, MS, 08/16/2011.
2011-AO-1007	Jefferson Parish Housing Authority Did Not Always Comply With Public Housing Capital Fund Stimulus Recovery Act Obligation, Procurement, and Reporting Requirements, Marrero, LA, 09/29/2011. Questioned: \$109,511; unsupported: \$30,000.
2011-AO-1008	The Tennessee Valley Regional Housing Authority Generally Ensured That Its Public Housing Capital Fund Grant Complied With Recovery Act Requirements, Corinth, MS, 09/29/2011.
2011-AT-1013	The Greensboro Housing Authority Needs To Improve Internal Controls for Administering Recovery Act Funds, Greensboro, NC, 07/21/2011. Questioned: \$741,848; unsupported: \$741,848.

2011-BO-1008	The Housing Authority of the City of New Haven Could Not Show That It Always Complied With Environmental and Labor Standards Enforcement Requirements, New Haven, CT, 06/10/2011. Questioned: \$2,027,656; unsupported: \$2,027,656.
2011-BO-1009	Weymouth Housing Authority Did Not Always Administer Its Housing Choice Voucher Program and Public Housing Program in Accordance With HUD Regulations and Its Annual Contributions Contracts, Weymouth, MA, 08/29/2011. Questioned: \$4,017,804; unsupported: \$3,846,791.
2011-BO-1011	Fall River Housing Authority Did Not Always Administer Its Housing Choice Voucher Program in Accordance With HUD Regulations and Its Annual Contributions Contracts, Fall River, MA, 09/09/2011. Questioned: \$7,453; unsupported: \$7,453.
2011-CH-1009	The Housing Authority of the City of South Bend Generally Administered Its Public Housing Capital Fund Stimulus Formula Grant (Recovery Act Funded) in Accordance With Applicable Requirements, South Bend, IN, 06/17/2011.
2011-CH-1010	The Rockford Housing Authority Needs to Improve Its ARRA Contract Administration Procedures, Rockford, IL, 07/25/2011. Questioned: \$17,806; unsupported: \$17,806.
2011-CH-1011	Cuyahoga Metropolitan Housing Authority Did Not Operate its Section 8 Housing Choice Voucher Program According to HUD's Requirements, Cleveland, OH, 07/28/2011. Questioned: \$649,048; unsupported: \$548,654; better use: \$9,573,515.
2011-CH-1012	The Saginaw Housing Commission Did Not Fully Implement Prior Audit Recommendations and Continued To Use Its Public Housing Program Funds for Ineligible Purposes, Saginaw, MI, 08/09/2011. Questioned: \$2,875,355; unsupported: \$836,207.
2011-CH-1013	The Youngstown Metropolitan Housing Authority Needs To Improve Its Procurement Process, Youngstown, OH, 08/16/2011. Questioned: \$97,705.
2011-CH-1015	The Springfield Metropolitan Housing Authority Did Not Administer Its Grant in Accordance With Recovery Act and HUD Requirements, Springfield, OH, 09/30/2011. Questioned: \$262,580; unsupported: \$110,580.
2011-CH-1018	The Pontiac Housing Commission Did Not Adequately Administer Its American Recovery and Reinvestment Act Capital Fund Grant, Pontiac, MI, 09/30/2011. Questioned: \$148,676.
2011-DE-1003	The Housing Authority of the City and County of Denver Generally Followed Requirements When Obligating and Expending Its Recovery Act Capital Funds But Did Not Accurately Report Recovery Act Grant Information, Denver, CO, 06/16/2011.
2011-FW-1007	Albuquerque Housing Services Mismanaged Its Recovery Act Funding, Albuquerque, NM, 04/07/2011. Questioned: \$1,802,128; unsupported: \$711,294.
2011-FW-1011	The San Antonio Housing Authority Generally Administered Its Recovery Act Public Housing Capital Funds Properly, San Antonio, TX, 06/07/2011.
2011-FW-1014	The Housing Authority of the City of Wichita Falls Generally Ensured That Its Recovery Act Capital Fund Grant Complied with Requirements, Wichita Falls, TX, 07/07/2011. Questioned: \$33,399; unsupported: \$33,399.

2011-FW-1015	The Housing Authority of the City of Las Cruces Complied With Recovery Act Capital Fund Obligation and Expenditure Requirements but Had Environmental and Reporting Exceptions, Las Cruces, NM, 09/15/2011.
2011-KC-1004	Housing Authority of The City of Mountain Grove Did Not Comply with Procurement Requirements and Improperly Disposed of Property Assets, Mountain Grove, MO, 09/09/2011. Questioned: \$11,573; unsupported: \$11,573.
2011-LA-1013	The Housing Authority of the County of Los Angeles Generally Administered the Procurement and Contracting of Its Recovery Act Capital Fund Formula Grant in Accordance With HUD Requirements, Monterey Park, CA, 07/14/2011.
2011-LA-1014	The Housing Authority of the County of Monterey Did Not Administer the Procurement and Contracting of Its Capital Fund Recovery Grant Funds in Accordance With HUD Laws and Regulations, Salinas, CA, 07/21/2011. Questioned: \$99,900; unsupported: \$99,900.
2011-LA-1018	The Tule River Indian Housing Authority Did Not Administer the Procurement and Contracting of Its Recovery Act Native American Housing Block Grant in Accordance With HUD requirements, Porterville, CA, 09/22/2011. Questioned: \$132,715.
2011-LA-1019	The Housing Authority of the County of San Bernardino Did Not Adequately Complete All Procurements for Its Recovery Act Capital Fund Grants in Accordance With HUD Requirements, San Bernardino, CA, 09/26/2011. Questioned: \$247,834; unsupported: \$247,834.
2011-NY-1011	The Housing Authority of the City of Elizabeth Had Weaknesses in Its Capital Fund Program's Financial Controls, Elizabeth, NJ, 08/04/2011. Questioned: \$1,141,387; unsupported: \$1,141,387; better use: \$1,239,832.
2011-NY-1013	Long Branch Housing Authority Generally Complied With Capital Fund Program Regulations, Long Branch, NJ, 09/01/2011. Questioned: \$1,052,935; better use: \$1,474,109.
2011-PH-1010	The Philadelphia Housing Authority Failed To Support Payments and Improperly Used Funds From the ARRA, Philadelphia, PA, 05/17/2011. Questioned: \$957,742; unsupported: \$957,742.
2011-PH-1011	The Wilmington Housing Authority Generally Administered Its Public Housing Capital Fund Recovery Act-Funded Formula and Competitive Grants in Accordance With Applicable Requirements, Wilmington, DE, 06/24/2011.
2011-PH-1013	The Housing Authority of the City of Camden Did Not Ensure That Its Section 8 Housing Choice Voucher Program Units Met Housing Quality Standards, Camden, NJ, 07/19/2011. Questioned: \$29,791.
2011-PH-1014	The Allegheny County Housing Authority Did Not Always Procure Goods and Services or Obligate Funds According to Recovery Act and Applicable HUD Requirements, Pittsburgh, PA, 08/10/2011. Questioned: \$1,873,279; unsupported: \$1,771,255.
2011-PH-1016	The Philadelphia Housing Authority Did Not Have Conflicts of Interest Related to Recovery Act Rehabilitation but Failed To Comply With Financial Disclosure Requirements, Philadelphia, PA, 09/28/2011.
2011-SE-1007	King County Housing Authority Generally Complied With Recovery Act Capital Fund Competition Grant Requirements, Tukwila, WA, 07/20/2011.

Audit-Related Memorandums¹

Community Planning and Development (2 Reports)

- 2011-NY-1801 The City of East Orange Did Not Always Comply With HOME Program Requirements, Federal Regulations, and HOME Grant Agreements, East Orange, NJ, 04/07/2011. Questioned: \$279,865; better use: \$51,720.
- 2011-NY-1802 The City of Dunkirk Used CDBG Recovery Act Funding for an Ineligible Activity, Dunkirk, NY, 07/14/2011. Questioned: \$134,654; better use: \$18,866.

General Counsel (2 Reports)

- 2011-CF-1802 Final Civil Action, HUD Real Estate-Owned Program Violations, Lake in the Hills, IL, 08/01/2011. Questioned: \$5,000.
- 2011-CF-1803 Final Civil Action, Beechwood Incorporated, Alleged Violations of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Moreno Valley, CA, 09/29/2011. Questioned: \$100,000.

Housing (1 Report)

- 2011-SE-1801 Pierce Commercial Bank Did Not Properly Underwrite a Selection of FHA Loans, Tacoma, WA, 09/30/2011.

Public and Indian Housing (3 Reports)

- 2011-KC-1801 Housing Authority of the City of Mountain Grove Improperly Disposed of Housing Authority Assets, Mountain Grove, MO, 05/16/2011.
- 2011-LA-1802 The Housing Authority of the City of Los Angeles Charged Its Recovery Act Program Without Applying Cost Reductions or Credits Related to Insurance Reimbursements, Los Angeles, CA, 05/05/2011. Questioned: \$75,370; better use: \$8,018.
- 2011-NY-1803 The Housing Authority of Long Branch Needs To Strengthen Its Accounting for Transactions with Affiliated Entities, Long Branch, NJ, 09/01/2011. Better use: \$66,223.



¹ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government auditing standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, or to report the results of civil actions or settlements.

Appendix 3 - Tables



Table A

**Audit reports issued before the start of period
with no management decision as of September 30, 2011**

***Significant audit reports described in previous semiannual reports**

Report number and title	Reason for lack of management decision	Issue date
* 2009-AT-0001 HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds	See chapter 10, page 124.	09/28/2009
2011-NY-1004 The City of Binghamton, NY, Did Not Always Administer Its Section 108 Loan Program in Accordance With HUD Requirements	See chapter 10, page 125.	12/21/2010
2011-CF-1801 An Underwriting Review of 15 FHA Lenders Demonstrated That HUD Missed Critical Opportunities to Recover Losses to the FHA Insurance Fund	See chapter 10, page 126.	03/02/2011

Table B

Significant audit reports in which final action had not been completed within 12 months after the date of the Inspector General's report

Report number	Report title	Issue date	Decision date	Final action
2002-AT-1002	Housing Authority of the City of Tupelo, Housing Programs Operations, Tupelo, MS	07/03/2002	10/31/2002	07/01/2015
2002-KC-0002	Nationwide Survey of HUD's Office of Housing Section 232 Nursing Home Program	07/31/2002	11/22/2002	Note 2
2004-DP-0002	Application Control Review of the Tenant Rental Assistance Certification System	02/25/2004	07/14/2004	12/31/2011
2005-AT-1004	Housing Authority of the City of Durham, NC	11/19/2004	03/15/2005	03/15/2015
2005-CH-1002	Washington Mutual Bank, Underwriting of FHA-Insured Loans, Downers Grove, IL	11/29/2004	01/28/2005	Note 2
2005-NY-1005	The Housing Authority of the City of Newark Bond Financing Activities and Section 8 Housing Choice Voucher Administrative Fee Reserves, Newark, NJ	05/26/2005	09/23/2005	10/11/2011
2005-AT-1013	Corporacion Para el Fomento Economico de la Ciudad Capital Did Not Administer Its Independent Capital Fund in Accordance with HUD Requirements, San Juan, PR	09/15/2005	01/11/2006	Note 1
2006-CH-0001	Real Estate Assessment Center's Physical Condition Assessment Was Compromised	11/30/2005	01/10/2006	12/31/2011
2006-NY-1003	The Housing Authority of the City of Newark's Controls Over Bond Financing Activities, Obtaining Supporting Documentation, and Legal Settlements Require Improvement, Newark, NJ	02/14/2006	08/17/2006	09/13/2012
2006-KC-1013	The Columbus Housing Authority Improperly Expended and Encumbered Its Public Housing Funds, Columbus, NE	08/30/2006	10/17/2006	11/30/2012
2006-DP-0802	Assessment of HUD's Compliance with OMB Memorandum M-06-16, "Protection of Sensitive Agency Information"	09/21/2006	11/24/2006	09/30/2014

Report number	Report title	Issue date	Decision date	Final action
2007-DP-0003	Review of HUD's Procurement Systems	01/25/2007	05/25/2007	10/15/2011
2007-KC-0002	HUD Can Improve Its Use of Residual Receipts To Reduce Housing Assistance Payments	01/29/2007	01/29/2007	Note 2
2007-KC-0003	HUD Did Not Recapture Excess Funds from Assigned Bond-Financed Projects	04/30/2007	08/27/2007	Note 1
2007-SE-0001	HUD's Oversight of the Section 8 Project-Based Contract	06/07/2007	10/05/2007	Note 1
2007-FW-1011	Capmark Finance, Inc., Misrepresented Asbury Square Apartments' Financial and Physical Condition When Underwriting the \$9.098 Million Loan, Tulsa, OK	07/02/2007	10/23/2007	Note 2
2007-AT-1010	The Cathedral Foundation of Jacksonville Used More Than \$2.65 Million in Project Funds for Questioned Costs, Jacksonville, FL	08/14/2007	12/03/2007	Note 1
2007-DP-0006	Review of HUD's Personal Identity Verification and Privacy Program	08/28/2007	12/20/2007	Note 1
2007-AT-0001	HUD Needs To Improve Controls Over Its Contract Administration Processes	09/19/2007	09/19/2007	Note 1
2007-KC-0801	Lenders Submitted Title II Manufactured Housing Loans for Endorsement without the Required Foundation Certifications	09/24/2007	03/11/2008	Note 2
2008-LA-0001	The Los Angeles Multifamily Hub Did Not Properly Monitor Its Performance-Based Contract Administrator, Los Angeles LOMOD	11/05/2007	03/03/2008	Note 1
2008-LA-1003	Home for Life Foundation Did Not Properly Administer Its Supportive Housing Program Grants, Los Angeles, CA	12/18/2007	02/26/2008	04/01/2013
2008-AT-1005	The City of Fort Lauderdale Did Not Properly Administer Its CDBG Program, Fort Lauderdale, FL	01/11/2008	05/05/2008	05/01/2012
2008-NY-1003	The City of New York's Department of Housing Preservation and Development Had Administrative Weaknesses in Its HOME Program, New York, NY	01/23/2008	05/21/2008	Note 1

Report number	Report title	Issue date	Decision date	Final action
2008-AO-1002	State of Louisiana, Road Home Program, Funded 418 Grants Coded Ineligible or Lacking an Eligibility Determination, Baton Rouge, LA	01/30/2008	05/12/2008	Note 1
2008-KC-0002	HUD Did Not Ensure That Housing Authorities Properly Administered the Community Service and Self-Sufficiency Requirement	03/24/2008	07/22/2008	10/01/2011
2008-AO-0801	Review of Duplication of Participants Benefits under HUD's Katrina Disaster Housing Assistance Program and Disaster Voucher Program	03/28/2008	08/01/2008	Note 1
2008-PH-1005	Elders Place, Incorporated, Did Not Administer Project Operating Funds in Accordance with HUD Requirements, Philadelphia, PA	03/28/2008	07/23/2008	04/27/2012
2008-AT-0003	HUD Lacked Adequate Controls over the Physical Condition of Section 8 Voucher Program Housing Stock	05/14/2008	09/10/2008	09/30/2012
2008-BO-0002	Maintenance of Effort Requirements Are Needed to Ensure Intended Use of CDBG Program Funds	05/21/2008	10/02/2008	Note 1
2008-CH-1010	The City of Cincinnati Lacked Adequate Controls over Its System Reporting and Rental Rehabilitation Projects for Its HOME Investment Partnerships Program, Cincinnati, OH	06/11/2008	10/09/2008	Note 2
2008-DP-0004	Review of Selected FHA Major Applications' Information Security Controls	06/12/2008	10/08/2008	Note 1
2008-LA-1012	The Housing Authority of the City of Calexico Did Not Comply with Public Housing Program Rules and Regulations, Calexico, CA	07/01/2008	10/14/2008	12/31/2013
2008-CH-1014	The City of Cincinnati Did Not Adequately Manage Its HOME Investment Partnerships Program, Cincinnati, OH	09/26/2008	01/22/2009	Note 2

Report number	Report title	Issue date	Decision date	Final action
2009-FO-0003	Additional Details to Supplement Our Report on HUD's Fiscal Years 2008 and 2007 Financial Statements	11/14/2008	03/19/2009	12/31/2011
2009-FW-1002	The Owner of Ebony Lake Healthcare Center Violated Its Regulatory Agreement with HUD, Brownsville, TX	11/25/2008	03/25/2009	10/01/2011
2009-DP-0003	Review of the Centralized HUD Account Management Process	01/09/2009	04/30/2009	Note 1
2009-NY-1008	The City of Newburgh Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Newburgh, NY	02/24/2009	06/11/2009	Note 1
2009-AO-1001	State of Louisiana, Road Home Program, Did Not Ensure That Road Home Employees Were Eligible to Receive Additional Compensation Grants, Baton Rouge, LA	05/05/2009	09/16/2009	Note 1
2009-AO-1002	State of Louisiana, Road Home Program, Did Not Ensure That Multiple Disbursements to a Single Damaged Residence Address Were Eligible, Baton Rouge, LA	05/05/2009	09/16/2009	Note 1
2009-CH-1008	The City of East Cleveland Did Not Adequately Manage Its HOME Investment Partnerships and CDBG Programs, East Cleveland, OH	05/11/2009	09/08/2009	07/31/2014
2009-NY-1012	The City of Rome Did Not Administer Its Economic Development Activity in Accordance with HUD Requirements, Rome, NY	05/20/2009	09/23/2009	Note 2
2009-FW-0801	Tenant Confirmation for Disaster Housing Assistance Program for March and April 2009	05/28/2009	09/25/2009	10/01/2011
2009-DP-0005	Review of Implementation of Security Controls over HUD's Business Partners	06/11/2009	11/17/2009	12/31/2014
2009-LA-1011	City of Los Angeles Housing Department Did Not Ensure That the Buckingham Place Project Met HOME Program Requirements, Los Angeles, CA	07/01/2009	10/21/2009	02/15/2012

Report number	Report title	Issue date	Decision date	Final action
2009-CH-1011	The Housing Authority of the City of Terre Haute Failed to Follow Federal Requirements and Its Employment Contract Regarding Nonprofit Development Activities, Terre Haute, IN	07/31/2009	11/24/2009	01/01/2030
2009-KC-0001	HUD Subsidized an Estimated 2,094 to 3,046 Households That Included Lifetime Registered Sex Offenders	08/14/2009	03/31/2011	12/31/2011
2009-CH-0002	The Office of Affordable Housing Programs' Oversight of HOME Investment Partnerships Program Income Was Inadequate	08/28/2009	12/26/2009	Note 2
2009-LA-1018	DHI Mortgage Company, LTD's Scottsdale and Tucson, AZ, Branches Did Not Always Follow FHA-Insured Loan Underwriting and Quality Control Reaquirements	09/10/2009	01/08/2010	11/30/2011
2009-LA-1019	The Owner of Park Lee Apartments Violated Its Regulatory Agreement with HUD, Phoenix, AZ	09/15/2009	01/13/2010	09/30/2012
2009-DE-1005	Adams County Did Not Have Adequate Controls over Its Block Grant Funds, Westminster, CO	09/17/2009	01/15/2010	Note 2
2009-AO-1003	Louisiana Land Trust, As the State of Louisiana's Subrecipient, Did Not Always Ensure That Properties Were Properly Maintained, Baton Rouge, LA	09/23/2009	01/26/2010	Note 2
2009-DE-1801	Adams County Had Weaknesses That Could Significantly Affect Its Capacity to Administer Its Recovery Act Funding, Commerce City, CO	09/24/2009	01/14/2010	Note 2
2009-LA-1020	The Housing Authority of the City of Richmond Did Not Follow Procurement Requirements and Had Internal Control Weaknesses, Richmond, CA	09/24/2009	12/29/2009	10/01/2012
2009-AT-1012	The Municipality of Río Grande Needs to Improve Administration of Its CDBG Program and Its Recovery Act Funds, Rio Grande, PR	09/25/2009	01/22/2010	10/04/2011

Report number	Report title	Issue date	Decision date	Final action
2009-AT-0001	HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME Funds	09/28/2009	03/18/2011	Note 3
2009-AT-1013	The City of Atlanta Entered Incorrect Commitments into HUD's Integrated Disbursement and Information System for its HOME Program, Atlanta, GA	09/28/2009	11/05/2009	Note 2
2009-CH-1017	The Housing Authority of the City of Terre Haute Failed to Follow Federal Requirements Regarding Its Turnkey III Homeownership Program Units' Sales Proceeds, Terre Haute, IN	09/29/2009	01/22/2010	04/06/2012
2009-DP-0006	Review of HUD's Web Application Systems	09/29/2009	12/17/2009	Note 2
2009-CH-1019	The Michigan State Housing Development Authority Failed to Operate Its Section 8 Project-Based Voucher Program According to HUD's and Its Requirements, Lansing, MI	09/30/2009	01/27/2010	02/01/2012
2009-CH-1020	The City of Flint Lacked Adequate Controls over Its Commitment and Disbursement of HOME Investment Partnerships Program Funds, Flint, MI	09/30/2009	01/27/2010	Note 2
2010-NY-1002	Jersey Mortgage Company Did Not Always Comply with HUD/FHA Loan Underwriting Requirements, Cranford, NJ	10/09/2009	03/19/2010	Note 2
2010-LA-0001	HUD's Performance-Based Contract Administration Contract Was Not Cost Effective	11/12/2009	03/12/2010	Note 2
2010-FO-0002	Audit of the FHA's Financial Statements for Fiscal Years 2009 and 2008	11/13/2009	03/05/2010	Note 2
2010-FO-0003	Additional Details to Supplement Our Report on HUD's Fiscal Years 2009 and 2008 Financial Statements	11/16/2009	04/02/2010	Note 2
2010-CH-1003	The Grand Rapids Housing Commission Needs to Improve Its Administration of Its Section 8 Project-Based Voucher Program, Grand Rapids, MI	11/24/2009	03/22/2010	11/30/2011

Report number	Report title	Issue date	Decision date	Final action
2010-AO-0801	HUD Needs to Ensure That the Housing Authority of New Orleans Strengthens Its Capacity to Adequately Administer Recovery Funding	12/15/2009	04/19/2010	04/30/2012
2010-NY-1005	The City of Paterson Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Paterson, NJ	12/18/2009	03/19/2010	Note 2
2010-AO-1002	State of Louisiana Did Not Always Ensure Compliance Under Its Recovery Workforce Training Program, Baton Rouge, LA	01/04/2010	05/14/2010	Note 2
2010-NY-1007	The City of Jersey City Needs To Strengthen Its Controls To Ensure That It Will Be Able To Effectively Administer CDBG-R Funds, Jersey City, NJ	02/02/2010	04/05/2010	Note 2
2010-KC-1001	The State of Iowa Misspent CDBG Disaster Assistance Funds and Failed To Check for Duplicate Benefits, Des Moines, IA	03/10/2010	09/13/2010	10/31/2012
2010-LA-1009	DHI Mortgage Company, LTD's Scottsdale, AZ, Branches Did Not Follow FHA-Insured Loan Underwriting Requirements	03/19/2010	07/16/2010	11/30/2011
2010-KC-1003	The City of East St. Louis Did Not Properly Allocate Salary and Building Expenses or Properly Document Its Process to Secure a Consulting Services Contract, East St. Louis, IL	03/26/2010	07/22/2010	Note 2
2010-CH-0001	The Office of Block Grant Assistance Lacked Adequate Controls Over the Inclusion of Special Conditions in NSP Grant Agreements	03/29/2010	07/27/2010	Note 2
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
2010-AO-1003	The State of Louisiana's Subrecipient Generally Ensured Costs Were Supported Under Its Tourism Marketing Program, Baton Rouge, LA	04/30/2010	08/27/2010	Note 2

Report number	Report title	Issue date	Decision date	Final action
2010-PH-1008	Sasha Bruce Youthwork, Incorporated, Did Not Support More Than \$1.9 Million in Expenditures, Washington, DC	05/11/2010	11/03/2010	12/30/2011
2010-CH-1007	The Michigan State Housing Development Authority Needs To Improve Its Controls Over Section 8 Project-Based Housing Assistance Payments, Lansing, MI	05/14/2010	09/08/2010	05/31/2012
2010-FW-1004	The Georgetown Housing Authority Used \$195,855 for Ineligible and Unsupported Expenditures, Georgetown, TX	06/02/2010	08/20/2010	Note 2
2010-LA-1011	Sacramento Housing and Redevelopment Agency Did Not Always Administer the NSP in Accordance With HUD Rules and Regulations, Sacramento, CA	06/02/2010	02/22/2011	12/16/2011
2010-AT-1006	The Puerto Rico Department of Housing Failed To Properly Manage Its HOME Investment Partnerships Program, San Juan, PR	06/11/2010	10/08/2010	10/31/2011
2010-CH-1008	The DuPage Housing Authority Inappropriately Administered Its Section 8 Project-Based Voucher Program, Wheaton, IL	06/15/2010	10/08/2010	12/31/2012
2010-NY-1012	The City of Jersey City's CDBG Funds Used for a Float Loan Did Not Comply With Applicable Regulations, Jersey City, NJ	07/01/2010	01/25/2011	01/15/2012
2010-LA-1013	The City of Montebello Did Not Comply With HOME Requirements, Montebello, CA	07/08/2010	11/04/2010	11/01/2011
2010-FW-1005	The Texas Department of Housing and Community Affairs Did Not Fully Follow Requirements or Best Practices in the Acquisition of Its Disaster Recovery-Funded Program Management Firm, Austin, TX	07/20/2010	11/16/2010	11/15/2011
2010-CH-1807	Birmingham Bancorp Mortgage Corporation Did Not Properly Underwrite a Selection of FHA Loans, West Bloomfield, MI	07/21/2010	11/12/2010	11/04/2011

Report number	Report title	Issue date	Decision date	Final action
2010-CH-1808	Mac-Clair Mortgage Corporation Did Not Properly Underwrite a Selection of FHA Loans, Flint, MI	07/22/2010	10/26/2010	11/01/2011
2010-LA-1803	Alacrity Lending Company Did Not Properly Underwrite a Selection of FHA Loans, Southlake, TX	07/26/2010	12/21/2010	12/21/2011
2010-AT-1007	The Housing Authority, City of Wilson, Lacked the Capacity To Effectively Administer Recovery Act Funds, Wilson, NC	07/27/2010	11/24/2010	11/27/2013
2010-BO-1006	Waltham Housing Authority Needs to Improve Controls Over Its Interprogram Fund Transactions, Procurement, and Travel for Its Housing Choice Voucher and Low-Income Public Housing Programs, Waltham, MA	07/27/2010	11/24/2010	10/14/2011
2010-CH-1010	The Housing Authority of the City of Terre Haute Substantially Mismanaged Its Capital Fund Program and Lacked Capacity To Adequately Administer Its Recovery Act Funds, Terre Haute, IN	07/27/2010	12/07/2010	12/31/2011
2010-CH-1810	Dell Franklin Financial, LLC, Did Not Properly Underwrite a Selection of FHA Loans, Millersville, MD	07/30/2010	12/10/2010	11/01/2011
2010-LA-1014	The Retreat at Santa Rita Springs Did Not Comply With HUD Rules and Regulations and Other Federal Requirements, Green Valley, AZ	08/02/2010	11/29/2010	11/01/2011
2010-AO-1005	The State of Louisiana's Subrecipient Did Not Always Meet Agreement Requirements When Administering Projects Under the Orleans Parish Long Term Community Recovery Program, Baton Rouge, LA	08/04/2010	01/13/2011	12/01/2011
2010-CH-1811	D&R Mortgage Corporation Did Not Properly Underwrite a Selection of FHA Loans, Farmington Hills, MI	08/04/2010	12/22/2010	12/16/2011
2010-CH-1011	The State of Illinois Needs To Improve Its Capacity To Effectively and Efficiently Administer Its NSP, Chicago, IL	08/05/2010	11/27/2010	11/01/2011

Report number	Report title	Issue date	Decision date	Final action
2010-LA-1804	Assurity Financial Services, LLC, Did Not Properly Underwrite a Selection of FHA Loans, Englewood, CO	08/05/2010	12/03/2010	12/02/2011
2010-LA-1805	Americare Investment Group Did Not Properly Underwrite a Selection of FHA Loans, Arlington, TX	08/06/2010	12/16/2010	12/16/2011
2010-AT-1009	The Puerto Rico Public Housing Administration Needs To Improve Its Procurement Procedures, San Juan, PR	08/13/2010	10/29/2010	10/29/2011
2010-AT-1011	The Puerto Rico Department of Housing Did Not Ensure Compliance With HOME Program Objectives, San Juan, PR	08/25/2010	12/06/2010	11/30/2011
2010-FW-0003	HUD Was Not Tracking Almost 13,000 Defaulted HECM Loans With Maximum Claim Amounts of Potentially More Than \$2.5 Billion	08/25/2010	12/03/2010	12/03/2011
2010-LA-1015	The Housing Authority of the City and County of San Francisco Did Not Effectively Operate Its Housing Choice Voucher Housing Quality Standards Inspections, San Francisco, CA	08/31/2010	12/20/2010	11/30/2011
2010-SE-1001	Washington State Did Not Disburse Its Homelessness Prevention and Rapid Re-Housing Funds in Accordance With Program Requirements, Olympia, WA	08/31/2010	12/07/2010	06/30/2012
2010-NY-1805	Webster Bank Did Not Properly Underwrite a Selection of FHA Loans, Cheshire, CT	09/01/2010	02/09/2011	09/01/2012
2010-LA-1807	Alethes, LLC, Did Not Properly Underwrite a Selection of FHA Loans, Lakeway, TX	09/08/2010	01/04/2011	01/04/2012
2010-KC-1007	The Missouri Housing Development Commission Did Not Always Obtain Required Documents and Properly Report on the Tax Credit Assistance Program Funded Under the Recovery Act, Kansas City, MO	09/10/2010	01/07/2011	01/07/2012
2010-LA-0002	HUD's Office of Single Family Housing's Management Controls Over Its Automated Underwriting Process	09/15/2010	01/13/2011	01/12/2012

Report number	Report title	Issue date	Decision date	Final action
2010-NY-1806	Security Atlantic Mortgage Company, Inc., Did Not Properly Underwrite a Selection of FHA Loans, Edison, NJ	09/22/2010	02/09/2011	01/20/2012
2010-NY-1807	First Tennessee Bank, N.A., Did Not Properly Underwrite a Selection of FHA Loans, Memphis, TN	09/27/2010	02/17/2011	01/04/2012
2010-AT-1014	Polk County Did Not Comply With Procurement and Contract Requirements in Its NSP and HOME Program, Bartow, FL	09/28/2010	03/16/2011	03/01/2012
2010-KC-0003	HUD's Written Policies and Procedures for Loan Indemnifications Were Generally Adequate, But Did Not Include Procedures for Pursuing Signed Indemnification Agreements From Lenders	09/28/2010	02/03/2011	Note 2
2010-KC-1008	The City of East St. Louis Awarded Block Grant Program Funds to Recipients Without Adequately Verifying Their Eligibility, East St. Louis, IL	09/28/2010	01/26/2011	05/12/2012
2010-NY-1808	Pine State Mortgage Corporation Did Not Properly Underwrite a Selection of FHA Loans, Atlanta, GA	09/29/2010	02/11/2011	02/09/2012
2010-CF-1801	Final Civil Action, Anchor Mortgage Corporation, Loan Origination Fraud - Violations of the False Claims Act, Chicago, IL	09/30/2010	02/18/2011	02/17/2012
2010-DP-0004	Security Weaknesses on HUD's Network Devices	09/30/2010	12/02/2010	12/02/2011
2010-FW-0004	HUD's Oversight of the Hurricane Ike Disaster Housing Assistance Program in Texas Needed Improvement	09/30/2010	12/30/2010	12/31/2011
2010-HA-0003	HUD Needs To Improve Controls Over Its Administration of Completed and Expired Contracts	09/30/2010	01/27/2011	Note 2
2010-NY-1809	Sterling National Mortgage Company, Inc., Did Not Properly Underwrite a Selection of FHA Loans, Great Neck, NY	09/30/2010	02/03/2011	01/31/2012

**Significant audit reports issued within the past 12 months
that were described in previous semiannual reports
on which final action had not been completed
as of September 30, 2011**

Report number	Report title	Issue date	Decision date	Final action
2011-DP-0001	HUD Did Not Properly Manage HITS Contracts and Contractors To Fully Comply With Contract Requirements and Acquisition Regulations	10/06/2010	02/03/2011	11/30/2012
2011-CH-1001	The City of Flint Lacked Adequate Controls Over Its HOME Program Regarding Community Housing Development Organizations' Home-Buyer Projects, Subrecipients' Activities, and Reporting Accomplishments in HUD's System, Flint, MI	10/13/2010	02/03/2011	02/03/2012
2011-FW-1001	The Housing Authority of the City of Shreveport Mismanaged Its Recovery Act Funds by Entering into Imprudent Contracts to Meet the Obligation Deadline, Shreveport, LA	10/14/2010	03/29/2011	04/01/2012
2011-NY-1001	The Jersey City Housing Authority Had Administration Weaknesses in Its Capital Fund Programs, Jersey City, NJ	10/19/2010	02/15/2011	02/15/2012
2011-AT-1001	Nationwide Home Loans Did Not Follow HUD Requirements in Approving FHA Loans and Implementing Its Quality Control Program, Miami, FL	10/25/2010	02/22/2011	10/25/2011
2011-LA-1001	The City of Los Angeles Housing Department Did Not Always Effectively Administer Its Homelessness Prevention and Rapid Re-Housing Program, Los Angeles, CA	10/25/2010	02/22/2011	02/22/2012
2011-AO-1002	The State of Louisiana Did Not Always Ensure That Disbursements Under Its First Time Homebuyer Program Complied With Federal Regulations and Program Requirements, Baton Rouge, LA	10/29/2010	02/25/2011	02/25/2012

Report number	Report title	Issue date	Decision date	Final action
2011-LA-1002	The Housing Authority of the City of Los Angeles Generally Had Capacity; However, It Needs To Improve Controls Over Its Administration of Its Capital Fund Grant Awarded Under The Recovery Act Program, Los Angeles, CA	11/04/2010	01/26/2011	11/30/2011
2011-FO-0002	Audit of the FHA's Financial Statements for Fiscal Years 2010 and 2009	11/05/2010	03/23/2011	10/31/2011
2011-CH-1002	ACORN Associates, Inc., Materially Failed To Use Its Lead Elimination Action Program Grant Funds Appropriately, New Orleans, LA	11/08/2010	01/19/2011	11/29/2011
2011-PH-1002	The City of Scranton Did Not Administer Its CDBG Program in Accordance With HUD Requirements, Scranton, PA	11/08/2010	03/08/2011	10/22/2011
2011-PH-1003	The Pennsylvania Housing Finance Agency Generally Administered Its Tax Credit Assistance Program Funded Under the Recovery Act in Accordance With Applicable Requirements, Harrisburg, PA	11/08/2010	03/08/2011	Note 2
2011-NY-1002	The City of Bayonne Did Not Adequately Administer Its Economic Development Program, Bayonne, NJ	11/12/2010	03/11/2011	03/08/2012
2011-FO-0003	Additional Details to Supplement Our Report on HUD's Fiscal Years 2010 and 2009 Financial Statements	11/15/2010	08/08/2011	06/30/2012
2011-CH-0001	HUD Can Improve Its Oversight of Public Housing Agencies' Section 8 Project-Based Voucher Programs	11/16/2010	03/10/2011	06/30/2012
2011-NY-1003	The Irvington Housing Authority Did Not Administer Its Capital Fund Programs in Accordance With HUD Regulations, Irvington, NJ	11/24/2010	03/23/2011	03/23/2012
2011-DP-0003	HUD Did Not Fully Comply With the Requirements of OMB Circular A-127	12/03/2010	05/05/2011	12/31/2013
2011-FO-0004	Annual Evaluation of HUD's Compliance With Presidential Executive Order 13520, Reducing Improper Payments	12/07/2010	08/01/2011	11/18/2011

Report number	Report title	Issue date	Decision date	Final action
2011-BO-1002	Brockton Housing Authority Needs to Improve Controls over its Interprogram Fund Transactions and Housing Choice Voucher Program Procurements, Brockton, MA	12/13/2010	03/17/2011	10/28/2011
2011-FW-1003	WR Starkey Mortgage, LLP, Did Not Follow HUD Underwriting Requirements for 13 of 14 Loans Reviewed, Plano, TX	12/17/2010	03/31/2011	12/17/2011
2011-LA-1005	The City and County of San Francisco Did Not Always Ensure That Homelessness Prevention and Rapid Re-Housing Funds Were Used as Required, San Francisco, CA	12/21/2010	04/20/2011	10/28/2011
2011-PH-1005	The District of Columbia Did Not Administer Its HOME Program in Accordance With Federal Requirements, Washington, DC	12/23/2010	04/22/2011	11/30/2011
2011-CH-1003	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program and American Dream Downpayment Initiative-Funded Afford-A-Home Program, Cleveland, OH	12/27/2010	04/26/2011	04/18/2012
2011-DP-0004	Fiscal Year 2010 Review of Information Systems Controls in Support of the Financial Statements Audit	01/14/2011	05/13/2011	03/15/2012
2011-SE-1002	Washington State Housing Finance Commission Did not Always Disburse Its Tax Credit Assistance Program Funds in Accordance With Program Requirements, Seattle, WA	01/19/2011	04/15/2011	Note 2
2011-LA-0001	HUD Did Not Provide Adequate Oversight and Guidance During the Technical Review of the Retreat at Santa Rita Springs	01/21/2011	05/20/2011	02/04/2012
2011-FW-1005	The Housing Authority of the City of Port Arthur Mismanaged Its Recovery Act Funding, Port Arthur, TX	01/25/2011	05/19/2011	12/01/2011
2011-AT-1802	The Municipality of Arecibo Charged the HOME Program With Expenditures That Did Not Meet Program Objectives, Arecibo, PR	01/27/2011	05/26/2011	02/28/2012

Report number	Report title	Issue date	Decision date	Final action
2011-CH-1004	The State of Indiana's Administrator Lacked Adequate Controls Over the State's HOME Investment Partnerships Program and American Dream Downpayment Initiative-Funded First Home/PLUS Program, Indianapolis, IN	01/31/2011	05/25/2011	04/30/2012
2011-NY-1005	The Lower Manhattan Development Corporation CDBG Disaster Recovery Assistance Funds, New York, NY	02/07/2011	06/20/2011	06/20/2012
2011-KC-1001	The City of East St. Louis Did Not Properly Manage Housing Rehabilitation Contracts Funded by the CDBG Program, East St. Louis, IL	02/09/2011	06/09/2011	05/15/2012
2011-DP-0005	Although HUD Continued to Make Improvements to Its Entity Wide Security Program, Challenges Remained in Its Efforts to Comply with Federal Information Security Requirements	02/10/2011	05/10/2011	12/30/2011
2011-PH-1007	The Philadelphia Housing Authority Did Not Comply With Several Significant HUD Requirements and Failed To Support Payments for Outside Legal Services, Philadelphia, PA	03/10/2011	06/07/2011	05/31/2012
2011-NY-1008	The Jersey City Housing Authority Did Not Always Obligate or Disburse Replacement Housing Factor Capital Fund Grants in a Timely Manner, Jersey City, NJ	03/18/2011	07/11/2011	07/09/2012
2011-PH-1008	The West Virginia Housing Development Fund Generally Administered Its Tax Credit Assistance Program Funded Under the Recovery Act in Accordance With Applicable Requirements, Charleston, WV	03/21/2011	07/19/2011	12/31/2011
2011-PH-1009	Deutsche Bank Berkshire Mortgage, Inc., Acquired a \$45.6 Million Loan That Was Not Properly Underwritten in Accordance With HUD's Multifamily Accelerated Processing Program, Bethesda, MD	03/22/2011	07/20/2011	07/11/2012
2011-CH-1006	The DuPage Housing Authority Inappropriately Administered Its Section 8 Housing Choice Voucher Program, Wheaton, IL	03/23/2011	07/28/2011	12/31/2012

Report number	Report title	Issue date	Decision date	Final action
2011-DP-0006	HUD's Controls Over Selected Configuration Management Activities Need Improvement	03/24/2011	07/18/2011	06/30/2012
2011-LA-1008	The Hawthorne Housing Authority Failed To Maintain an Adequate Financial Management System, Hawthorne, CA	03/28/2011	07/20/2011	11/30/2011

Audits Excluded:

86 audits under repayment plans

24 audits under debt claims collection processing, formal judicial review, investigation, or legislative solution

Notes:

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

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

3 No management decision

Table C

Inspector General-issued reports with questioned and unsupported costs as of September 30, 2011 (thousands)

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
A1 For which no management decision had been made by the commencement of the reporting period	26	\$73,912	\$29,421
A2 For which litigation, legislation, or investigation was pending at the commencement of the reporting period	3	\$5,419	\$3,305
A3 For which additional costs were added to reports in beginning inventory	-	\$3,786	\$1,001
A4 For which costs were added to noncost reports	0	0	0
B1 Which were issued during the reporting period	74	\$93,548	\$66,265
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	103	\$176,665	\$99,992
C For which a management decision was made during the reporting period	45 ¹	\$81,014	\$26,605
(1) Dollar value of disallowed costs:			
- Due HUD	11	\$41,035	\$7,234
- Due program participants	32	\$39,111	\$18,571
(2) Dollar value of costs not disallowed	5 ²	\$868	\$800
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	3	\$6,618	\$3,305
E For which no management decision had been made by the end of the reporting period	55 <140> ³	\$89,033 <\$74,815> ³	\$70,082 <\$56,007> ³

¹ 16 audit reports also contain recommendations with funds to be put to better use.

² 3 audit reports also contain recommendations with funds agreed to by management.

³ The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

Table D

Inspector General-issued reports with recommendations that funds be put to better use as of September 30, 2011 (thousands)

Audit reports	Number of audit reports	Questioned costs
A1 For which no management decision had been made by the commencement of the reporting period	12	\$819,358
A2 For which litigation, legislation, or investigation was pending at the commencement of the reporting period	2	\$15,521
A3 For which additional costs were added to reports in beginning inventory	-	\$1
A4 For which costs were added to noncost reports	0	0
B1 Which were issued during the reporting period	34	\$78,150
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	48	\$913,030
C For which a management decision was made during the reporting period	17 ¹	\$766,471
(1) Dollar value of disallowed costs:		
- Due HUD	3	\$761,781
- Due program participants	14	\$4,690
(2) Dollar value of costs not disallowed	0	0
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	2	\$15,521
E For which no management decision had been made by the end of the reporting period	29 <40> ²	\$131,038 <\$68,755> ²

¹ 16 audit reports also contain recommendations with questioned costs.

³ The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.



Explanations of Tables C and D

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

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



**For congressional and media inquiries related to HUD
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Semiannual Report to Congress
April 1, 2011, through September 30, 2011

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