

# Semiannual Report To Congress

for the period ending September 30, 2019



U.S. Department of Housing and Urban Development  
**OFFICE OF INSPECTOR GENERAL**





# Profile of Performance

Audit Results <sup>1</sup>	This Reporting Period	Fiscal Year 2019
Recommendations that funds be put to better use	\$6,694,381,707	\$7,208,515,909
Recommended questioned costs	\$944,948,081	\$968,988,402
Collections from audits	\$225,323,329	\$236,165,859
Administrative sanctions	1	4
Civil actions	1	1
Subpoenas	3	15

Investigation Results <sup>1</sup>	This Reporting Period	Fiscal Year 2019
Total restitutions and judgments	\$82,885,767	\$119,274,824
Total recoveries and receivables to HUD programs <sup>2</sup>	\$54,003,969	\$61,726,291
Arrests	111	277
Indictments and informations	113	243
Convictions, pleas, and pretrial diversions	90	205
Civil actions	25	47
Total administrative sanctions	94	204
Suspensions	13	33
Debarments	19	52
Program referrals	16	39
Evictions	38	55
Other <sup>3</sup>	8	25
Systemic implication reports	0	1
Search warrants	35	75
Subpoenas	298	660

Joint Civil Fraud Results <sup>1</sup>	This Reporting Period	Fiscal Year 2019
Total restitutions and judgements	\$44,064,836	\$57,371,577
Recoveries and receivables for other entities	\$3,375,163	\$17,768,422
Administrative agreement	\$0	\$5,710,000,000
Recommendations that funds be put to better use	\$0	\$1,460,000,000
Civil actions	4	6
Subpoenas	26	31

<sup>1</sup> The Offices of Audit and Investigation and the Joint Civil Fraud Division periodically combine efforts and conduct joint civil fraud initiatives. Outcomes from these initiatives are shown in the Joint Civil Fraud Results profile and are not duplicated in the Audit Results or Investigation Results.

<sup>2</sup> Does not include civil settlements worked jointly with the Office of Audit

<sup>3</sup> Includes 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

# Highlights

For the period ending September 30, 2019



**\$6,694,381,707**

Recommendations That Funds Be Put To Better Use



**45**

Audits Issued



**\$944,948,081**

Recommended Questioned Costs



**111**

Arrests



**\$225,323,329**

Collections From Audits



**113**

Indictments-Informations



**\$54,003,969**

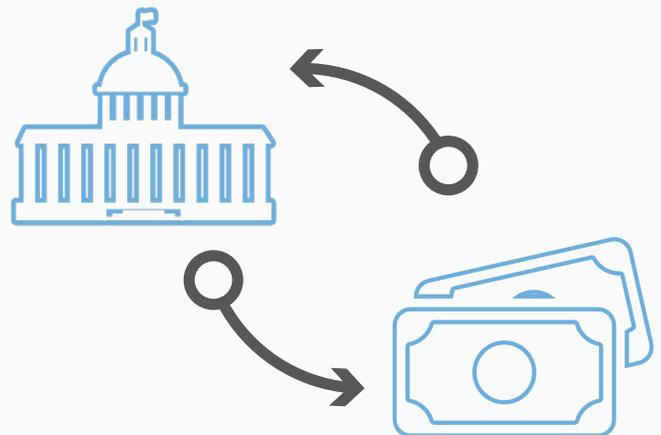
Investigative Recoveries and Receivables to HUD Programs



**90**

Convictions-Pleas-Pretrial Diversions

**112:1**  
Return On Investment





It is with pride that I submit 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 2019. This

report is the culmination of the efforts of our dedicated staff of auditors, investigators, evaluators, attorneys, and support staff. By promoting better stewardship and accountability, HUD OIG continues to make a significant impact on the Department and our communities for the benefit of all of our stakeholders and the public we serve.

This Semiannual Report offers a snapshot of our work for the last 6-month period of fiscal year 2019. The OIG staff has delivered strong results to improve all of HUD's programs and operations during this reporting period, and we are well positioned to continue to deliver value as we carry out our oversight duties.

We completed 45 audits during this semiannual reporting period, and the agency collected more than \$225 million as a result of our work. Our audit reports issued during this reporting period provided recommendations to single-family housing, public and Indian housing, multifamily housing, and community planning and development program areas, which questioned nearly \$945 million in costs and made recommendations to the agency on how nearly \$6.7 billion in funds could be put to better use.

HUD OIG's investigative workload has also continued at a steady pace. During this reporting period, HUD OIG accomplished 111 arrests, 113 indictments, and 90 convictions

to improve departmental operations and address program abuses. The agency recovered more than \$54 million as a result of this work.

In my short tenure as Inspector General, I have seen many examples of how committed our people are to the Department's mission. I would like to express my gratitude to Congress and the Department for their sustained interest and commitment to improving HUD's programs. We continue to strengthen our organizational capabilities – both by developing our work to successfully address each challenge that arises and by continuing to address HUD's Top Management Challenges.

In closing, I want to acknowledge the extraordinary efforts of the auditors, investigators, inspectors, evaluators, and support personnel who form the core of HUD OIG. Through their collective effort, HUD OIG has achieved its annual goals, fulfilled its mission and responsibilities to its stakeholders, and had a significant and positive impact on the Department and our communities.

A handwritten signature in black ink that reads "Rae Oliver Davis". The signature is written in a cursive, flowing style.

Rae Oliver Davis | Inspector General



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## CHAPTER 1 – SINGLE-FAMILY PROGRAMS

*The Federal Housing Administration (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. Some of the highlights from this semiannual period are noted below.*

### 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	5 audits	\$7,791,090	\$6,157,857,970

### REVIEW OF FHA-INSURED LOANS

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited FHA-insured loans from fiscal year 2018 to determine whether FHA provided insurance on loans that were made to ineligible, delinquent Federal tax debtors.

FHA insured at least 56,376 loans worth more than \$13 billion, which were not eligible for insurance because they were made to borrowers with delinquent Federal tax debt. In addition, it insured another 57,918 loans worth more than \$14.3 billion to borrowers who had delinquent taxes and payment plans with the Internal Revenue Service (IRS) but may not have met FHA's requirement for 3 months of payments on the payment plans. OIG was not able to determine the eligibility of these loans because it did not have information showing whether these borrowers completed 3 months of payments on their payment plans.

OIG recommended that FHA require lenders to obtain the borrowers' consent to verify the existence of delinquent Federal taxes with the IRS during loan origination and deny any applicant with delinquent Federal tax debt not meeting FHA requirements. OIG also recommended that FHA revise its handbooks to reflect that tax liens and judgments are no longer reported on credit reports and for uniform treatment of delinquent tax debt for forward and reverse mortgages. (Audit Report: **2019-KC-0003**)

### REVIEW OF FHA PARTIAL CLAIMS

HUD OIG audited FHA to determine whether FHA improperly paid partial claims that did not reinstate the delinquent loans.

FHA improperly paid partial claims that did not reinstate the related delinquent loans. From a sample of 87 partial claims reviewed, FHA paid 47 partial claims totaling more than \$2.7 million that did not cure the loan delinquency. By using a statistical projection, OIG estimated that FHA paid a total of 831 improper partial claims totaling \$27.1 million between April 2017 and March 2018. As a result, the FHA insurance fund was unnecessarily depleted by more than \$27.1 million in partial claims.

OIG recommended that HUD (1) take corrective action against lenders for the improper partial claims that did not reinstate the delinquent loans and have not been repaid; (2) design controls to protect the insurance fund from improper partial claims that did not reinstate the loans to put funds from the FHA insurance fund to better use; and (3) update program guidance, clarifying that upon application of the partial claim funds, the mortgage must be fully reinstated with no unpaid amounts. (Audit Report: **2019-KC-0001**)

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HUD OIG completed a corrective action verification of recommendations 1A and 1C from prior OIG Audit Report 2015-LA-0001 (issued April 20, 2015). These recommendations were for HUD to implement controls to detect and prevent payment of claims with a modification or FHA Home Affordable Modification Program (HAMP) option submitted within a 24-month period and to implement controls to detect and prevent the payment of duplicate claims. These recommendations had been closed by HUD as having been implemented. OIG's objective was to determine whether HUD had implemented adequate corrective actions in response to these recommendations and the number and amount of previously unidentified FHA loan modification claims or partial claims that were ineligible due to a prior loss mitigation claim for the same loan within 24 months or a duplicate claim.

HUD had implemented the agreed-upon corrective actions in response to recommendation 1A, yet further action is needed to improve Single Family Insurance System – Claims Subsystem controls and to address ineligible claims that were paid. HUD's revised controls did not work in limited circumstances, and as a result, HUD paid 12 unsupported claims for amounts totaling nearly \$200,000, which appeared to have been ineligible based on a reported prior claim within 24 months. Additionally, after the prior OIG audit testing period ended and before HUD implemented the related corrective action, lenders submitted 810 unsupported claims for amounts totaling \$4.9 million, which appeared to have been ineligible due to a second reported claim within 24 months.

For recommendation 1C, HUD did not implement adequate corrective actions to detect and prevent the payment of duplicate claims. HUD attempted to implement enhanced Claims Subsystem controls to prevent duplicate payments in response to recommendation 1C but later reversed the changes because the new controls did not function as intended and blocked claim payments unnecessarily. Ultimately, HUD did not implement a permanent corrective action to address the recommendation and as a result, paid 28 unsupported claims for amounts totaling more than \$333,000, which were potentially ineligible duplicates, based on matching partial claim note amounts.

Based on the cited deficiencies, OIG will reopen recommendation 1C until corrective action is fully developed and implemented. In addition, OIG recommended that HUD (1) provide support of eligibility or require lender repayment of more than \$5.1 million for the 822 identified claims with a reported partial claim or loan modification within the prior 24 months; (2) further revise and implement the Claims Subsystem controls to address deficiencies, which allowed payment for a limited number of claims that were ineligible due to a prior loan modification or FHA-HAMP option within 24 months; and (3) provide support of eligibility or require repayment for the 28 identified potential duplicate claims with reported matching partial claim note amounts and take appropriate action as necessary to ensure that related partial claim note amounts are correctly reflected within HUD's Single Family Mortgage Asset Recovery Technology system for loan-servicing purposes. (Audit Memorandum: **2019-LA-0801**)

## INVESTIGATION

### Program Results

<b>Administrative - civil actions</b>	30
<b>Convictions - pleas - pretrial diversions</b>	25
<b>Financial recoveries</b>	\$69,012,951

### BANK AND LENDER EXECUTIVES FORCED TO REPAY MORE THAN \$60 MILLION

The president, chief executive officer, and chief business strategist and an in-house counsel of a mortgage lender and the chief executive officer of a savings bank were sentenced in U.S. District Court to a total of 4 years imprisonment followed by 17 years supervised release. The conspirators were also ordered to pay \$60.3 million in restitution to the Government National Mortgage Association (Ginnie Mae), \$1 million in restitution to the IRS, and \$120,000 in forfeiture. The lender was a participant in the HUD-administered direct endorsement program and originated FHA-insured mortgages that were packaged and sold as Ginnie Mae-guaranteed mortgage-backed securities. The conspirators took part in a scheme whereby they misappropriated funds from the lender's warehouse line of credit to pay the lender's operating expenses rather than using the funds for the intended purpose of paying off the first mortgages of FHA-insured refinanced loans. Further, the conspirators caused the bank, a troubled savings bank, which acted as a warehouse lender to the mortgage lender, to engage in transactions that gave the appearance that the bank had improved its financial position when it had not. The scheme resulted in a loss to the savings bank in the amount of \$1.84 million. HUD OIG, the Special Inspector General for the Troubled Asset Relief Program, and the Federal Bureau of Investigation (FBI) conducted this investigation. (**Central Islip, NY**)

### FAKE LAW GROUP TO SERVE 11 YEARS IN PRISON FOR LOAN MODIFICATION SCAM

Three individuals were sentenced in State Superior Court to a total of 11 years imprisonment and ordered to pay more than \$2.5 million in restitution. The scam artists were sentenced after each pleaded guilty to 64 felony charges of conspiracy, grand theft, money laundering, and unlawful loan modification advance fees for their role in a loan modification scam. The fraudsters established businesses claiming to be law firms and solicited individuals seeking lower mortgage payments via mail advertisements. The trio promised loan modifications and charged the homeowners upfront fees without rendering services. In some instances, the group was able to secure a loan modification but had the homeowners send the payments to its company instead of the lenders. The fraudsters then kept the payments instead of forwarding them to the mortgage servicers. In total, they victimized 387 borrowers, to include 46 with FHA properties, and used more than \$2.4 million in ill-gotten gains for their personal use. HUD OIG, the Federal Housing Finance Agency OIG, and the Orange County District Attorney's Office conducted this investigation. (**Santa Ana, CA**)

### PURPORTED INVESTORS SENTENCED FOR FRAUDULENT HOME SALE SCHEME

Two individuals purporting to be investors were sentenced in U.S. District Court in relation to their earlier guilty pleas to identity theft, wire fraud, mail fraud, bank fraud, and bankruptcy fraud. The two were sentenced to a

cumulative 105 months imprisonment and ordered to pay restitution totaling \$581,386, of which \$80,136 was due to FHA. The two were involved in a scheme in which they would convince distressed homeowners to sign over the rights to their properties via quit claim deeds with the promise that the investors would make payments to the homeowners at a later date. The investors would then send a promissory note to the lenders holding the mortgages and file a fraudulent satisfaction of mortgage at the recorder's office to resell the properties. The investors performed this scheme on six properties, three of which were FHA insured. HUD OIG and the FBI conducted this investigation. (**South Bend, IN**)

## JOINT CIVIL FRAUD

### Program Results

Civil actions	3
Questioned costs	\$42,964,836
Funds put to better use	0

### REVIEW OF QUICKEN LOANS, INC.

HUD OIG assisted the U.S. Department of Justice, Washington, DC, in the civil investigation of Quicken Loans, Inc. The investigation was of Quicken's origination, underwriting, endorsement, and related certifications of FHA-insured mortgage loans between September 1, 2007, and December 31, 2011. Quicken has its principal place of business in **Detroit, MI**.

On June 3, 2019, Quicken entered into a settlement agreement with the Federal Government to pay \$32.5 million to HUD. The United States contends that Quicken knowingly approved loans that violated FHA rules while falsely certifying compliance with those rules. Between 2007 and 2011, Quicken allegedly submitted claims for hundreds of improperly underwritten FHA-insured loans. The settlement was reached through mediation. The settlement was neither an admission of liability by Quicken nor a concession by the United States that its claims were not well founded. (Audit Memorandum: **2019-CF-1805**)

### REVIEW OF PRIMELENDING, A PLAINSCAPITAL COMPANY

HUD OIG assisted the U.S. Department of Justice, Washington, DC, and the U.S. Attorney's Offices for the District of Kansas and the Northern District of Texas in the civil investigation of PrimeLending, a PlainsCapital company. The investigation was of PrimeLending's origination, underwriting, and quality control of FHA-insured mortgage loans between 2008 and 2012. PrimeLending has its principal place of business in **Dallas, TX**.

On October 23, 2018, PrimeLending entered into a settlement agreement with the Federal Government to pay more than \$6.75 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation of certain civil claims the Government stated it had against PrimeLending. The United States contends that for 79 FHA-insured loans, PrimeLending failed to follow all HUD requirements in connection with its origination, underwriting, and quality control. Specifically, the United States contends that between January and December 2008, PrimeLending failed to ensure that the 79 loans qualified for FHA insurance, improperly incentivized underwriters, and failed to

perform quality control reviews as required by HUD regulations. The settlement was neither an admission of liability or wrongdoing by PrimeLending nor a concession by the United States that its claims were not well founded. Of the \$6.75 million settlement, HUD FHA received more than \$3.37 million.

PrimeLending also entered into an indemnification agreement with HUD to pay more than \$6.75 million in restitution to indemnify FHA for the portion of losses associated with 160 FHA-insured loans that were not eligible for FHA insurance because of alleged material underwriting defects. These 160 FHA-insured loans were originated by PrimeLending between January 1, 2009, and December 31, 2012. The indemnification agreement did not constitute an admission of liability or fault on the part of either PrimeLending or HUD. (Audit Memorandum: **2019-CF-1804**)

## CHAPTER 2 – PUBLIC AND INDIAN HOUSING PROGRAMS

*The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 3,100 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. Some of the highlights from this semiannual period are noted below.*

### 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	19 audits	\$6,835,638	\$21,481,023

#### REVIEW OF HUD'S COMPLIANCE WITH THE HOUSING OPPORTUNITY THROUGH MODERNIZATION ACT OF 2016

HUD's Office of Inspector General (OIG) audited HUD to determine whether PHAs had access to the information in the Do Not Pay system maintained by the U.S. Department of the Treasury's Bureau of the Fiscal Service as required by the Housing Opportunity Through Modernization Act of 2016.

HUD did not provide PHAs with access to the information in the Do Not Pay system. HUD paid nearly \$19.8 million in annual rental subsidies to PHAs to benefit 2,278 tenants who were reported in Do Not Pay as excluded from Federal programs or deceased.

OIG recommended that HUD (1) issue guidance to PHAs to ensure that any applicant for or tenant of public or assisted housing whose name appears on the General Services Administration's System for Award Management excluded parties list is reviewed by PHAs to determine eligibility and prevent ineligible applicants or tenants from being admitted or recertified, thereby putting nearly \$13.7 million to better use; (2) take corrective actions for the 729 tenants reported as deceased, putting nearly \$6.1 million to better use; and (3) establish a method to provide information in the Do Not Pay system to PHAs. (Audit Report: **2019-KC-0002**)

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#### REVIEW OF THE PUBLIC HOUSING CAPITAL FUND

HUD OIG audited the Public Housing Capital Fund program at the Housing Authority of the City of **Woonsocket, RI**, to determine whether the Authority administered its Capital Fund program in accordance with HUD's requirements; specifically, whether costs were eligible and supported and the Authority procured and awarded contracts in accordance with HUD requirements and its procurement policies. In addition, OIG wanted to determine whether a complaint regarding the Authority's purchase and later demolition of a property next to one of its developments had merit.

Authority officials did not administer the Capital Fund program in accordance with HUD requirements. Specifically, they did not always ensure that Capital Fund activity costs were eligible and supported. In addition, they did not always follow environmental review requirements and support that awarded contracts were procured in accordance with HUD requirements. As a result, the Authority spent more than \$1.9 million for ineligible costs and more than \$1.4 million for unsupported costs and may spend more than \$125,000 for additional ineligible costs. Further, although the complaint had merit, non-Federal funds were used for the property purchase and demolition.

OIG recommended that HUD require Authority officials to (1) repay from non-Federal sources the ineligible costs related to environmental deficiencies and payments made beyond the contract terms, (2) support that the unsupported costs were fair and reasonable and in accordance with Federal procurement and environmental review requirements or repay from non-Federal funds any amounts that it cannot support, and (3) deobligate the funds not yet spent on ineligible activities and costs. (Audit Report: **2019-BO-1002**)

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## REVIEW OF THE RENTAL ASSISTANCE DEMONSTRATION PROGRAM

HUD OIG audited the Little Rock Housing Authority in **Little Rock, AR**, regarding its Rental Assistance Demonstration Program (RAD) conversions to determine whether the Authority administered its RAD in accordance with regulations and whether the program was viable.

The Authority did not ensure that its RAD fully met requirements. Specifically, it did not ensure timely completion of its conversions, properly account for predevelopment costs as required, and resolve a potential conflict of interest. In addition, the Authority's executive management and board members did not communicate effectively with each other. Further, the Authority did not have effective procedures to ensure that costs were properly supported and allocated. As a result, revisions and postponements of its RAD conversion plans adversely affected rehabilitation costs by requiring the same or similar tasks to be amended, updated, or reworked multiple times. The delays resulted in reduced occupancy in anticipation of rehabilitation of units and hindered the Authority's ability to provide decent, safe, and sanitary housing to current and prospective tenants.

OIG recommended that HUD require the Authority to (1) develop and implement an achievable plan to close its remaining projects and complete its RAD conversions; (2) support or repay more than \$1.9 million in predevelopment costs to its program from non-Federal funds; (3) design and implement financial controls to ensure that predevelopment costs are properly accounted for and eligible, thereby putting nearly \$830,000 to better use; (4) develop and implement procedures to identify, report, and resolve conflict-of-interest and ethics concerns; and (5) design and implement adequate control systems to ensure that the executive management team provides oversight of its RAD. (Audit Report: **2019-FW-1001**)

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## REVIEW OF HUD'S HOUSING CHOICE VOUCHER PROGRAM

HUD OIG audited the New York City Department of Housing Preservation and Development (HPD) in **New York, NY**, regarding its Housing Choice Voucher Program to determine whether HPD ensured that its program units met HUD's housing quality standards and whether it abated housing assistance payments when required.

HPD did not always ensure that its program units met housing quality standards and its quality control inspections met HUD requirements, but it generally abated housing assistance payments when required. Of the 58 sample units inspected, 52 had housing quality standards violations. While each of the 52 units had at least 1 violation, only 6 of

the units materially failed to meet HUD's standards. In addition, although HPD generally abated the correct amount of payments, OIG identified several areas in which it could improve its controls. As a result, HPD disbursed more than \$26,000 in housing assistance payments and received more than \$2,000 in administrative fees for units that materially failed to meet HUD's housing quality standards. Further, HUD did not have assurance that HPD's quality control process was fully effective and that it consistently carried out the abatement process, including maintaining records that were accurate and complete. By improving its inspection process, HPD could better ensure that more than \$760,000 in future program funds is spent on units that meet HUD's housing quality standards.

OIG recommended that HUD require HPD to (1) certify, along with the owners of the 52 units cited in the finding, that the applicable housing quality standards violations have been corrected; (2) reimburse its program from non-Federal funds for the 6 units that materially failed to meet HUD standards; (3) improve controls over its inspection process to ensure that units meet housing quality standards and that the results are used to enhance the effectiveness of its inspections; and (4) improve controls over its quality control sampling and abatement processes. (Audit Report: **2019-NY-1003**)

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## REVIEW OF HUD'S OFFICE OF NATIVE AMERICAN PROGRAMS

HUD OIG completed a corrective action verification of three of the four recommendations from prior OIG Audit Report 2014-LA-0006, issued on August 19, 2014, addressing the Office of Native American Programs' (ONAP) Indian Community Development Block Grant Program (ICDBG). OIG had recommended that HUD implement policies and procedures to establish minimum standards for oversight of the grant closeout process, review the Performance Tracking Database (PTD) closeout and target closeout dates for open grants and correct inaccurate or missing data, and evaluate management's need for PTD reports and correct deficiencies within the applicable PTD reports. These recommendations had been closed by HUD as having been implemented. The objective was to determine whether ONAP satisfactorily completed the agreed-upon corrective actions for recommendations 1A, 1B, and 1C.

ONAP did not satisfactorily complete the agreed-upon corrective actions for recommendations 1A, 1B, and 1C. OIG also selected a nonrepresentative targeted sample of 25 grants totaling nearly \$17.4 million to evaluate the controls over the closeout process and determined that the same issues identified in the audit continued to impact the ICDBG closeout process. There were 15 grants that had inaccurate data in the PTD, including missing target closeout dates, incorrect target closeout dates, and missing closeout dates. As a result, ONAP continued to lack adequate controls over the ICDBG closeout process approximately 3.5 years after the recommendations were closed in December 2015 and January 2016.

Based on the deficiencies cited, OIG will reopen the three recommendations for which the corrective actions were not satisfactorily completed (1A, 1B, and 1C) until corrective action is fully developed and implemented. In addition, OIG recommended that HUD, as part of reopened recommendation 1B, correct the deficiencies within applicable PTD reports, including missing or inaccurate records. (Audit Memorandum: **2019-LA-0802**)

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## REVIEW OF SECTION 184 LOAN GUARANTEES FOR INDIAN HOUSING PROGRAMS

HUD OIG audited Bank2 in **Oklahoma City, OK**, regarding its origination of Section 184 Loan Guarantees for Indian Housing program loans to determine whether Bank2 originated those loans in accordance with HUD's processing guidelines. OIG audited Bank2's Section 184 program because prior audit work determined that HUD

lacked proper oversight of the program and lenders did not underwrite loans in accordance with HUD requirements. Additionally, Bank2 is one of the largest Section 184 lenders. The Section 184 Loan Guarantees for Indian Housing program is a home mortgage product specifically designed for American Indian and Alaska Native families, Alaska villages, tribes, or tribally designated housing entities.

Bank2 originated all 14 statistically sampled loans reviewed in accordance with Section 184 Loan Guarantees for Indian Housing program processing guidelines. Specifically, it ensured that borrowers met income, debt, and credit requirements; property values were supported; and the borrower and properties were eligible for the program. Because the 14 loans reviewed met the processing guidelines, there was not an increased risk to HUD's Loan Guarantee Fund. In addition, Bank2 developed internal controls to ensure that its loan files were complete, and it had a detailed quality control plan and procedures for its Section 184 loan program.

OIG made no recommendations, and no further action is needed. (Audit Report: **2019-LA-1007**)

## INVESTIGATION

### Program Results

<b>Administrative - civil actions</b>	58
<b>Convictions - pleas - pretrial diversions</b>	44
<b>Financial recoveries</b>	\$5,484,222

### CONSTRUCTION EXECUTIVES SENTENCED FOR PROCUREMENT FRAUD

The president and vice president of a construction company were sentenced in U.S. District Court after being convicted at trial of conspiracy, false statements, and wire fraud. The executives were sentenced to a total of 92 months imprisonment and 6 years supervised release. The two were ordered to forfeit more than \$1.7 million and pay a total of \$32,211 in restitution to workers who were defrauded. The construction executives orchestrated a scheme to defraud a local PHA on multiple contracts valued at more than \$3.3 million to renovate public housing units. Between 2014 and 2016, the two obtained contracts with the PHA by submitting drastically reduced bids, which were reduced because the company did not pay Federal employer tax or have adequate insurance coverage for the contracts. During the contracting process, the two certified to the PHA that no subcontractors would be used. However, immediately after being awarded the contracts, the company hired subcontractors at below Davis-Bacon Act prevailing wage rates. The company did not obtain workers' compensation insurance in accordance with State laws. The company also required its subcontractors to provide information regarding their employees so the company could falsely certify that those workers were on its payroll. HUD OIG, the U.S. Department of Labor OIG, and the Miami Dade County OIG conducted this investigation. (**Miami, FL**)

### HOUSING SUBSIDY RECIPIENT TO SERVE 12 YEARS IN PRISON FOR FRAUD

A Housing Choice Voucher Program participant was sentenced in State Superior Court after being found guilty by a jury. The tenant was sentenced to 12 years incarceration on a total of 13 felony counts of grand jury tampering and perjury. He was also ordered to pay restitution of nearly \$275,780, including \$60,380 to the local PHA. From 2008

to 2016, the program participant orchestrated a fraud scheme in which he failed to report his marital status and assets to the local PHA. The tenant maintained assets of more than \$300,000 located in various bank accounts in addition to his wife's owning property. As a result, the PHA paid more than \$60,000 in housing assistance on his behalf, to which he was not entitled. During the course of the investigation, it was also determined that he was fraudulently collecting other government subsidies, to include health care services and Social Security benefits. HUD OIG; the Social Security Administration OIG; and the California Department of Health Care Services, Investigations Unit, conducted this investigation. **(Los Angeles, CA)**

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## HOUSING AUTHORITY EMPLOYEE SENTENCED FOR THEFT

A former software coordinator for a local PHA was sentenced to 1 year incarceration, 20 years probation, and 40 hours of community service and ordered to pay restitution of \$271,325 to the PHA. The software coordinator was sentenced in a county district court in relation to his earlier guilty plea to theft by swindle. The software coordinator was responsible for the PHA's computer system and created fictitious landlords and tenants in the system to fraudulently obtain housing assistance payments. He created two fictitious management companies, which received housing assistance checks for tenants who were deceased, no longer eligible for assistance, or never on the program. The software coordinator was the registered agent for both companies and diverted more than \$271,000 in PHA funds for his personal use. HUD OIG and the Egan Police Department conducted this investigation. **(Egan, MN)**

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## IDENTITY THIEF SENTENCED TO MORE THAN 3 YEARS IN PRISON

A Dominican national and Section 8 tenant was sentenced in U.S. District Court in relation to an earlier guilty plea to aggravated identity theft, false representation of a Social Security number, and theft of public funds. The tenant was sentenced to 39 months imprisonment followed by 5 years supervised release and ordered to pay restitution of \$55,215 to the local PHA. The tenant stole the identity of a U.S. citizen residing in Puerto Rico and used that identity to receive benefits in Section 8 subsidies, State health benefits, unemployment benefits, and a driver's license. Hurricane Maria destroyed the victim's home in Puerto Rico and left him homeless. Due to the theft of his identity, the Puerto Rico Housing Authority denied him housing assistance, believing he was already receiving subsidies from the other PHA. HUD OIG and the Homeland Security Document and Benefits Fraud Task Force conducted this investigation. **(Boston, MA)**

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## EXECUTIVE DIRECTOR AND LANDLORD SENTENCED FOR THEFT OF HOUSING SUBSIDIES

A landlord and an executive director of a PHA were sentenced in U.S. District Court to a total of 1 year imprisonment and 6 years probation and ordered to pay joint restitution of \$133,243 to HUD. The two were sentenced in relation to their earlier guilty pleas to theft of public funds and misprision of a felony. The two conspired to receive more than \$170,000 worth of housing assistance checks for properties, which either did not exist or were not a part of the Housing Choice Voucher Program. HUD OIG conducted this investigation. **(Lubbock, TX)**

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## CHAPTER 3 – MULTIFAMILY HOUSING AND HEALTHCARE PROGRAMS

*In addition to multifamily housing developments with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages and the Office of Healthcare Programs, HUD subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly and disabled. Some of the highlights from this semiannual period are shown below.*

### 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	4 audit	\$2,043,716	\$99,401

### REVIEW OF HUD'S MULTIFAMILY SECTION 8 PROGRAM

HUD's Office of Inspector General (OIG) audited the multifamily Section 8 Project-Based Rental Assistance (PBRA) program at the Northline Point Apartments in **Houston, TX**, to determine whether the owner administered its Section 8 PBRA program in accordance with applicable requirements.

The owner did not administer its Section 8 PBRA program in accordance with applicable requirements. Specifically, it billed HUD for at least 51 tenants whose eligibility it could not adequately support and subsidized uninspected units. As a result, the owner received more than \$1 million in housing assistance payments for tenants whose eligibility and unit physical condition standards it could not support. Further, the owner could not assure HUD that its certifications for reimbursement were based on accurate information, which could adversely affect the program.

OIG recommended that HUD require the Northline Point Apartments' owner to (1) support or repay HUD for tenants whose eligibility it could not support; (2) perform annual inspections as required; and (3) implement appropriate controls to ensure that tenants are eligible, housing assistance subsidies are accurate, tenants are properly moved and transferred, transactions are properly coded, units are inspected as required, and tenant files contain all required documentation. (Audit Report: **2019-FW-1003**)

### INVESTIGATION

#### Program Results

Administrative - civil actions	1
Convictions - pleas - pretrial diversions	1
Financial recoveries	\$0

## 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. Some of the highlights from this semiannual period are shown below.*

### AUDIT

#### Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	12 audits <sup>4</sup>	\$925,727,345	\$510,134,027

During the semiannual period, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the Neighborhood Stabilization Program (NSP), community housing development organizations (CHDO), the HOME Investment Partnerships program, the Continuum of Care Program (CoC), the Community Development Block Grant (CDBG) program, and the Shelter Plus Care program.

### REVIEW OF THE NEIGHBORHOOD STABILIZATION PROGRAM

HUD OIG audited the **North Carolina** Department of Commerce's NSP grants to determine whether the Department administered its NSP1 and NSP3 grants in accordance with HUD's requirements.

The Department did not administer its NSP1 and NSP3 grants in accordance with HUD's requirements. Specifically, it did not deobligate grant funds in a timely manner, reallocate grant funds with proper justification, maintain adequate documentation to support grant expenditures, properly track program income, and ensure that six NSP activities met their national objectives. As a result, the Department allowed more than \$417,000 in grant funds to remain unused, improperly reallocated \$1.3 million in grant funds, used more than \$1.1 million in grant expenditures without adequate supporting documentation, underreported nearly \$6.1 million in program income to HUD, and drew down more than \$11.9 million in grant funds without showing that a national objective was met.

OIG recommended that HUD require the Department to (1) reprogram and put unused NSP1 funds to better use, (2) support more than \$2.4 million or reimburse its NSP grants from non-Federal funds, (3) reconcile and update the NSP program income reported to HUD, and (4) develop and implement a remediation plan to show that national objectives have been met as required to support more than \$11.9 million in program funds. OIG also recommended that HUD review the Department's expenditure of the more than \$736,000 in remaining NSP1 grant funding before its drawdowns. (Audit Report: **2019-AT-1004**)

<sup>4</sup> The total CPD audits, questioned costs, and funds put to better use amounts include questioned costs for any disaster-related audits included in the community planning and development area (four audits). The writeup for this audit is shown separately in chapter 5 of this semiannual report.

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## REVIEW OF COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

HUD OIG audited the City of **Dallas, TX**'s management of its CHDOs to determine whether the City managed its CHDOs in accordance with HUD regulations and guidance, including environmental requirements.

The City did not follow environmental requirements or effectively manage its CHDOs. It did not always complete an environmental review or obtain HUD approval before committing funds, maintain environmental review documentation, exercise due diligence, or properly administer its CHDO in accordance with requirements. As a result, it misspent more than \$6.6 million and did not account for more than \$180,000 in program income.

OIG recommended that HUD require the City to (1) repay nearly \$2.4 million in funds committed before completion of an environmental review or HUD approval; (2) support or repay more than \$424,000 in funds committed to projects without environmental reviews; (3) support or repay more than \$3.8 million for unsupported files and draws; (4) support or repay the unsupported program income; (5) repay more than \$13,000 in ineligible costs; and (6) strengthen its underwriting procedures and implement documentation, home-buyer income verification, and CHDO recertification procedures. (Audit Report: **2019-FW-1004**)

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## REVIEW OF THE HOME INVESTMENT PARTNERSHIPS PROGRAM

HUD OIG audited the City of **Bridgeport CT**'s HOME Investment Partnerships program to determine whether the City properly committed and disbursed HOME funds in accordance with Federal and HUD rules and regulations.

City officials did not properly administer their HOME program. Specifically, they did not properly commit and disburse HOME funds in accordance with Federal and HUD rules and regulations. They did not ensure that they met the commitment deadline for their community housing development organizations' funds, properly documented and supported their underwriting of activities, complied with environmental review requirements, disbursed funds in accordance with program requirements, maintained adequate support to ensure tenant eligibility and compliance with HOME rental limits, and supported their administrative fees. Further, the City's HOME policies and procedures were outdated. As a result, the City incurred nearly \$423,000 in ineligible costs and more than \$3.2 million in unsupported costs, and nearly \$742,000 in unspent HOME funds will need to be reallocated to eligible activities.

OIG recommended that HUD require City officials to (1) repay the ineligible costs related to the City's failure to meet commitment deadlines and complete activities in accordance with the HOME agreement and HOME regulations, (2) support that the unsupported costs were reasonable and supported or repay the funds, (3) reallocate the unspent funds to ensure that they will be put to their intended use, and (4) develop and implement adequate and updated HOME policies and procedures and tools to improve record-keeping practices. (Audit Report: **2019-BO-1001**)

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## REVIEW OF THE CONTINUUM OF CARE PROGRAM

HUD OIG reviewed the CoC of the Northlake Homeless Coalition in **Mandeville, LA**, to determine whether Northlake administered its CoC in accordance with HUD's and its own program requirements.

Northlake did not always administer its CoC in accordance with HUD's and its own requirements, as it did not always monitor its program partners, maintain adequate supporting documentation for disbursements, and follow procurement requirements. In addition, Northlake did not always ensure that its board members executed code-of-conduct and conflict-of-interest forms, met monthly, maintained written documentation of board meetings, and updated its charters annually. As a result, Northlake could not provide reasonable assurance to HUD that its program achieved its purpose or followed HUD's and other requirements, putting more than \$2 million in CoC funds allocated to its program partners at risk of mismanagement. In addition, Northlake paid more than \$120,000 in questioned costs.

OIG recommended that HUD require Northlake to (1) develop and implement written procedures and take actions to ensure that its program partners better spend CoC funds, (2) support or repay the questioned costs, (3) annually monitor its CoC recipients as required, and (4) develop and implement procedures to ensure that its CoC is administered in accordance with HUD's and its own requirements. (Audit Report: **2019-FW-1005**)

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## REVIEW OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

HUD OIG audited the **Commonwealth of Massachusetts'** (State) Small Cities CDBG program to determine whether the State provided adequate oversight and monitoring to ensure that its grantees complied with applicable State and Federal laws and requirements regarding procurement, conflicts of interest, program delivery, and indirect cost rates.

The State did not always ensure that its grantees complied with applicable State and Federal laws and requirements. Specifically, grantees did not always properly conduct and document environmental reviews, obtain independent cost estimates, properly charge program delivery costs, and obtain the State's approval for projects that exceeded program limits. As a result, OIG identified more than \$1.5 million in questioned costs charged to the program, and HUD did not have assurance that all costs were eligible and supported.

OIG recommended that HUD require State officials to (1) repay nearly \$666,000 in ineligible program costs; (2) support or repay more than \$896,000 in unsupported program costs; and (3) provide additional guidance to their grantees and strengthen controls over procurement, site-specific environmental reviews, and the definition of which expenses are considered program delivery costs. (Audit Report: **2019-BO-1003**)

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HUD OIG audited the Municipality of **Yauco, PR**'s CDBG program to determine whether the Municipality complied with HUD regulations, procedures, and instructions related to the administration of the program.

The Municipality did not properly identify the grant year and application of CDBG funds. In addition, it inappropriately transferred CDBG grant funds to its general fund account, did not disburse program funds in a timely manner, and paid ineligible bank penalties. As a result, HUD lacked assurance that more than \$1 million in CDBG drawdowns was adequately accounted for, safeguarded, and used for eligible purposes.

In addition, the Municipality did not properly support the scope of its street resurfacing efforts, paid for work done before a contract was awarded, and improperly completed street resurfacing work on private properties. As a result, HUD lacked assurance that more than \$469,000 in CDBG funds was used for eligible purposes and in accordance with the program requirements.

OIG recommended that HUD require the Municipality to (1) develop and implement a financial management system in accordance with HUD requirements, (2) submit all supporting documentation showing the eligibility and propriety of more than \$1.5 million in CDBG funds, (3) return to its line of credit unspent program funds, (4) reimburse the CDBG program for funds paid for ineligible penalties, and (5) develop and implement adequate controls and procedures to permit proper accountability for all program funds. (Audit Report: **2019-AT-1005**)

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## REVIEW OF THE SHELTER PLUS CARE PROGRAM

HUD OIG audited the Housing Authority of the County of Stanislaus in **Modesto, CA**, regarding its Shelter Plus Care program to determine whether the Authority documented participant eligibility related to homelessness and disability in accordance with program requirements.

While participants' disabilities were supported, the Authority did not always adequately document participants' eligibility related to homelessness in accordance with HUD requirements. In 1 of the 15 participant files reviewed, the Authority's documents lacked detail to show that the applicant, who was in transitional housing, originally came from the streets or emergency shelters, which was an additional requirement stated in the notice of funding availability. As a result, the Authority could not support that nearly \$14,000 in housing assistance payments and any later payments were for an eligible participant.

OIG recommended that HUD require the Authority to provide supporting documentation for the unsupported housing assistance payments and later payments for the participant for whom eligibility could not be supported or repay its program from non-Federal funds. (Audit Report: **2019-LA-1004**)

## INVESTIGATION

### Program Results

<b>Administrative - civil actions</b>	1
<b>Convictions - pleas - pretrial diversions</b>	8
<b>Financial recoveries</b>	\$502,318

## CHAPTER 5 – DISASTER RECOVERY PROGRAMS

*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. Since fiscal year 2001, Congress has appropriated \$83.7 billion to the U.S. Department of Housing and Urban Development (HUD), from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$82.8 billion<sup>5</sup> in active disaster grants, the funds have been allocated nationwide, with nearly \$55.9 billion obligated and more than \$40.9 billion disbursed as of September 30, 2019.*

<b>Disaster</b>	<b>Funds allocated</b>	<b>Funds disbursed</b>	<b>Percentage of funds disbursed</b>	<b>Fiscal year funds allocated</b>
Harvey, Irma & Maria	\$35.8 billion	\$264 million	1	2017 & 2018
Louisiana, Texas & West Virginia <sup>6</sup>	2.5 billion	923 million	36	2016 & 2017
Hurricane Sandy	15.2 billion	11.4 billion	75	2013
Hurricanes Ike, Gustav & Dolly	6.1 billion	5.7 billion	93	2008
Hurricanes Katrina, Rita & Wilma	19.7 billion	19.4 billion	99	2006 & 2008
9-11	3.5 billion	3.25 billion	93	2001 & 2002

HUD's Office of Inspector General (OIG) continues to take steps to ensure that the Department remains diligent in assisting communities with their recovery efforts.

<sup>5</sup> The more than \$9 million difference between appropriated funds and active disaster grants is due to nonmajor program appropriations made since fiscal year 2001.

<sup>6</sup> In addition to Louisiana, Texas, and West Virginia (LTW is the name of the grant), funding was included for North and South Carolina and Florida in fiscal year 2017, but the grant name (LTW) remained the same.

## AUDIT

### Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	4 audits <sup>7</sup>	\$897,484,884	\$506,881,030

### REVIEW OF HUD'S MONITORING OF THE DISASTER RELIEF APPROPRIATIONS ACT, 2013

HUD OIG audited HUD's Office of Community Planning and Development (CPD) to determine whether CPD monitored and ensured that its Disaster Relief Appropriations Act, 2013, grantees complied with the Act's 24-month statutory expenditure requirement.

Although it monitored grantees, CPD did not enforce the 2013 Act's 24-month grantee expenditure requirement. Specifically, CPD allowed the six grantees reviewed to either spend more funds than they had obligated and budgeted, record expenses before an amendment was executed, or record expenses after the 24-month expenditure deadline. Further, HUD's Office of the Chief Financial Officer did not use its financial controls to monitor compliance with the Act. As a result, CPD allowed grantees to improperly receive payments totaling more than \$526 million as of January 19, 2018. In addition, it allowed grantees to revise 1,333 vouchers totaling \$1.8 billion from the month in which the original voucher was created to 3 years later. CPD also did not recapture and reallocate unspent funds totaling more than \$524,000, and it did not ensure that grantees reported their activities and expenses in a transparent manner. If CPD does not correct the identified issues, grantees risk misspending more than \$413 million of the \$6.2 billion in unspent 2013 Act Community Development Block Grant Disaster Recovery (CDBG-DR) funds remaining as of January 19, 2018.

OIG recommended that CPD require the grantees to repay the ineligible payments made (1) in excess of the amount obligated for a round, (2) before a grant round agreement was executed, (3) after a grant round agreement expired, and (4) with funds that should have been recaptured. OIG also recommended that CPD (1) adopt and enforce new written policies, procedures, and internal controls for CDBG-DR funds that have a statutory expenditure deadline and (2) take action to correct and address HUD's Disaster Recovery Grant Reporting system material internal control weaknesses. (Audit Report: **2019-FW-0001**)

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### REVIEW OF NEW YORK RISING BUYOUT AND ACQUISITION PROGRAM

HUD OIG audited the **State of New York's** CDBG-DR-funded New York Rising Buyout and Acquisition program to determine whether the State ensured that the appraised fair market values used to determine award amounts under its program were supported and appraisal costs for its program complied with applicable requirements and were for services performed in accordance with Federal, State, and industry standards.

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<sup>7</sup> Disaster-related audits fall under the purview of the Office of Community Planning and Development (CPD). The total disaster audits, questioned costs, and funds put to better use amounts shown above do not include questioned costs for any CPD audits that are not disaster related.

The State did not ensure that appraised fair market values used to determine award amounts under its program were supported and appraisal costs complied with applicable requirements and were for services performed in accordance with applicable Federal, State, and industry standards. The State also did not ensure that it had a clear and enforceable agreement with the City of New York before relying on appraisal services provided by the City's contractor and did not ensure that the appraisal services were properly procured and performed. As a result, HUD and the State did not have assurance that more than \$367.3 million paid to purchase properties was supported; more than \$3.4 million disbursed for appraisal services was for costs that were reasonable, necessary, and adequately documented; and appraisal services were properly procured and performed. If the State improves controls over its program, it can ensure that nearly \$93.4 million not yet disbursed is put to better use.

OIG recommended that HUD require the State to (1) provide documentation to support the appraised values of the properties purchased; (2) provide support to show that appraisal costs were reasonable, necessary, supported, and for services that were performed in accordance with requirements; (3) execute an agreement with the City for the use of appraisal services and show that services were properly procured; and (4) strengthen controls to ensure that CDBG-DR funds used for appraisal services are for costs that are reasonable, necessary, supported, and for services that comply with applicable requirements. (Audit Report: **2019-NY-1002**)

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## REVIEW OF TEXAS GENERAL LAND OFFICE'S COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY GRANT

HUD OIG audited the Texas General Land Office's CDBG-DR grant, which it used to rehabilitate or reconstruct 125 homes affected by Hurricane Ike in 2008. The Texas General Land Office contracted with the Deep East Texas Council of Governments in **Jasper, TX**, to operate its program. The audit objective was to determine whether the Texas General Land Office administered its CDBG-DR program in accordance with HUD requirements; specifically, whether it ensured that its subrecipient met its contract requirements.

The Texas General Land Office generally administered its CDBG-DR program in accordance with HUD requirements. However, it did not ensure that its subrecipient administered its CDBG-DR grant in a prudent and cost-effective manner. In addition, the Texas General Land Office's affordability period for its disaster program did not appear to be reasonable based on those of its other disaster programs that its subrecipient administered and the government's substantial CDBG-DR grant fund investment. As a result, the Texas General Land Office and its subrecipient did not effectively use government funds or assist as many homeowners as they could have. In addition, the government investment benefited a relatively small number of low- and moderate-income persons for a short time. Further, the Texas General Land Office and its subrecipient placed participants at risk of incurring increased property tax bills that they may not have been able to afford.

OIG recommended that HUD require the Texas General Land Office to (1) implement appropriate controls, including limits for reconstruction and rehabilitation costs, to ensure that it uses limited government resources in a more economical and efficient manner; (2) evaluate whether its program would benefit from a longer affordability period; and (3) ensure that tax burden implications are adequately addressed as part of the determination of whether to replace homes. (Audit Report: **2019-FW-1007**)

## INVESTIGATION

### Program Results\*

<b>Administrative - civil actions</b>	5
<b>Convictions - pleas - pretrial diversions</b>	10
<b>Financial recoveries</b>	\$2,349,453
*Figures included in public and Indian housing and community planning and development statistics	

### DISASTER RECIPIENT ORDERED TO PAY MORE THAN \$85,000

A disaster aid recipient was sentenced in U.S. District Court in connection with an earlier guilty plea to making false statements to the government. The recipient was sentenced to 2 years supervised release and ordered to pay a \$25,000 fine after having paid restitution of \$61,539 to HUD. The recipient falsified applications and generated fraudulent documents to support his false certification that his primary residence was damaged during Hurricane Sandy in 2012. In fact, the damaged property was a vacation home, which is not entitled to CDBG-DR assistance. Based on his false statements, the property owner received \$79,655 in disaster relief funds, of which \$34,734 was from the HUD-funded New York Rising Program and \$26,805 was from the HUD-funded Single Family Homeowner Program. The recipient also received funds from the Federal Emergency Management Agency and the U.S. Small Business Administration. HUD OIG, the U.S. Small Business Administration OIG, and the U.S. Department of Homeland Security OIG conducted this investigation. (**Central Islip, NY**)

### DISASTER RECIPIENT SETTLES FALSE CLAIMS ACT VIOLATION

A Rehabilitation, Reconstruction, Elevation, and Mitigation grant program (RREM) recipient entered into a civil settlement in U.S. District Court in lieu of being charged with a False Claims Act violation. The recipient agreed to repay \$75,000 to HUD. The recipient submitted applications resulting in her receiving \$75,000 in CDBG-DR funds administered by RREM for use in the repair of her home. Instead of following program requirements, the recipient used the funds to pay credit card bills, purchase a boat engine, and invest \$36,000 in the stock market. The recipient then moved to Florida to evade accountability. HUD OIG conducted this investigation. (**Newark, NJ**)

## CHAPTER 6 – OTHER SIGNIFICANT AUDITS AND EVALUATIONS

### AUDIT

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

Key program results		Questioned costs	Funds put to better use
Audit	2 audits	\$0	\$0

*The U.S. Department of Housing and Urban Development, Office of Inspector General’s (HUD OIG) additional significant reports are discussed below.*

#### REVIEW OF HUD’S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010

HUD OIG audited HUD’s fiscal year 2018 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) to determine whether HUD complied with IPERA reporting and improper payment reduction requirements according to guidance from Office of Management and Budget Circular A-123, appendix C.

Fiscal year 2018 marked the sixth consecutive year in which HUD did not comply with IPERA. In 2018, HUD complied with three of the six IPERA requirements and did not comply with two requirements, and one requirement was not applicable. Specifically, HUD did not always publish improper payment estimates for all required programs and report an improper payment rate of less than 10 percent.

New recommendations were not made because prior-year audit recommendations that remain open will help HUD remediate repeat findings identified in this audit if implemented. (Audit Report: **2019-AT-0001**)

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#### ANNUAL RISK ASSESSMENT OF HUD’S PURCHASE CARD PROGRAM

HUD OIG conducted its annual risk assessment of HUD’s purchase cards as required by the Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194) and Office of Management and Budget Memorandum M-13-21. The objective was to identify and analyze risks of illegal, improper, or erroneous purchases and payments in HUD’s fiscal years 2017 and 2018 purchase card program.

HUD’s purchase card program had a moderate risk of illegal, improper, or erroneous purchases. Risk-increasing factors included a prior audit recommendation that was not fully implemented, purchase card use by cardholders not being identified as active or closed, cardholders and noncardholders being late on meeting their 3-year training requirements, cardholders missing from the training records, potential split purchases, purchases at agency-restricted merchants, sales tax being paid on purchases, interest being paid on payments, and supporting documentation missing or not provided. Risk-decreasing factors included no open purchase card recommendations, a decrease in purchase card use from fiscal year 2016, and the discontinued use of the purchase card in the Real Estate Assessment Center’s Reverse Auction Program.

OIG made no recommendations. It will use the risk assessment to determine the scope, frequency, and number of periodic audits or reviews of the purchase card program. (Audit Memorandum: **2019-KC-0801**)

## JOINT CIVIL FRAUD

### Program Results

<b>Civil actions</b>	1
<b>Questioned costs</b>	\$1,100,000
<b>Funds put to better use</b>	\$0

On June 12, 2019, PMB-RD Parties entered into a settlement agreement with the Federal Government to pay \$1.1 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation of certain civil claims the Government stated it had against PMB-RD Parties. Lakeway Regional Medical Center, LLC, was a corporation formed to develop a hospital named the Lakeway Regional Medical Center in **Lakeway, TX**. The settlement was neither an admission of liability or wrongdoing by PMB-RD Parties nor a concession by the United States that its claims were not well founded. PMB-RD Parties denied the United States' allegations.

The United States has filed a complaint under the False Claims Act and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 against Lakeway Regional Medical Center, LLC (LRMC); Surgical Development Partners, LLC (SDP); G. Edward Alexander; Frank Sossi; and John Prater for improperly obtaining a loan insured by the Federal Housing Administration (FHA) and for impermissibly distributing project funds relating to the development of Lakeway Regional Medical Center in Lakeway, Texas

## CHAPTER 7 – LEGISLATION, REGULATIONS, 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 this 6-month reporting period, OIG has committed more than 700 hours to reviewing 134 issuances. The draft directives consisted of 89 notices, 9 mortgagee letters, and 36 other directives. OIG provided comments on 41 (or 31 percent) of the issuances and nonconcurred on 9 (or 7 percent) but lifted 2 nonconcurrences. Of the 36 other directives, OIG reviewed 3 proposed and 3 final rules, providing comments on 1 and taking no position on 5; 23 handbooks or guidebooks; 6 U.S. Department of Housing and Urban Development (HUD) legislative referral memorandum reports; and 1 research report. A summary of selected reviews for this 6-month period is provided below.*

### NOTICES, MORTGAGEE LETTERS, AND OTHER DIRECTIVES

#### OFFICE OF SINGLE FAMILY HOUSING

**Downpayment assistance** – On April 18, 2019, the Federal Housing Administration (FHA) published Mortgagee Letter 2019-06, which clarifies source requirements for a borrower’s minimum required investment (MRI). In addition, the letter sets forth new documentation requirements, which apply when the MRI includes funds from a government entity. OIG provided concerns with the mortgagee letter in light of open audit recommendations on an OIG downpayment assistance audit report,<sup>8</sup> along with uncertainty on jurisdiction issues. FHA provided details on progress being made on the open recommendations and specifics on the jurisdiction issues.

**Single-Family Loan Sale Program** – On May 5, 2019, FHA published an advanced notice of proposed rulemaking and request for public comment. The notice sought comments regarding FHA’s Single-Family Loan Sale Program. The Program has been operating under demonstration and general disposition authority, through which eligible, single-family mortgage loans assigned to FHA in exchange for claim payment and mortgage notes are sold competitively to maximize recoveries and strengthen the FHA Mutual Mortgage Insurance Fund. FHA sought comments from the public to improve program practices and procedures as FHA transitions the Program from a demonstration to a permanent program. This preliminary rulemaking action is in response to an OIG audit report<sup>9</sup> in which OIG concluded that HUD did not conduct rulemaking or develop formal procedures for its single-family note sales program. OIG provided a no position response regarding this notice.

**Single-family condominium** – On August 14, 2019, FHA published its Condominium Project Approval Final Rule in the Federal Register (Docket No. FR-5715-F-02). Additionally, it added two new sections—Section II.A.8.p, Condominiums, and Section II.C, Condominium Project Approval—and incorporated new condominium project approval policy guidance into other sections of its Single Family Housing Policy Handbook 4000.1 (SF Handbook). The rule provides requirements for lenders to obtain approval under the direct endorsement lender review and approval process authority for condominiums and for standards that projects must meet to be approved for mortgage insurance on individual units. The rule further provides for flexibility with respect to the concentration of FHA-insured units, owner-occupied units, and the amount that can be set aside for commercial and nonresidential space. FHA published Mortgagee Letter 2019-17 on September 27, 2019, providing updated origination requirements for home equity conversion mortgages (HECM) on condominium units. The mortgagee letter also establishes borrower eligibility requirements for prospective HECM borrowers seeking to use the single-unit approval process to obtain

<sup>8</sup> HUD Failed To Adequately Oversee FHA-Insured Loans With Borrower-Financed Downpayment Assistance (2017-LA-0003), issued March 3, 2017

<sup>9</sup> HUD Did Not Conduct Rulemaking or Develop Formal Procedures for Its Single-Family Note Sales Program (2017-KC-0006), issued July 14, 2017

FHA insurance on an individual condominium unit. The effective date for both the final rule and SF Handbook updates is October 15, 2019. OIG had no position on the final rule or mortgagee letter.

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## OFFICE OF PUBLIC AND INDIAN HOUSING

**Carbon monoxide detectors in HUD-assisted housing** – On April 18, 2019, HUD’s Office of Public and Indian Housing (PIH) issued Notice PIH 2019-06, which was issued to remind owners, managers, and agents of housing covered by the public housing, Section 8 Project-Based Rental Assistance, Housing Choice Voucher, Section 202, or Section 811 programs to ensure that the units have carbon monoxide (CO) detectors when specified by the State or local requirements and that the detectors are operational. The Notice also encourages owners, managers, and agents of housing covered by the assistance programs above but located in areas where State or local law, code, or other regulations do not require CO detectors to have operational CO detectors in their covered units that have fuel-fired or fuel-burning appliances, an attached garage, or both and in bedrooms that contain a fireplace or a fuel-fired or fuel-burning appliance. OIG’s review of the Notice resulted in comments to the Department, suggesting that HUD require owners to install CO detectors in all units served with gas. OIG noted that while HUD recognizes the danger and need for CO protection in HUD-subsidized housing, the Notice does not protect all tenants with gas-served units. OIG also noted that the Notice does not establish any new requirements to protect tenants from CO but, rather, as the draft Notice is written, owners in some areas are “reminded” that they are required to follow any local codes to install CO detectors. Owners of housing in other areas with no local requirements to install CO detectors are “encouraged” to do so anyway. OIG commented that allowing certain owners to decide whether to provide detectors creates a considerable risk to both the affected tenants and HUD. In response to OIG’s comments, the Department added that the Notice “strongly” encourages owners in other areas to have operational CO detectors.

**Notice of demonstration to assess the National Standards for the Physical Inspection of Real Estate and associated protocols** – On August 21, 2019, HUD published a notice (Federal Register 6160–N–01), which solicits comment on the proposed, voluntary National Standards for the Physical Inspection of Real Estate (NSPIRE) demonstration. During this demonstration, HUD will solicit volunteers to test the NSPIRE standards and protocols as the means for assessing the physical conditions of HUD-assisted and -insured housing. The demonstration, which will include approximately 4,500 properties, will be implemented on a rolling, nationwide basis and will assess all aspects of the physical inspection line of business of the Real Estate Assessment Center—the collection, processing, and evaluation of physical inspection data and information, including a new scoring model. As the first step in the implementation of NSPIRE, HUD is soliciting comments on this proposed, voluntary demonstration. Specifically, HUD is seeking comments on questions related to health and safety and exigent health and safety deficiencies and property characteristics to consider in its inspection and scoring model and inspection incentives. OIG’s review of the notice resulted in comments to the Department questioning what remedy mechanisms will be used for deficiencies found, the difference between the responsibilities and role of a contract inspector versus a Federal inspector, and whether HUD will provide and publish the list of properties selected to be part of the demonstration. OIG also suggested that a question regarding inspecting the safety of the drinking water be added to the list of questions. HUD issued the notice without making any changes in these areas.

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## OFFICE OF MULTIFAMILY HOUSING PROGRAMS

**Incentives for FHA mortgage insurance for properties located in opportunity zones** – On May 9, 2019, HUD issued Notice H 2019-07, which introduces incentives for property owners applying for certain loans with FHA multifamily mortgage insurance for properties located in a qualified opportunity zone census tract to further

promote opportunity zones. Lenders must identify in their application that they met the criteria. This measure will ensure expert and expedient review of these applications by FHA underwriters. Eligible applicants should identify the opportunity zone tract in which the property is or is proposed to be located and (if applicable) the associated qualified opportunity fund to receive this incentive. Also, applicants to FHA's Section 221(d)(4), Section 220, and Section 223(f) mortgage insurance programs for properties located in qualified opportunity zones will be eligible for reduced application fees. OIG provided a no position response regarding this notice.

**Annual revisions to base city high-cost percentage, high-cost area, and per unit substantial rehabilitation threshold for 2019** – On May 20, 2019, HUD issued Notice 2019-08 (related to Mortgage Letter 2019-08), which announces that the maximum mortgage amounts were revised by the Consolidated Appropriations Act, 2008 (Public Law 110-161, approved December 26, 2007) (FY (fiscal year) 2008 Appropriations Act). Section 221 of the General Provisions of Title II of Division K of the FY 2008 Appropriations Act revises the statutory exceptions to maximum mortgage amounts for the FHA multifamily housing programs listed in Section 221 of the FY 2008 Appropriations Act by substituting 170 percent for the 140 percent exception of any geographical area and substituting 215 percent for 170 percent as the maximum exception allowed for a specific project. Accordingly, the statutory revision allows the HUD Secretary to grant exceptions to maximum mortgage limits for certain multifamily housing programs by (1) up to 170 percent (equivalent to a 270 percent multiplier) in geographic areas where cost levels so require or (2) up to 170 percent or 215 percent in high-cost areas (equivalent to a 315 percent multiplier) when necessary on a project-by-project basis. OIG provided a no position response regarding this notice.

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## HEALTHCARE PROGRAMS

**Updating the requirements for the locations of bathrooms in board and care homes and assisted living facilities** – On September 13, 2019, HUD published a proposed rule, FR-6022-P-01, which proposes changes to update the requirements for the location of bathrooms in board and care homes and assisted living facilities. Such changes are to allow providers to configure the facilities to meet the needs of memory care residents and allow for flexibility in the bathroom requirement when financing or refinancing existing facilities. Regarding memory care residents, these are patients in assisted living or board and care settings that have cognitive impairments, such as Alzheimer's disease and other dementias, who require care in a secure setting. Therefore, HUD included in its proposal the financing for the health and safety of these patients by enhancing their environments with features to accommodate cognitive and physical impairments, such as separate floors or wings to address their needs. HUD's Section 232 program insures mortgage loans to facilitate the construction, substantial rehabilitation, purchase, and refinancing of nursing homes, intermediate care facilities, board and care homes, and assisted-living facilities. OIG provided comments regarding this notice. The notice under the clearance process mentioned that HUD's section 232.7 requires a specific number of bathrooms per number of residents and specifies the physical configuration of a board and care home or assisted living facility and noted that this regulation has not been updated in any substantial manner in more than 20 years.

**Incentives for FHA mortgage insurance for Sections 232 and 242 properties located in opportunity zones** – On September 27, 2019, HUD issued Notice H 2019-10 to further promote opportunity zones. For properties located in a qualified opportunity zone, the notice introduces incentives for property owners applying for loans with FHA mortgage insurance under the following programs: (1) Section 232, Construction, and Section 232 under sections 223(f) and 241(a) and (2) Section 242, Construction, and Section 242 under sections 223(f) and 241(a). Specifically, HUD will reduce the FHA mortgage insurance fees for properties located in qualified opportunity zones. Further incentives may be available to FHA-insured mortgages for properties in qualified opportunity zones that are also qualified census tracts or difficult development areas under the Section 232 Low-Income Housing Tax Credit (LIHTC) program. In particular, the annual (rather than the upfront) mortgage insurance premium for such

transactions is lower than that required of non-LIHTC transactions. OIG provided a no position response regarding this notice.

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## OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

**Disaster funding - updates to duplication of benefits requirements** – In consultation with the Federal Emergency Management Agency and the U.S. Small Business Administration, on June 20, 2019, HUD issued a notice updating its duplication of benefits requirements. The notice implemented a provision of the Disaster Recovery Reform Act of 2018 that changed the treatment of loans under the Stafford Act for disasters declared between January 1, 2016, and December 31, 2021. When certain circumstances are met, the notice authorizes the use of Community Development Block Grant Disaster Recovery (CDBG-DR) funds for the reimbursement of costs paid with subsidized loans, such as those provided by the U.S. Small Business Administration or other sources. OIG commented that portions of the notice were inconsistent with an open management decision on Audit Report 2017-KC-0004.<sup>10</sup> In that report, OIG recommended that HUD “pursue departmental clearance for the July 25, 2013, guidance that did not go through required departmental clearance.” In the management decision, HUD said it would rescind the July 25, 2013, notice upon publication of the revised duplication of benefits guidance and provide the revised guidance and rescission to the audit liaison officer. This June 2019 notice appeared to be the revision to which HUD was referring. The updated notice did not rescind the July 25, 2013, notice as proposed but explicitly says that for disasters declared in 2011, 2012, or 2013, the notice does not amend the July 25, 2013, notice.

On the same day, HUD also issued a companion notice, which amended the notices governing disasters that occurred in 2015, 2016, and 2017 to impose the requirements of the 2019 notice. OIG provided a minor comment on the notice.

**Notice of Neighborhood Stabilization Program changes to closeout requirements related to program income amendment** – On September 12, 2019, HUD issued a notice to hasten the expenditure of remaining Neighborhood Stabilization Program (NSP) grant funds to facilitate closeout. The notice eliminated the requirement that NSP2 and NSP3 grantees use the HUD Foreclosure Need website to identify new target areas before using NSP funds. It also provided guidance related to program income and encouraged the use of CDBG formula funds to leverage investments in targeted areas. OIG had no position on the notice.

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## ADMINISTRATIVE AND OTHER PROGRAM AREAS

**HUD Acquisition Regulation changes** – On April 15, 2019, HUD published a final rule, FR-6041-F-02, which amends various provisions of the HUD Acquisition Regulation (HUDAR). This final rule became effective on May 15, 2019. These provisions incorporated several clauses and made additions to the HUDAR matrix; replaced references to government technical representatives with references to contracting officer’s representatives; codified deviations approved by HUD’s Chief Procurement Officer; and made minor corrections to clauses, provisions, and the HUDAR matrix. This final rule followed the proposed rule originally

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<sup>10</sup> CPD Did Not Follow the Departmental Clearance Process When It Issued the July 25, 2013, Guidance for Duplication of Benefits Requirements, issued June 2, 2017

published on April 9, 2018, which was changed only by the removal of obsolete definitions. OIG provided a no position response regarding this final rule.

**Review of HUD policy in opportunity zones** – On April 17, 2019, for consistency with Executive Order 13853, Establishing the White House Opportunity and Revitalization Council, HUD published FR-6155-N-01, a notice informing the public of its intent to maximize the beneficial impact of investment in opportunity zones. HUD was reviewing its existing policies, practices, planned actions, regulations, and guidance regarding HUD-administered programs and laws to identify actions HUD can take to encourage beneficial investment, both public and private, in urban and economically distressed communities, including qualified opportunity zones. HUD sought input and recommendations from the public regarding potential agency actions. Comments were due on June 17, 2019. OIG provided a no position response regarding this request for information.

**HUD's implementation of the Fair Housing Act's disparate impact standard** – On August 19, 2019, HUD published a proposed rule, FR-6111-P-02, which proposed amending HUD's interpretation of the Fair Housing Act's disparate impact standard to better reflect the Supreme Court's 2015 ruling in *Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc.*, and to provide clarification regarding the application of the standard to State laws governing the business of insurance. Title VIII of the Civil Rights Act of 1968, as amended, prohibits discrimination in the sale, rental, or financing of dwellings and in other housing-related activities on the basis of race, color, religion, sex, disability, familial status, or national origin. HUD has historically interpreted the Act to create liability for practices with an unjustified discriminatory effect, even if those practices were not motivated by discriminatory intent. This proposed rule follows a June 20, 2018, advance notice of proposed rulemaking, in which HUD solicited comments on the disparate impact standard set forth in HUD's 2013 final rule, including the disparate impact rule's burden-shifting approach, definitions, and causation standard and whether it required amendment to align with the decision of the Supreme Court. OIG provided a no position response regarding this notice.

## CHAPTER 8 – REPORT RESOLUTION

*In the report resolution process, Office of Inspector General (OIG) and U.S. Department of Housing and Urban Development (HUD) management agree upon needed actions and timeframes for resolving recommendations. Through this process, OIG strives 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 reports issued before the start of the period that do not have management decisions, have significantly revised management decisions, or have significant management decisions with which OIG disagrees. It also has a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on report resolution, see appendix 3, table B.*

### AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2019

#### ADDITIONAL DETAILS TO SUPPLEMENT OUR REPORT ON HUD'S FISCAL YEARS 2013 AND 2012 (RESTATED) FINANCIAL STATEMENTS, ISSUE DATE: DECEMBER 16, 2013

HUD OIG audited the Office of Public and Indian Housing's (PIH) implementation of U.S. Treasury cash management regulations as part of the annual audit of HUD's consolidated financial statements for fiscal years 2013 and 2012. OIG found that HUD's implementation of the new cash management process for the Housing Choice Voucher Program departed from Treasury cash management requirements and Federal generally accepted accounting principles (GAAP). OIG also reported that there were not sufficient internal controls over the process to ensure accurate and reliable financial reporting. Due to weaknesses in the process, material financial transactions were not included in HUD's consolidated financial statements; therefore, public housing agencies (PHA) were allowed to continue to hold Federal funds in excess of their immediate disbursing needs, which is in violation of Treasury cash management regulations. The OIG report included a recommendation (2C) that HUD PIH implement a cost-effective method for automating the cash management process, to include an electronic interface of transactions to the standard general ledger.

HUD issued three proposals to address recommendation 2C. However, OIG rejected all three proposals because they were too vague and did not include a high-level plan showing the actions PIH will take until the final action date to implement corrective action. Further, the proposals included several contingencies from which OIG cannot determine whether PIH is making progress in addressing the recommendation.

This issue was referred to the Assistant Secretary on June 19, 2014, and September 30, 2014, but, as of March 31, 2015, a new proposal had not been made. Therefore, this issue was referred to the Deputy Secretary on March 31, 2015. OIG briefed the Deputy Secretary's staff on the subject on April 20, 2015. On August 24, 2016, PIH indicated that in coordination with the Office of the Chief Information Officer (OCIO), plans were being developed to address the recommendation. OIG follows up during each audit cycle to determine the status of this recommendation. In fiscal year 2019, PIH informed OIG that it had a contractor working on the issue and portions of a new cash management system would be implemented in fiscal year 2020. However, PIH has reservations about providing a new management decision because it is unsure whether this system will be able to interface with HUD's general ledger and is not sure when it will be completed. As of September 30, 2019, HUD had not submitted a new proposed management decision. (Audit Report: **2014-FO-0003**)

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## HUD DID NOT ALWAYS RECOVER FHA SINGLE-FAMILY INDEMNIFICATION LOSSES AND ENSURE THAT INDEMNIFICATION AGREEMENTS WERE EXTENDED, ISSUE DATE: AUGUST 8, 2014

HUD OIG audited HUD's controls over its Federal Housing Administration (FHA) loan indemnification recovery process to determine whether HUD had adequate controls in place to monitor indemnification agreements and recover losses on FHA single-family loans.

HUD did not always bill lenders for FHA single-family loans that had an indemnification agreement and a loss to HUD. Specifically, it did not bill lenders for any loans that were part of the Accelerated Claims Disposition (ACD) program or the Claims Without Conveyance of Title (CWCOT) program or loans that went into default before the indemnification agreement expired but were not in default on the expiration date. There were a total of 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but were not billed to lenders. This condition occurred because HUD's Financial Operations Center was not able to determine loss amounts for loans that were part of the ACD program, was not aware of the CWCOT program, and considered the final default date for billing only. As a result, HUD did not attempt to recover a loss of \$37.1 million for 486 loans that had enforceable indemnification agreements.

In addition, HUD did not ensure that indemnification agreements were extended to 64 of 2,078 loans that were streamline refinanced. As a result, HUD incurred losses of \$373,228 for 5 loans, and 16 loans had a potential loss to HUD of approximately \$1 million. The remaining 43 loans were either terminated or did not go into delinquency before the indemnification agreement expired, or the agreement did not state that it would extend to loans that were streamline refinanced.

OIG rejected three management decisions proposed by the Offices of Single Family Housing and Finance and Budget because they did not follow the plain language explicitly stated in signed indemnification agreements. The Offices of Single Family Housing and Finance and Budget disagree with OIG's determination that HUD should have billed lenders for FHA loans that either were in default or went into default during the indemnification agreement period.

OIG referred the matter to the Assistant Secretary for Housing – Federal Housing Commissioner on January 8, 2015. OIG met with the HUD Offices of General Counsel, Housing, Single Family Housing, and Finance and Budget on January 30, 2015. The meeting ended in disagreement; however, the HUD Office of General Counsel and OIG Office of Legal Counsel continued discussions.

Single Family Housing received two legal opinions from HUD's Office of General Counsel, dated January 26, 2015, and February 24, 2015, respectively. Combined, the legal opinions support Single Family Housing's and Finance and Budget's position that they have collected in a manner consistent with longstanding policy that emphasized the definition of the "date of default." Single Family Housing maintains that its collection practice is consistent with FHA's regulatory definition of "date of default" found in 24 CFR (Code of Federal Regulations) 203.331, which refers to the first "uncorrected" failure and the first failure to pay that is not satisfied by later payments.

OIG disagrees and believes that Single Family Housing and Finance and Budget have adopted a collection practice not supported by the plain language of the indemnification agreements or required by HUD regulations. Based on the plain language explicitly stated in signed indemnification agreements, OIG believes that the indemnification agreement should be enforced for any loan that "goes into default" during the indemnification agreement term, regardless of whether the loan emerged from a default status after the agreement expired. In response to HUD's legal opinions, OIG received its own legal opinion from the OIG Office of Legal Counsel that supports OIG's position.

OIG has had discussions with HUD's Offices of General Counsel, Single Family Housing, and Finance and Budget regarding the recommendations in question but has not reached agreeable management decisions. On March 31, 2015, OIG referred the recommendations to the Deputy Secretary for a decision and as of September 30, 2019, was awaiting that decision. (Audit Report: **2014-LA-0005**)

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## GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2014 AND 2013 FINANCIAL STATEMENTS AUDIT, ISSUE DATE: FEBRUARY 27, 2015

HUD OIG audited the Government National Mortgage Association's (Ginnie Mae) fiscal year 2014 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. OIG found a number of material weaknesses in Ginnie Mae's financial reporting specifically related to the auditability of several material assets and reserve for loss liability account balances. The audit report had 20 audit recommendations to (1) correct the financial statement misstatements identified and (2) take steps to strengthen Ginnie Mae's financial management operations.

Initially, OIG did not reach consensus with Ginnie Mae on the necessary corrective actions for 9 of the 20 audit recommendations and referred the matter to the Deputy Secretary for a decision on September 21, 2015. Since that time, OIG has reached an agreement for management decision on four of nine management decisions that it previously rejected. As a result, there are now five audit recommendations without a management decision. OIG's audit recommendations requested that HUD's Office of the Chief Financial Officer (OCFO) provide oversight of Ginnie Mae's financial management operations, but HUD's proposed corrective action plan to provide the oversight of Ginnie Mae lacked specificity. As of September 30, 2019, the Deputy Secretary had not provided a decision on the five recommendations referred. (Audit Report: **2015-FO-0003**)

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## GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2015 AND 2014 (RESTATED) FINANCIAL STATEMENTS AUDIT, ISSUE DATE: NOVEMBER 13, 2015

HUD OIG audited Ginnie Mae's fiscal year 2015 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. This report had new and repeat audit findings. Of 11 audit recommendations, OIG did not reach consensus on the necessary corrective actions for 3 recommendations.

Ginnie Mae did not provide a response to OIG to explain Ginnie Mae's refusal to implement one audit recommendation related to compliance with the Debt Collection Improvement Act.

For the remaining two information technology (IT)-related audit recommendations, Ginnie Mae's master servicer (MSS) disagreed with one audit recommendation. The MSS believes that it has the proper segregation of duties for cash processes, payment processing, and reconciliation of all financial activities. However, OIG disagrees and maintains its original position that segregation of duties means that no single person should have control of two or more conflicting functions within a transaction or operation. Further, while a security camera system, criminal background checks, etc., are helpful, they do not take the place of good internal controls, which include the segregation of duties.

Regarding the second IT audit recommendation, Ginnie Mae's MSS agreed to regularly review the market discount fraction change report and confirm this review in its monthly self-evaluation. However, this response and

management's plan of action did not fully address OIG's recommendation. The methods identified were neither sufficient nor adequate to address OIG's finding "that management had an ineffective monitoring tool in place" and recommendation that management automate the approval process to include restricting the capability to make unauthorized changes unless evidence of approval is present or increase the scope of the "Admin Adjustment Report" to include all exceptions and adjustments. The issue was not that a review process was not in place but that the review was not meaningful or effective because the tool or report used to review financial adjustment changes was limited. The manual approval process also enabled staff to avoid obtaining approval before making adjustments because there were no checks and balances and no restrictions in the financial system to prevent unauthorized adjustments. Management's plan of action did not address OIG's concern.

OIG referred this matter to the President of Ginnie Mae on April 21, 2016, and to the Deputy Secretary for a decision on March 6, 2017. On September 12, 2018, Ginnie Mae provided additional information in response to the recommendations. OIG reviewed the information and concluded that the information did not adequately address the recommendations. As of September 30, 2019, OIG was awaiting a decision on these three recommendations referred to the Deputy Secretary. (Audit Report: **2016-FO-0001**)

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#### ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2015 AND 2014 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT, ISSUE DATE: NOVEMBER 18, 2015

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies, including the areas of accounting for liabilities for PIH programs in accordance with GAAP and FFMIA and HUD's financial management governance structure and internal controls over financial reporting. HUD disagreed with several recommendations made in each of these areas, and as a result, OIG first referred them to the Principal Deputy Assistant Secretary for Public and Indian Housing and the Deputy Chief Financial Officer on April 21, 2016. OIG received a response to only one recommendation, and disagreement remained on the actions necessary to correct the deficiencies identified in the report. OIG referred the remaining recommendations to the Deputy Secretary on September 20, 2016. OIG had received two new proposals as of March 31, 2018; however, OIG could not agree with them due to an insufficient proposal that was not clear on how to address the recommendations and insufficient evidence to support closure.

*Accounting for liabilities for PIH programs in accordance with GAAP and FFMIA:* OIG reported that HUD is not recognizing the accounts payables arising from shortages identified in PIH's cash management reconciliations. PIH's position is that it does not record the payables because the cash management reconciliations are completed 45-60 days after each quarter. By the time they are conducted, the PHA could have used either restricted or unrestricted net position balances or requested frontload funding to cover the shortages. PIH believes that adjusting the prepaid expense is the most practical way to account for the cash reconciliation activities. OIG does not agree that this position complies with GAAP because adjusting the prepaid expense after payables have been paid is not accrual accounting. PIH has not submitted a revised position on this matter. OIG believes that this recommendation cannot be resolved until PIH's cash management process is automated, which OIG discusses in Audit Report 2014-FO-0003 (discussed above). As of September 19, 2019, PIH had not submitted a new management decision for the recommendation OIG made in 2014-FO-0003 or this recommendation.

*HUD's financial management governance structure and internal controls over financial reporting:* OIG reported on deficiencies found in the financial governance and financial reporting areas. OIG could not accept the proposed management decisions for eight recommendations because OCFO requested final action target dates that were too far into the future, claimed that the deficiencies had been addressed by the new processes implemented by New Core when they had not, or did not provide sufficient detail to support that the recommendations would be fully

addressed. OIG communicated these issues to HUD on March 7, 2016, and April 6, 2017. New proposals were submitted for four of the eight recommendations and accepted. As of September 30, 2019, OIG had not received new proposals for the remaining four outstanding recommendations. (Audit Report: **2016-FO-0003**)

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## HUD DID NOT ALWAYS PROVIDE ADEQUATE OVERSIGHT OF PROPERTY ACQUISITION AND DISPOSITION ACTIVITIES, ISSUE DATE: JUNE 30, 2016

HUD OIG audited HUD's Community Development Block Grant (CDBG) program's property acquisition and disposition activities. OIG's audit objective was to determine whether HUD had adequate oversight of property acquisition and disposition activities under its CDBG program.

OIG found that HUD did not always provide adequate oversight of property acquisition and disposition activities. Specifically, of 14 activities reviewed, 7 field offices did not provide adequate oversight of 8 property acquisition and disposition activities totaling more than \$26.2 million. For the eight activities for which adequate oversight was not provided, two activities with draws totaling \$6.1 million had outstanding program-related findings that HUD had not enforced, and six totaling \$20.1 million had not been monitored. Additionally, four of the eight activities totaling nearly \$11.9 million had not met a national objective. These conditions occurred because HUD did not have adequate controls to ensure that it enforced its monitoring findings and its grantee risk assessment procedures did not specifically address oversight of property acquisition and disposition activities.

The OIG report included a recommendation that the Deputy Assistant Secretary for Grant Programs direct field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in December 2016. However, after discussions with HUD, OIG rejected the proposed management decision because it did not specifically address directing field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing its monitoring plans and grantee monitoring strategies as recommended. For OIG to consider the proposed management decision as an acceptable alternative action, OIG requested clarification and documentation from HUD. However, HUD did not provide the requested information and documentation, and OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on March 30, 2017. HUD proposed another management decision in April 2017; however, OIG rejected it because it also did not directly address the intent of the recommendation. OIG referred this recommendation to the Deputy Secretary on August 23, 2017, and as of September 30, 2019, had not received a decision. (Audit Report: **2016-PH-0001**)

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## HUD DID NOT ALWAYS PROVIDE ACCURATE AND SUPPORTED CERTIFICATIONS OF STATE DISASTER GRANTEE PROCUREMENT PROCESSES, ISSUE DATE: SEPTEMBER 29, 2016

HUD OIG audited HUD's controls over its certifications of State disaster recovery grantee procurement processes to determine whether HUD's certifications were accurate and supported. OIG found that HUD did not always provide accurate and supported certifications of State disaster grantee procurement processes. Specifically, it allowed conflicting information on its certification checklists, did not ensure that required supporting documentation was included with the certification checklists, and did not adequately evaluate the supporting documentation submitted by the grantees. These conditions occurred because HUD did not have adequate controls over the

certification process. Due to the weaknesses identified, HUD did not have assurance that State grantees had proficient procurement processes in place, and the HUD Secretary's certifications did not meet the intent of the Disaster Relief Appropriations Act of 2013.<sup>11</sup>

The report included five recommendations for the Deputy Assistant Secretary for Grant Programs, who in turn proposed corrective actions on January 11, 2017. OIG rejected the proposed actions on January 27, 2017. OIG referred the recommendations to the General Deputy Assistant Secretary for Community Planning and Development on February 6, 2017. The General Deputy Assistant Secretary responded to the referral on February 21, 2017. For all of the recommendations, the General Deputy Assistant Secretary stated that OIG's disagreement regarding the definition of a proficient procurement process as it relates to State disaster grantees and the meaning of "equivalent" as it relates to a State's procurement policies and procedures being "equivalent to" or "aligned with" the Federal procurement standards was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.<sup>12</sup> In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the Federal standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from the Office of General Counsel concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations. The General Deputy Assistant Secretary asserted that the legal opinion for the New Jersey audit applied to this audit. Based on this information, the General Deputy Assistant Secretary believed it was appropriate to close all of the recommendations.

OIG disagreed with the General Deputy Assistant Secretary's request to close the recommendations in this audit based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. OIG has two main areas of disagreement with the decision: OIG continues to assert that 24 CFR 85.36 was applicable to the State because its procedures needed to be equivalent to these Federal standards, and OIG asserts that the applicability of 24 CFR 85.36 was not the only basis for the recommendations in the New Jersey audit report and believes that the decision failed to consider the other bases of the recommendations. Further, the Deputy Secretary's decision did not address all of the issues with HUD's process for certifying State disaster grantee procurement processes that were identified in the subject audit report. OIG referred these recommendations to the Deputy Secretary on March 31, 2017, and as of September 30, 2019, had not received a decision. (Audit Report: **2016-PH-0005**)

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## AUDIT OF FISCAL YEARS 2016 AND 2015 (RESTATED) FINANCIAL STATEMENTS AUDIT, ISSUE DATE: NOVEMBER 14, 2016

HUD OIG audited Ginnie Mae's fiscal year 2016 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. Of 19 recommendations issued, OIG did not reach consensus on the necessary corrective actions for 2 audit recommendations.

The first disagreement was associated with OIG's recommendation for Ginnie Mae to reverse the accounting writeoff of the advances account. In conjunction with the subledger data solution, Ginnie Mae needs to conduct a proper analysis to determine whether any of the \$248 million balances in the advances accounts are collectible. Ginnie Mae believed that it could not reverse the \$248 million residual balance in the advances account. Based on its analysis, Ginnie Mae explained that this residual balance should have been charged off by the realized losses

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<sup>11</sup> Public Law 113-2, dated January 29, 2013

<sup>12</sup> 2015-PH-1003, dated June 4, 2015

incurred on liquidated loans from fiscal years 2009 through 2016 but was not. Therefore, according to Ginnie Mae, this residual balance was no longer supportable or collectible after the sale of the mortgage servicing rights.

Additionally, Ginnie Mae stated that it could not pursue additional collection from its MSSs based on the terms of a settlement agreement. OIG has concerns about the reliability of Ginnie Mae's analysis because when OIG attempted to review Ginnie Mae's support for the advances writeoff, it was unable to validate the accuracy of the information used in its analysis. For example, of \$248 million, OIG could not validate the \$180 million in realized losses because this information was based on rough estimates (\$50 million) and MSSs' accounting reports that OIG considered unauditible (\$130 million). Ginnie Mae could not explain the other \$68 million. Further, OIG's audit showed that the \$248 million residual balance may contain advances related to unliquidated nonpooled loans. Specifically, in fiscal year 2016, Ginnie Mae informed OIG that all advance balances associated with liquidated loans were removed from the advances account and attached (carried forward) to the liquidated loans balance. However, in fiscal year 2017, OIG learned that this was not the case. According to Ginnie Mae, the advance balances associated with these loans were not carried forward. Therefore, there are legitimate collection action claims that Ginnie Mae can pursue on these unliquidated nonpooled loans.

The second disagreement was related to OIG's recommendation for Ginnie Mae to appropriately exclude the loan impairment allowance on other indebtedness instead of reporting it as part of the loan impairment allowance on its mortgage held for investment (MHI) account. Ginnie Mae partially agreed with OIG regarding the MHI allowance issue. Ginnie Mae agreed that it should have excluded from the MHI allowance account the allowance portion related to the reimbursable preforeclosure expense but not the nonreimbursable preforeclosure expense portion. According to Ginnie Mae, it included the nonreimbursable preforeclosure expense in the MHI allowance calculation because the expense was necessary to collect proceeds of the MHI loans. Ginnie Mae cited Accounting Standards Codification (ASC) 450-20 and the Interagency Policy Statement on the allowance for loan and lease losses as the bases for its conclusion with respect to the issue of nonreimbursable preforeclosure expense. Overall, Ginnie Mae concluded that in estimating the MHI allowance, the expected-anticipated recoveries from insurance, as well as the expected but not yet incurred preforeclosure costs, will need to be included in determining the collectability of cash flows from these loans. Regarding nonreimbursable preforeclosure expenses, OIG does not agree with Ginnie Mae that its inclusion in the ASC 450-20 or ASC 310-10 components of the MHI allowance was in accordance with GAAP.

Both disagreements were referred to the Deputy Secretary on August 24, 2017. As of September 30, 2019, OIG was awaiting a decision. (Audit Report: **2017-FO-0001**)

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## ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2016 AND 2015 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT, ISSUE DATE: NOVEMBER 15, 2016

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the areas of HUD's loan guarantee balances. OIG issued several referrals to HUD senior management for untimeliness and disagreement between May 31 and July 24, 2017. For the recommendation regarding HUD's loan guarantee balances, OIG rejected HUD's initial management decision on April 24, 2017, as it did not contain adequate evidence to provide closure. This recommendation was referred to the Deputy Secretary on July 24, 2017; however, as of September 30, 2019, HUD had not submitted a revised management decision. (Audit Report: **2017-FO-0003**)

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## HUD'S TRANSITION TO FEDERAL SHARED SERVICE PROVIDER FAILED TO MEET EXPECTATIONS, ISSUE DATE: FEBRUARY 1, 2017

HUD OIG audited the effectiveness of the controls over the New Core Interface Solution (NCIS) and PRISM™ and the impact of the implementation of release 3 of phase 1 of the New Core Project on the preparation of HUD's financial statements.

HUD's transition to a Federal shared service provider (FSSP) did not significantly improve the handling of its financial management transactions. Weaknesses identified with the controls over NCIS and PRISM™ contributed to this issue. A year after the transition, HUD had inaccurate data resulting from the conversions and continued to execute programmatic transactions using its legacy applications. The transition increased the number of batch processes required to record programmatic financial transactions and introduced manual processes and delays for budget and procurement transactions. In addition, the interface program that allowed for and translated the financial transactions between HUD and the Administrative Resource Center was not covered under HUD's disaster recovery plan. These conditions occurred because of funding shortfalls as well as HUD's decisions to separate phase 1 of the project into smaller releases, move forward with the implementation despite unresolved issues, and terminate the project before its completion. These system issues and limitations inhibited HUD's ability to produce reliable, useful, and timely financial information.

While HUD considered its New Core Project implementation successful, it acknowledged that not all of the originally planned capabilities were deployed. HUD needs to pursue new process improvement projects to address the functionalities that were not achieved with phase 1 of New Core, which will require additional time and funding. HUD will also need to pursue process improvements for the functionality planned in the future phases of the project. In April 2016, HUD ended the New Core Project and the transition to an FSSP after spending \$96.3 million. However, the transition did not allow HUD to decommission all of the applications it wanted to or achieve the planned cost savings.

OIG made two recommendations that were directed to the Deputy Secretary. Specifically, (1) reevaluate the functionality initially planned under the New Core Project and determine how the agency will implement the functionality needed for budget formulation, cost accounting, property management, and the consolidation of HUD's financial statements and (2) take an active role in the implementation of financial management improvement initiatives or projects moving forward to ensure collaboration within HUD and that adequate funding and governance are in place.

OIG referred these recommendations to the Deputy Secretary on June 6, 2017. In September 2019, OCFO initiated actions to work with the Deputy Secretary to address these weaknesses. However, as of September 30, 2019, HUD had not submitted management decisions for these recommendations. (Audit Report: **2017-DP-0001**)

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## HUD'S OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT DID NOT APPROPRIATELY ASSESS STATE CDBG GRANTEE'S RISK TO THE INTEGRITY OF CPD PROGRAMS OR ADEQUATELY MONITOR ITS GRANTEE'S; ISSUE DATE: JULY 10, 2017

HUD OIG audited HUD's Office of Community Planning and Development's (CPD) risk assessment and monitoring of its State CDBG recipients. OIG's reporting objective was to determine whether CPD appropriately assessed State CDBG grantees' risk to the integrity of CPD programs and adequately monitored its grantees.

OIG found that CPD did not appropriately assess State CDBG grantees' risk to the integrity of CPD programs or adequately monitor its grantees. This condition occurred because its field office staff did not follow CPD risk assessment and monitoring requirements and field office management responsible for reviewing staff performance did not correct noncompliance of staff performing these responsibilities. In addition, the headquarters desk officer review function was administrative in focus and failed to note noncompliance. As a result, CPD could not be assured that its field offices correctly identified the high-risk grantees or conducted adequate monitoring to mitigate risk to the integrity of CPD programs.

The report included five recommendations, including recommendations to (1) develop and implement a policy requiring field offices to rate grantees of at least medium risk that have not been monitored in their respective program area within the last 3 years on factors that require assessments of capacity, program complexity, and monitoring findings resulting in repayment or grant reductions; (2) develop and implement guidance for field offices to maintain supporting documentation in their official files with an adequate explanation of procedures performed to verify risk scores assigned, which could include upgrading CPD's systems to allow for the attachment of supporting documentation for risk analysis; and (3) update monitoring exhibits to require staff to document procedures performed, provide sufficient explanation to verify procedures performed and conclusions drawn, and reference appropriate supporting documentation.

CPD provided proposed management decisions on October 19, 2017, for all five recommendations. OIG concluded that the response did not adequately address the three recommendations discussed above. OIG advised HUD of its concerns in October 2017 but was unable to reach agreement.

OIG referred the three recommendations without management decisions to the Assistant Secretary for Community Planning and Development on December 19, 2017. Following OIG's referral, CPD submitted proposed management decisions, along with additional documentation, on March 30, 2018. Based on the documentation submitted, OIG was not able to reach a resolution on the remaining three recommendations. OIG referred these recommendations to the Deputy Secretary on June 25, 2018. On June 27, 2018, HUD again submitted proposed management decisions. However, the management decisions did not appropriately address the recommendations, and OIG could not concur. OIG has attempted to resolve the disagreement; however, as of September 30, 2019, OIG was awaiting an agreeable management decision. (Audit Report: **2017-FW-0001**)

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## HUD NEEDS TO CLARIFY WHETHER ILLEGAL-UNDOCUMENTED ALIENS ARE ELIGIBLE FOR ASSISTANCE UNDER THE HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM, ISSUE DATE: AUGUST 21, 2017

HUD OIG assisted the U.S. Attorney's Office, Southern District of New York, in a civil investigation related to illegal-undocumented aliens receiving Housing Opportunities for Persons With AIDS (HOPWA) assistance. The HOPWA program at 24 CFR part 574 is a HUD CPD grant program that provides formula allocations and competitively awarded grants to eligible States, cities, and nonprofit organizations to provide housing assistance and related supportive services to meet the housing needs of low-income persons and their families living with HIV-AIDS.

Noncitizen or alien ineligibility for federally funded programs is a recurring issue in Congress. Two laws primarily govern noncitizen or alien eligibility for housing programs: Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - 8 U.S.C. (United States Code) 1611 (PRWORA) and Section 214 of the Housing and Community Development Act of 1980 as amended. PRWORA states that aliens, who are not qualified aliens, are not eligible for "Federal public benefits," a term defined in the law to include public and assisted housing. Under this statute, illegal aliens do not meet the definition of qualified aliens and as a result are ineligible

for Federal public benefits. However, PRWORA exempted certain Federal public benefits from the alien eligibility restrictions, including programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelters) specified by the Attorney General, after consultation with the appropriate Federal agency.

The issue of nonqualified aliens receiving assistance under HOPWA or other homeless assistance programs has not been clearly addressed in HUD regulations and guidance. Specifically, OIG has not been able to identify clear guidance as to whether programs that are funded through HUD's community development programs and administered through nonprofits (such as HOPWA) have been clearly designated as a "Federal public benefit." This designation is important because aliens, who have not been qualified to be considered "qualified aliens" under 8 U.S.C. 1611, are not eligible for Federal public benefits. Also, it is not clear whether homeless assistance grants are considered a Federal public benefit. There is a conflict as to whether "housing assistance" and "homeless assistance" are synonymous. If homeless assistance grants were considered a Federal public benefit, HOPWA benefits would not be available to illegal-undocumented aliens. However, since it is unclear whether such grants are considered Federal public benefits, there is a potential for unqualified aliens to fall under the exceptions under 8 U.S.C. 1611 (which include emergency type programs) and qualify to receive benefits.

OIG recommended that HUD CPD (1) clarify whether assistance provided under its community development programs, such as HOPWA, are considered "Federal public benefits" and are, therefore, subject to PRWORA's noncitizen eligibility restrictions and (2) consult with the Office of the Attorney General to establish whether HOPWA and other homeless assistance programs are a Federal public benefit that meets the definition of "providing assistance for the protection of life or safety" and are, therefore, exempt from PRWORA noncitizen eligibility restrictions.

HUD CPD submitted management decisions for both recommendations on December 18, 2017, but the management decisions stated that CPD was not able to take action on the recommendations, and OIG rejected them. This issue was referred the Assistant Secretary on December 19, 2017. In January 2018, OIG attempted to meet with HUD regarding the recommendations but was unsuccessful. The issue was referred to the Deputy Secretary on February 27, 2018. As of September 30, 2019, OIG was awaiting a decision from the Deputy Secretary. (Audit Memorandum: **2017-CF-0801**)

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## HUD DID NOT PROVIDE SUFFICIENT GUIDANCE AND OVERSIGHT TO ENSURE THAT STATE DISASTER GRANTEEES FOLLOWED PROFICIENT PROCUREMENT PROCESSES, ISSUE DATE: SEPTEMBER 22, 2017

HUD OIG audited HUD's oversight of disaster grantee procurement processes to determine whether HUD provided sufficient guidance and oversight to ensure that disaster grantees followed proficient procurement processes when purchasing products and services. OIG found that HUD did not provide sufficient guidance and oversight to ensure that State disaster grantees followed proficient procurement processes. Since HUD agreed to correct procurement issues from a previous audit,<sup>13</sup> OIG has issued 17 audit reports on disaster grantees with questioned costs totaling nearly \$391.7 million related to procurement. These conditions occurred because HUD was so focused on providing maximum feasible deference to State grantees that it was unable to ensure that grantees followed proficient procurement processes. HUD also believed that State grantees were not required to have procurement standards that aligned with each of the Federal procurement standards. As a result, HUD lacked assurance that State grantees purchased necessary products and services competitively at fair and reasonable prices.

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<sup>13</sup> Audit Report 2013-FW-0001, Generally, HUD's Hurricane Disaster Recovery Program Assisted the Gulf Coast States' Recovery; However, Some Program Improvements Are Needed, issued March 28, 2013

OIG made four recommendations to the Deputy Assistant Secretary for Grant Programs, who in turn proposed corrective actions on November 24, 2017. For two of the recommendations, the Deputy Assistant Secretary for Grant Programs stated that the matter of the applicability of the Federal procurement standards at 2 CFR 200.318 through 200.326<sup>14</sup> (or 24 CFR 85.36(b) through (i)) and the requirements of the Federal Register notices on procurement was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.<sup>15</sup> In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from the Office of General Counsel concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations.

The Deputy Assistant Secretary for Grant Programs also noted that the Senate Appropriations Committee report on fiscal year 2018 U.S. Department of Transportation-HUD appropriations legislation<sup>16</sup> addressed this issue. The report stated that the Committee believed that as long as HUD provided consistent and rigorous oversight of the procurement processes employed by the State and local recipients, an equivalent, though not identical, procurement standard that upholds the principles of fair and open competition can prevent Federal dollars appropriated for disaster recovery from being spent irresponsibly. The Deputy Assistant Secretary for Grant Programs further stated that HUD clarified its definition of proficient procurement processes and policies when it published subsequent Federal Register notices allocating funds under Public Laws 114-113, 114-223 and 114-254. Based on this information, the Deputy Assistant Secretary believed it was appropriate to close these two recommendations.

OIG disagrees with the Deputy Assistant Secretary's request to close these two recommendations based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. OIG continues to assert that the procurement standards at 24 CFR 85.36 were applicable to the State because its procedures needed to be equivalent to these Federal standards. OIG acknowledges the Senate Committee's belief that consistent and rigorous oversight of equivalent State procurement processes and standards that uphold the principles of fair and open competition can prevent Federal dollars from being spent irresponsibly. However, Federal procurement involves the acquisition of products and services at fair and reasonable prices, which OIG believes is a higher standard, requiring cost estimates and cost analyses. OIG believes that HUD weakened its interpretation of Federal procurement standards in the subsequent Federal Register notices because rather than considering a State's procurement process proficient if its procurement standards were equivalent to the Federal standards, HUD considered a State's procurement process proficient if its procurement standards operated in a manner that provided for full and open competition. Because of OIG's disagreement, it rejected the Deputy Assistant Secretary's request to close the recommendations.

In response to another recommendation, OIG rejected it because the proposed corrective action did not directly address improving controls by having HUD personnel who specialize in procurement evaluate the proficiency of State grantee procurement processes for those States that select the equivalency option to ensure that the State processes fully align with or meet the intent of each of the Federal procurement standards at 2 CFR 200.318 through 200.326.

In response to the remaining recommendation, OIG rejected it because the proposed guidance and training did not include State grantees that chose to certify that their procurement processes and standards were equivalent to the Federal procurement standards at 2 CFR 200.318 through 200.326.

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<sup>14</sup> Before December 26, 2014, the relevant procurement requirements were found at 24 CFR 85.36. HUD has since moved its uniform administrative requirements, cost principles, and audit requirements for Federal awards to 2 CFR part 200.

<sup>15</sup> 2015-PH-1003, dated June 4, 2015

<sup>16</sup> Senate Report 1115-138, dated July 27, 2017

OIG referred the recommendations to the Assistant Secretary for Community Planning and Development on January 25, 2018. The Assistant Secretary did not respond. OIG referred the recommendations to the Deputy Secretary on March 16, 2018, and as of September 30, 2019, had not received a decision. (Audit Report: **2017-PH-0002**)

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## HUD COULD IMPROVE ITS CONTROLS OVER THE DISPOSITION OF PROPERTIES ASSISTED WITH CDBG FUNDS, ISSUE DATE: SEPTEMBER 29, 2017

HUD OIG audited HUD's oversight of the disposition of real properties assisted with CDBG funds. OIG's objective was to determine whether HUD had adequate controls over the disposition of real properties assisted with CDBG funds.

OIG found that HUD could improve its oversight of the disposition of real properties assisted with CDBG funds. Although HUD's drawdown and reporting system allowed grantees to enter identifying information for assisted properties and its field offices performed risk-based monitoring of grantees, HUD's controls were not always sufficient to ensure that grantees entered addresses of assisted properties into its system, provided proper notice to affected citizens before changing the use of assisted properties, adequately determined the fair market value of assisted properties at the time of disposition, and properly reported program income from the disposition of the properties. Further, HUD did not fully implement guidance related to the applicability of change of use requirements after voluntary grant reductions. OIG attributed these deficiencies to HUD's lack of emphasis on verifying address information, its field office staff's not being adequately trained to use data to monitor HUD's interest in properties, and the Milwaukee field office's incorrectly interpreting program requirements. As a result, HUD could not track and monitor its interest in the properties and did not have assurance that grantees properly handled changes in use and properly reported program income.

OIG recommended that the Deputy Assistant Secretary for Grant Programs develop a process to ensure that grantees properly report the addresses of assisted properties in the Integrated Disbursement and Information System (IDIS) and properly calculate and report program income from the disposition of these properties regularly. OIG indicated that this process could include but was not limited to developing a process to extract data reported in IDIS on activities with the matrix codes related to real property and training and instructing CPD's field office staff to extract these data and manually check for address and program income data on grantees' activities, particularly activities that are completed but have properties that could still be subject to program income requirements.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in January 2018, which OIG rejected. OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on February 6, 2018, and to the Deputy Secretary on March 26, 2018. In an attempt to reach agreement, OIG held discussions with CPD officials on February 13 and March 8, 2018. On March 28, 2018, the Deputy Assistant Secretary for Grant Programs submitted a revised proposal. CPD proposed to ensure that its staff is aware of a recent CPD notice; ensure that its staff and grantees are aware of the record retention requirements related to change-of-use and reversion-of-asset requirements; present a webinar for field staff on the importance of requirements related to real property, especially program income in relation to the acquisition and disposition of real properties, and the requirement to maintain inventories of real property; identify, create, or revise a report that lists acquisition-related activities or includes addresses and accomplishment data for staff to use for monitoring; and evaluate the adequacy of several sections of the CDBG Single Audit Compliance Supplement to include reviews for real property acquisition and disposition and related to program income issues.

OIG rejected HUD's March 28, 2018, proposal for several reasons. For example, HUD's proposal did not clearly cover all categories of activities related to real property assisted with CDBG funds but, rather, focused on those specifically related to acquisitions and dispositions and did not commit to changes that would result in a process to

ensure that grantees properly report the addresses of properties assisted with CBDG funds and properly calculate and report program income from the disposition of these properties regularly. While it alluded to a report that could be used by field staff to prepare for monitoring, it did not indicate that its monitoring process would be updated to require field offices to consider the relevant information. Further, while HUD committed to reviewing the CBDG Single Audit Compliance Supplement requirements, it did not commit to this review's resulting in a process to ensure that grantees properly report the addresses of properties assisted with CBDG funds and that grantees properly calculate and report program income from the disposition of these properties. As of September 30, 2019, OIG was awaiting a decision. (Audit Report: **2017-NY-0002**)

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### ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2017 AND 2016 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT, ISSUE DATE: NOVEMBER 15, 2017

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the area of HUD's administrative control of funds system and internal control documentation. Recommendations were made to the Office of the Chief Procurement Officer (OCPO) to address the deficiency of not maintaining adequate records for interagency agreements (IAA) in its procurement system of record, the U.S. Treasury Administrative Resource Center's PRISM. OIG issued a referral regarding two recommendations to address this deficiency to HUD's OCPO on March 22, 2018, but could not reach agreement. OCPO stated that it no longer had access to the documents in question because the previous system was shut down and data migration had not yet occurred. OCPO indicated that it was not willing to correct a deficiency with the maintenance of IAAs within PRISM because it would not be a prudent use of taxpayer funds.

On May 31, 2018, OIG referred these recommendations to the Deputy Secretary due to disagreement. On July 5, 2018, OCPO provided the remaining changes to its internal policies and procedures for one of the two recommendations, and OIG concurred with the management decision on October 30, 2018. However, OCPO did not provide additional corrective action plans for resolving the missing IAAs and modifications in its procurement system of record. As of September 30, 2019, OIG had not received a new proposed management decision for the recommendation relating to missing IAA's and modifications. (Audit Report: **2018-FO-0004**)

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### HUD'S OFFICE OF BLOCK GRANT ASSISTANCE HAD NOT CODIFIED THE COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY PROGRAM, ISSUE DATE: JULY 23, 2018

HUD OIG audited HUD's Office of Block Grant Assistance's (OBGA) CBDG Disaster Recovery (CDBG-DR) program. OIG's analysis noted that Congress had historically provided disaster funding through supplemental appropriations, yet OBGA had not created a formal codified program. Instead, it had issued multiple requirements and waivers for each Disaster Recovery supplemental appropriation in Federal Register notices, many of which were repeated from disaster to disaster. OIG's objective was to determine whether OBGA should codify the CDBG-DR funding as a program in the Code of Federal Regulations.

Although OBGA had managed billions in Disaster Recovery funds since 2002, it had not codified the CDBG-DR program. It had not codified the program because it believed it did not have the authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and it had not determined whether it had the authority under the Housing and Community Development Act of 1974 as amended. It also believed a Presidential Executive order

presented a barrier to codification, as it required CPD to identify two rules to eliminate in order to create a new codified rule. OIG believes OBGA has the authority under the Housing Act of 1974 and it should codify the program. OBGA's use of multiple Federal Register notices to operate the CDBG program presented challenges to the grantees. For example, 59 grantees with 112 active CDBG-DR grants, which totaled more than \$47.4 billion as of September 2017, had to follow requirements contained in 61 different Federal Register notices to manage the program. Further, codifying the CDBG-DR program would ensure that a permanent framework is in place for future disasters, reduce the existing volume of Federal Register notices, standardize the rules for all grantees, and ensure that grants are closed in a timely manner. OIG recommended that the Acting Director of OBGA work with its Office of General Counsel to codify the CDBG-DR program.

On October 31, 2018, CPD provided a memorandum stating that it did not believe the codification of the CDBG-DR program was necessary. OIG waited for CPD to enter this information into the automated tracking system for audit resolution so OIG could reject the proposed management decision. CPD had not entered a management decision when the government furlough started in December 2018. Shortly after the furlough ended on January 29, 2019, OIG issued a referral memorandum to CPD's Deputy Assistant Secretary for Grant Programs, noting that it had been unable to reach a management decision and disagreed with CPD's management decision memorandum. Specifically, OIG disagreed with OBGA's statements that codification is not necessary and that codification has limited or no applicability for future disasters. OIG also noted that OBGA did not address that its use of multiple Federal Register notices to administer the CDBG-DR funding presented challenges to the grantees. OIG further disagreed that language in the various Disaster Recovery statutes prohibits HUD or OBGA from issuing codified rules under the authority granted to it in the Housing and Community Development Act of 1974, as Congress provided these funds under the Community Development Fund.

Additionally, OBGA acknowledged the report's conclusion that codification could increase the speed at which grantees could assemble an action plan. OBGA further stated and OIG agrees that Federal Register notices would still be required. However, OIG believes the number and content volume of Federal Register notices would be reduced if OBGA codified the program. Thus, OIG believes that a management decision, which contains only an agreement to issue a consolidated guide for the issued Federal Register notices, is not sufficient to address the recommendation, which was to create a codified disaster recovery program.

OIG did not receive a response to the disagreement referral to the Deputy Assistant Secretary for Grant Programs. Therefore, on March 26, 2019, OIG referred its disagreement to the Principal Deputy Assistant Secretary for Community Planning and Development. Despite followup emails to both officials, OIG did not receive a response to either referral. Therefore, OIG referred its disagreement to the Deputy Secretary on September 30, 2019. (Audit Report: **2018-FW-0002**)

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## THE STATE OF NEW YORK DID NOT ENSURE THAT PROPERTIES PURCHASED UNDER THE ACQUISITION COMPONENT OF ITS PROGRAM WERE ELIGIBLE, ISSUE DATE: MARCH 29, 2019

HUD OIG audited the State of New York's CDBG-DR-funded New York Rising Buyout and Acquisition program. OIG's objective was to determine whether the State ensured that properties purchased under the acquisition component of the program met applicable HUD, Federal, and State requirements.

OIG found that the State did not ensure that properties purchased under the acquisition component of its program met eligibility requirements. Specifically, it did not ensure that properties were substantially damaged and complied with flood hazard requirements. Further, it may have improperly purchased properties that did not comply with flood insurance requirements. These deficiencies occurred because the State did not have adequate controls and

relied on applicants and other entities to ensure compliance with requirements. For example, the State relied on letters from local governments provided by its applicants to show that properties were substantially damaged, and it did not have a process to ensure that the substantial damage determination letters were accurate and supported. As a result, the State disbursed more than \$3.5 million for ineligible properties and incentives and more than \$5.9 million for properties that it could not show met applicable requirements, and HUD did not have assurance that CDBG-DR funds were used for their intended purpose.

OIG recommended that HUD require the State to (1) reimburse more than \$3.5 million in settlement costs and incentives paid for properties that did not meet eligibility requirements or should not have received incentives; (2) provide documentation showing that 15 properties met requirements related to substantial damage, flood hazards, and flood insurance or reimburse more than \$5.9 million paid to purchase the properties; and (3) conduct a review of the other properties purchased under its program to ensure that properties were eligible and reimburse the amount paid for any additional properties found to be ineligible. Further, OIG recommended that HUD require the State to provide documentation showing that the acquisition component of its program has ended or improve its controls to ensure that properties purchased are eligible.

The Deputy Assistant Secretary for Grant Programs did not propose a management decision to address the eight recommendations contained in the audit report. OIG referred the recommendations to the Assistant Secretary for Community Planning and Development on August 19, 2019. In an attempt to reach agreement, OIG held discussions with CPD officials on June 17, July 26, and September 24, 2019. HUD told OIG that a management decision had been drafted but it was undergoing a review process within CPD. OIG referred the recommendations to the Deputy Secretary on September 30, 2019. (Audit Report: **2019-NY-1001**)

## **EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2019**

### **RISK-BASED ENFORCEMENT COULD IMPROVE PROGRAM EFFECTIVENESS, ISSUE DATE: FEBRUARY 12, 2016**

HUD OIG evaluated the effectiveness of the Departmental Enforcement Center (DEC). Historically, HUD program managers have not wanted to enforce program requirements. That reluctance increases the risk that program funds will not provide maximum benefits to recipients and allows serious noncompliance to go unchecked. When it was created, DEC had independent enforcement authority, but it lost that authority when it moved from the Deputy Secretary's office to the Office of General Counsel. DEC lost control of funding and staffing levels and contended with inadequate IT systems and support. Although program offices were asking for more DEC financial analyses, they did not consistently use enforcement actions to remedy noncompliance. Further, managers' reluctance to enforce program requirements limited DEC's effectiveness in most programs. Turnover, retirements, and hiring limitations could leave DEC without enough skilled staff to support future workloads needed to service HUD programs and enforce program requirements. Risk-based monitoring and enforcement offers the opportunity to provide quality, affordable rental housing, improve the quality of life, and build strong, resilient communities.

OIG made eight recommendations, three of which remain open. OIG has not reached an agreed-upon management decision for one of these recommendations, although it is making progress on this recommendation through correspondence with HUD officials. To address this recommendation, HUD plans to develop a protocol that would provide data-driven referrals to DEC on financial and physical performance failures. HUD plans to develop two protocols: one among the Real Estate Assessment Center (REAC), DEC, and PIH and another among REAC, DEC, and the Office of Multifamily Housing Programs. HUD has developed and provided draft protocols. In August 2019, OIG notified HUD officials that one of the draft protocols must be revised to demonstrate collaboration with REAC and meet the intent of the recommendation. (Evaluation Report: **2014-OE-0002**)

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## OPPORTUNITIES FOR IMPROVEMENT WITHIN CPD'S RISK MANAGEMENT PROCESS FOR HURRICANE SANDY GRANTS, ISSUE DATE: MARCH 29, 2017

HUD OIG evaluated the risk analysis process for Hurricane Sandy grants performed by HUD CPD. CPD uses a risk analysis process to rank grantees that pose the greatest risk to the integrity of its programs. According to CPD, the risk analysis results guide how the monitoring phase of the risk management process is conducted. After CPD management certifies the risk analysis results, management develops a monitoring strategy. By monitoring grantees, CPD aims to ensure that a grantee performs and delivers on the terms of the grant while reducing the possibility of fraud, waste, and mismanagement.

OIG observed that (1) CPD's risk analysis worksheet did not consider risk related to performance outputs, (2) the risk analysis did not consider the likelihood of risk events occurring, (3) no clear correlation between the risk analysis and monitoring existed, (4) CPD made limited use of data analytics in its risk management process, and (5) CPD staff was not trained to conduct a risk analysis.

OIG made five recommendations, three of which remain open. OIG has not reached an agreed-upon management decision for one of these recommendations. On November 1, 2018, OIG referred this recommendation to the Acting General Deputy Assistant Secretary for Community Planning and Development for resolution. On June 24, 2019, OIG referred this recommendation to the Principal Deputy Assistant Secretary for Community Planning and Development for resolution. OIG met with CPD officials in July 2019 to discuss CPD's progress in resolving the recommendation. To address this recommendation, CPD plans to improve the risk analysis process, namely through data automation. The intent of the recommendation is to include the likelihood of future risk occurrence in the risk analysis, but CPD's planned changes do not address how it has incorporated or plans to incorporate the likelihood of risk occurrence into its updated risk analysis. In August 2019, OIG notified CPD officials that CPD should specify how its planned changes to the risk analysis process will incorporate the likelihood of risk occurrence into its updated risk analysis and when it expects to complete these changes. (Evaluation Report: **2016-OE-0004S**)

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## HUD WEB APPLICATION SECURITY EVALUATION, ISSUE DATE: JULY 6, 2017

HUD OIG completed a targeted web application security evaluation of HUD in support of a Counsel of the Inspectors General on Integrity and Efficiency Federal cross-cutting project, making nine recommendations for improvement to the Department. OIG assessed HUD's capability to identify and mitigate critical IT vulnerabilities in the Department's publicly accessible web applications. OIG identified key deficiencies in HUD's practices that put HUD's extensive collection of sensitive data, including personal information of private citizens, at increased risk of unauthorized access and compromise. Of particular concern was the discovery of multiple operating web applications unknown to the Office of the Chief Information Officer.

To date, HUD has not provided management decisions for the nine open recommendations or a required estimated completion date for providing the management decisions. On June 2, 2017, HUD concurred with all recommendations and agreed to work with OIG to assign responsibility and complete resolution. Due to key leadership changes and priority focus on providing OIG with management decisions for the fiscal years 2017 and 2018 Federal Information Security Modernization Act evaluations, management decisions for this report have not been provided. (Evaluation Report: **2016-OE-0002**)

## HUD IT SYSTEM MANAGEMENT AND OVERSIGHT OF THE SECTION 184 PROGRAM, ISSUE DATE: AUGUST 13, 2018

HUD OIG evaluated the IT systems supporting the Office of Native American Program (ONAP) Indian Home Loan Guarantee Program (Section 184 program) following concerns that HUD had not used provided resources to address shortcomings in internal controls and the ability to deploy a reliable IT system. Concerning a newly developed IT system called the Loan Origination System (LOS), OIG observed (1) significant limitations, requiring lenders and program officials to continue to use a HUD legacy IT system and manual processes for maintaining files, servicing loans, and managing claims; (2) that only 1 of 38 lenders was able to access and use LOS due to HUD's inability to resolve and implement a user access solution; (3) that LOS had no capability to conduct loan servicing and claims, which are still conducted using Excel spreadsheets; and (4) that LOS lacked critical management reporting capabilities. Despite HUD's investing \$4 million into the development of LOS, the system does not satisfy all management and oversight objectives.

OIG made five recommendations with all five remaining open. HUD and ONAP concurred with all five recommendations in August 2018 with a suspense of November 26, 2018, to provide OIG with management decisions. However, due to the LOS contract lapse in September 2018 and the inability to let a new contract, HUD and ONAP have been unable to provide management decisions for all five recommendations. ONAP has been in regular contact with OIG and states that a new contract for maintaining LOS must be in place to coordinate with HUD on the management decisions. The LOS solicitation was released in March 2019, with proposals expected to be provided to HUD for review in April 2019. (Evaluation Report: **2018-OE-0004**)

### 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 significantly revised management decisions made during the reporting period. During the current reporting period, there were three significantly revised management decisions.

## U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT, ISSUE DATE: MAY 13, 2016

HUD OIG audited HUD's fiscal year 2015 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). OIG determined that HUD did not comply with IPERA in fiscal year 2015. OIG made 13 recommendations to improve HUD's compliance with IPERA and to address weaknesses identified in HUD's payment recapture audit plans, rental housing assistance program improper payment estimation process, and reporting of improper payment information in the agency financial report.

In implementing corrective actions, HUD determined that it needed to significantly change its IPERA process and is now using contractor support with a 2-year deadline to bring HUD into full compliance with all requirements of the Improper Payments Elimination and Recovery Improvement Act and Office of Management and Budget Circular A-123, appendix C, for all HUD programs, components, and offices by fiscal year 2020. HUD stated that this work would incorporate an increased level of effort to support HUD's programs that are susceptible to significant improper payments and provide analyses to identify other HUD programs that may be susceptible to significant improper payments. OIG agreed that OCFO's previous process was flawed and has, therefore, accepted several revised management decisions that reflect this new plan. (Audit Report: **2016-FO-0005**)

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## INTERIM REPORT ON HUD'S INTERNAL CONTROLS OVER FINANCIAL REPORTING, ISSUE DATE: DECEMBER 8, 2014

As part of the annual HUD OIG consolidated audit, OIG found deficiencies in HUD's accounting for its plant, property, and equipment (PP&E) in fiscal year 2014. OIG recommended that HUD periodically reconcile balances with OCIO subsidiary records and research and resolve any identified differences.

OCFO has been working to remediate several PP&E audit findings by collaborating with key HUD stakeholders and implementing new workflow processes, procedures, and internal controls. This recent remediation created the need for a revised management decision. The updated process will reconcile the PP&E account, which will now be accounted for in Oracle's Fixed Asset module, to OCIO subsidiary ledgers. OIG agreed with this approach and accepted the revised management decision. (Audit Report: **2015-FO-0002**)

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## HUD DID NOT HAVE EFFECTIVE CONTROLS TO ENSURE THAT LENDERS REPORTED DEFAULTS ACCURATELY AND IN A TIMELY MANNER, ISSUE DATE: SEPTEMBER 10, 2013

HUD OIG audited HUD's Office of Single Family Housing to determine whether it had effective controls in place to ensure that lenders reported default information on FHA-insured loans accurately and in a timely manner. Lenders report default information to HUD's Single Family Default Monitoring System. This system collects and tracks the key significant events that occur during a default episode.

OIG determined that HUD did not have effective controls to ensure that lenders reported default information accurately and in a timely manner. HUD's controls included only minimal system error codes; basic monitoring of error code rates, nonreporting, and underreporting; and lender servicing reviews examining a sample of default information at selected lenders. HUD also did not have an adequate penalty process in place to deter future issues. As a result, the default data were not always accurate and timely.

One recommendation OIG made was for HUD to implement additional system error checks to identify potential reporting issues. In its original management decision, HUD agreed to modify its Single Family Default Monitoring System to create additional system error checks, subject to budgetary constraints. On August 10, 2018, HUD submitted a revised management decision, stating that due to funding restraints, it had not been able to enhance the system. Instead, HUD planned to implement its 4-year Roadmap plan, which included retiring the Single Family Default Monitoring System and replacing it with a more modern and robust system. HUD planned to submit a business case for the Roadmap through the fiscal year 2020 budget process. On August 15, 2019, HUD submitted another revised management decision, stating that it had established project timelines and would replace the default monitoring system by July 31, 2021, as part of phase 1 of the project. On September 5, 2019, OIG agreed with the revised management decision. (Audit Report: **2013-KC-0003**)

## SIGNIFICANT MANAGEMENT DECISION WITH WHICH OIG DISAGREES

During the reporting period, OIG did not disagree with any significant management decision.

## FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

Section 804 of FFMIA requires OIG to report in its Semiannual Reports to Congress instances and reasons when an agency has not met the intermediate target dates established in its remediation plans required by FFMIA. Section 803(a) of FFMIA requires that each agency establish and maintain financial management systems that comply with Federal financial management system requirements, Federal accounting standards, and the United States Standard General Ledger at the transaction level.

HUD issued its agency financial report for fiscal year 2018 during fiscal year 2019 and reported that it could not provide assurance that its financial management systems complied with FFMIA due to financial management system weaknesses and nonconformance with FFMIA. OIG concurred with HUD's assessment as reported in OIG's report on HUD's financial statements.

HUD continues to implement its remediation plans to address the longstanding weaknesses in its financial management systems. However, OIG has noted several instances in which HUD has not met the intermediate target dates established in its prior-year remediation plans to address FFMIA noncompliance. Specifically, HUD has missed intermediate target dates in addressing weaknesses in Ginnie Mae and CPD systems. Ginnie Mae's noncompliance is primarily due to material weaknesses in internal controls over financial reporting and its inability to properly account for its defaulted issuer loan portfolio. In fiscal year 2019, HUD asserted that Ginnie Mae's financial statements were auditable for the first time since fiscal year 2014. Further, CPD's decision to not adopt compliant grant accounting and related controls within the IDIS application for fiscal year 2014 and prior grants continues the longstanding noncompliance with Federal system requirements, GAAP, and the United States Standard General Ledger at the transaction level. OIG's fiscal year 2019 financial statement audit, including its assessment of compliance with FFMIA, was still in process as of September 30, 2019.

## CHAPTER 9 – WHISTLEBLOWER OMBUDSMAN

*Whistleblowers play a critical role in keeping our Government programs honest, efficient, and accountable. The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), continues to ensure that HUD and HUD OIG employees are aware of their rights to disclose misconduct, waste, or abuse in HUD programs without reprisal and to assist HUD and HUD OIG employees in seeking redress when employees believe that they have been subject to retaliation for whistleblowing. HUD OIG also investigates complaints of whistleblower retaliation by government contractors and grantees.*

HUD OIG's Whistleblower Protection Coordinator Program works with HUD and HUD OIG employees to provide information on

- employee options for disclosing misconduct, waste, or abuse in HUD programs;
- statutory protections for Federal employees who make such disclosures; and
- how to file a complaint under the Whistleblower Protection Act when an employee believes he or she has been retaliated against for making protected disclosures.

The HUD OIG Whistleblower Protection Coordinator Program continued its focus on staff training and individual assistance. The mandatory whistleblower training is presented in conjunction with the OIG annual ethics training. The 2019 training was presented on September 19, 2019. It was presented live and will be posted on HUD OIG's website for employees who could not attend in person.

In October 2017, Congress enacted the Dr. Chris Kirkpatrick Whistleblower Protection Act of 2017, which contains new training and performance standards for supervisors regarding the handling of whistleblowers. HUD OIG is in the process of implementing these requirements.

The Whistleblower Protection Coordinator meets with HUD employees individually, upon request. Generally, HUD OIG will refer HUD employees with whistleblower retaliation complaints to the Office of Special Counsel (OSC). HUD OIG does not track these matters unless OSC requests HUD OIG assistance in investigating a complaint. During this semiannual reporting period, HUD OIG did not substantiate any whistleblower retaliation complaints against HUD employees.

HUD OIG did receive a number of complaints filed under 41 U.S.C. (United States Code) 4712. In December 2016, Congress passed the Enhancement of Whistleblower Protection Act. It made the whistleblower protections under 41 U.S.C. 4712 permanent. Section 4712 extends whistleblower protection to employees of Federal contractors, subcontractors, grantees, and subgrantees. If the employee of a HUD grantee or contractor believes he or she has been retaliated against for whistleblowing, he or she may file a complaint with OIG, and OIG will investigate the complaint and provide findings of fact to HUD. OIG is required to complete its investigation within 180 days unless the complainant agrees to an extension.

The chart below provides further information on those complaints.

<b>Number of complainants asserting whistleblower status<sup>17</sup></b>	7 (2 referred to hotline)
<b>Complaints referred for investigation to the HUD OIG Office of Investigation (OI)</b>	5
<b>Complaint investigations opened by OI</b>	5
<b>Complaints declined by OI</b>	0
<b>Complaints currently under review by OI</b>	3
<b>Employee complaint investigations closed by OI</b>	2

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<sup>17</sup> Not all complainants are found to be whistleblowers under Section 4712. For example, many complainants raise questions regarding treatment by public housing agencies following their alleged disclosures of wrongdoing by the same housing agency. They claim to be whistleblowers, but they are not employees of the grantee. These complaints are referred to OIG's hotline for appropriate referral and disposition.

## 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. The Offices of Audit, Investigation, and Evaluation are required to undergo a peer review of their individual organizations every 3 years. The purpose of the review is to ensure that the work completed by the respective organizations meets the applicable requirements and standards. The following is a summary of the status of the latest round of peer reviews for the organization.

### OFFICE OF AUDIT

#### PEER REVIEW CONDUCTED ON HUD OIG BY DOT 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 the U.S. Department of Transportation (DOT) OIG on September 28, 2018. There were no recommendations included in the System Review Report. The report stated:

*In our opinion, the system of quality control for the audit organization of the HUD OIG in effect for the year ended March 31, 2018, was 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 DOD OIG

HUD OIG conducted an external peer review of the U.S. Department of Defense (DoD) OIG, Office of Audit, and issued a final report September 27, 2018. DoD OIG received a peer review rating of pass. A copy of the external quality control review report can be viewed at <https://media.defense.gov/2018/Oct/05/2002048826/-1/-1/1/TRANSMITTAL%20MEMO%20AND%20SYSTEM%20REVIEW%20REPORT.PDF>.

### OFFICE OF INVESTIGATION

#### PEER REVIEW CONDUCTED ON HUD OIG BY DHS OIG

The U.S. Department of Homeland Security (DHS) OIG conducted a peer review of the HUD OIG, Office of Investigation, and issued a final report on July 3, 2017. DHS OIG determined that HUD OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General's guidelines.

#### PEER REVIEW CONDUCTED BY HUD OIG ON USDA OIG

HUD OIG conducted an external peer review of the U.S. Department of Agriculture (USDA) OIG, Office of Investigation, and issued a final report on October 4, 2016. HUD OIG determined that USDA OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency.

## **OFFICE OF EVALUATION**

### **PEER REVIEW CONDUCTED BY HUD OIG ON FHFA OIG**

HUD OIG conducted an external peer review of the Federal Housing Finance Agency (FHFA) OIG's inspection and evaluation functions and issued a final report September 10, 2019. FHFA OIG received a peer review rating of pass. A copy of the external quality control review report can be viewed at <https://www.fhfaoig.gov/sites/default/files/Final%20Report%20-%20External%20Peer%20Review%20of%20FHFA%20OIG.pdf>.

## APPENDIX 2 – AUDIT AND EVALUATION REPORTS ISSUED

### Internal Reports

AUDIT REPORTS	
CHIEF FINANCIAL OFFICER	
2019-AT-0001	HUD Did Not Always Comply With the Improper Payments Elimination and Recovery Act of 2010, 06/03/2019.
COMMUNITY PLANNING AND DEVELOPMENT	
2019-FW-0001	CPD Did Not Enforce the Disaster Appropriations Act, 2013, 24-Month Grantee Expenditure Requirement, 05/17/2019. Questioned: \$526,629,659. Better use: \$413,530,414.
HOUSING	
2019-KC-0001	FHA Improperly Paid Partial Claims That Did Not Reinstate Their Related Loans, 04/11/2019. Questioned: \$2,342,833. Better use: \$27,100,000.
2019-KC-0003	FHA Insured at Least \$13 Billion in Loans to Ineligible Borrowers With Delinquent Federal Tax Debt, 09/30/2019. Better use: \$6,130,757,970.
PUBLIC AND INDIAN HOUSING	
2019-KC-0002	HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased, 06/25/2019. Better use: \$19,763,190.
AUDIT-RELATED MEMORANDUMS <sup>18</sup>	
CHIEF PROCUREMENT OFFICER	
2019-KC-0801	Moderate Risk Identified in HUD's Fiscal Years 2017-2018 Purchase Card Program Risk Assessment, 04/18/2019.
HOUSING	
2019-LA-0801	HUD Completed the Agreed-Upon Corrective Actions for One of the Two Recommendations Reviewed From Prior OIG Audit Report 2015-LA-0001 on FHA-HAMP Partial Claims, 07/15/2019. Questioned: \$5,448,257. Unsupported: \$5,448,257.
PUBLIC AND INDIAN HOUSING	
2019-LA-0802	The Office of Native American Programs Did Not Satisfactorily Complete the Agreed-Upon Corrective Actions for Three of the Four Recommendations From Prior OIG Audit Report 2014-LA-0006, 07/18/2019.

<sup>18</sup> 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; or to report on the results of a survey, attestation engagement, or civil actions or settlements.

## External Reports

### AUDIT REPORTS

#### COMMUNITY PLANNING AND DEVELOPMENT

2019-AT-1004	The North Carolina Department of Commerce Did Not Administer Its Neighborhood Stabilization Program Grants as Required by HUD, 06/14/2019. Questioned: \$14,402,177. Unsupported: \$14,402,177. Better use: \$417,113.
2019-AT-1005	The Municipality of Yauco, PR, Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, 08/09/2019. Questioned: \$1,515,165. Unsupported: \$1,515,059. Better use: \$1,641.
2019-BO-1001	The City of Bridgeport, CT, Did Not Properly Administer Its HOME Program, 04/25/2019. Questioned: \$3,690,233. Unsupported: \$3,267,465. Better use: \$741,698.
2019-BO-1003	The Commonwealth of Massachusetts Did Not Always Ensure That Its Grantees Complied With Applicable State and Federal Laws and Requirements, 08/05/2019. Questioned: \$1,562,307. Unsupported: \$896,387.
2019-FW-1004	The City of Dallas, Dallas, TX, Did Not Follow Environmental Requirements or Effectively Manage Its Community Housing Development Organizations, 06/17/2019. Questioned: \$6,266,932. Unsupported: \$3,867,955.
2019-FW-1005	Northlake Homeless Coalition, Mandeville, LA, Did Not Always Follow Continuum of Care Program Requirements, 07/11/2019. Questioned: \$128,692. Unsupported: \$128,692. Better use: \$2,092,545.
2019-FW-1007	The Texas General Land Office, Jasper, TX, Did Not Ensure That Its Subrecipient Administered Its Disaster Grant in a Prudent and Cost-Effective Manner, 09/30/2019.
2019-LA-1004	The Housing Authority of the County of Stanislaus, Modesto, CA, Did Not Always Adequately Document Homeless Eligibility in Accordance With Shelter Plus Care Program Requirements, 04/17/2019. Questioned: \$13,885. Unsupported: \$13,885.
2019-LA-1005	The Housing Authority of the County of San Bernardino, CA, Did Not Adequately Support Administrative Fees Charged to Its Continuum of Care Grants, 04/17/2019. Questioned: \$663,070. Unsupported: \$663,070.
2019-NY-1002	The State of New York Did Not Ensure That Appraised Values Used by Its Program Were Supported and Appraisal Costs and Services Complied With Requirements, 05/29/2019. Questioned: \$370,855,225. Unsupported: \$370,855,225. Better use: \$93,350,616.
2019-NY-1004	The Lower Manhattan Development Corporation, New York, NY, Generally Administered Its Disaster Recovery-Funded Program in Accordance With Applicable Requirements, 08/14/2019.
<b>HOUSING</b>	
2019-BO-1004	Tuscan Homes I and II in Hartford, CT, Was Not Always Managed in Accordance With Its Regulatory Agreement and HUD Requirements, 09/09/2019. Questioned: \$35,414. Unsupported: \$17,653. Better use: \$45,000.

2019-CH-1003	The Management Agent for Lake View Towers Apartments, Chicago, IL, Did Not Always Comply With HUD's Section 8 HAP Program Requirements, 09/03/2019. Questioned: \$456,390. Unsupported: \$399,438. Better use: \$54,401.
2019-DE-1001	Bank of America, Plano, TX, Followed the Loss Mitigation Requirements for All of the Loans Reviewed, 04/09/2019.
2019-FW-1003	Northline Point Apartments, Houston, TX, Multifamily Section 8 Program, Subsidized Unsupported Tenants and Uninspected Units, 06/10/2019. Questioned: \$1,054,150. Unsupported: \$1,054,150.
2019-PH-1003	PK Management, LLC, Richmond Heights, OH, Did Not Always Maintain Documentation Required to Support Housing Assistance Payments, 08/02/2019. Questioned: \$497,762. Unsupported: \$497,762.
2019-PH-1005	Summit Construction and Environmental Services, LLC, Richmond, VA, Generally Complied With Requirements for Lead-Based Paint Evaluations, 09/25/2019.
PUBLIC AND INDIAN HOUSING	
2019-AT-1003	The Talladega Housing Authority, Talladega, AL, Generally Administered Its Rental Assistance Demonstration Conversion in Accordance With HUD Requirements but Did Not Comply With Critical Renovations Regulations, 05/08/2019. Questioned: \$36,022.
2019-AT-1006	Palm Beach County Housing Authority, West Palm Beach, FL, Did Not Support and Spend HUD Funds According to Regulations, 09/30/2019. Questioned: \$67,377. Unsupported: \$62,377.
2019-BO-1002	The Housing Authority of the City of Woonsocket, RI, Did Not Always Comply With Capital Fund Program and Procurement Requirements, 05/07/2019. Questioned: \$3,377,137. Unsupported: \$1,427,019. Better use: \$125,491.
2019-CH-1004	The Taylor Housing Commission, Taylor, MI, Did Not Always Comply With HUD's and Its Own Requirements for Its Program Household Files, 09/30/2019. Questioned: \$57,909. Unsupported: \$20,762. Better use: \$1,726.
2019-DE-1002	The Fort Collins Housing Authority, Fort Collins, CO, Administered Its RAD Project in Accordance With HUD Requirements for the Items Reviewed, 04/18/2019.
2019-FW-1001	The Little Rock Housing Authority, Little Rock, AR, Did Not Fully Meet Rental Assistance Demonstration Program Requirements, 04/23/2019. Questioned: \$1,925,814. Unsupported: \$1,925,814. Better use: \$829,544.
2019-FW-1002	The Weslaco Housing Authority, Weslaco, TX, Did Not Follow Federal, State, and Authority Requirements for Legal Services, 05/15/2019. Questioned: \$118,170. Unsupported: \$97,170.
2019-FW-1006	The Bogalusa Housing Authority, Bogalusa, LA, Did Not Always Administer Its Public Housing Programs in Accordance With Requirements, 08/16/2019. Questioned: \$279,953. Unsupported: \$254,002. Better use: \$709.
2019-KC-1001	The Columbia Housing Authority, Columbia, MO, Did Not Maintain Written Records of Resident Relocation Incentive Payment Consultations or Properly Pay Business Relocation Incentives, 04/11/2019. Questioned: \$136,432. Unsupported: \$136,432.
2019-LA-1006	The Housing Authority of the County of Los Angeles, Alhambra, CA, Did Not Ensure That Its Intergovernmental Agreements Included the Current HUD Requirements, 07/03/2019.

2019-LA-1007	Bank2, Oklahoma City, OK, Originated Loans Reviewed in Accordance With Section 184 Loan Guarantees for Indian Housing Program Processing Guidelines, 07/11/2019.
2019-LA-1008	The Compton Housing Authority, Compton, CA, Did Not Administer Its Housing Choice Voucher Program in Accordance With HUD Requirements, 07/11/2019. Questioned: \$77,542.
2019-LA-1009	The Housing Authority of the County of San Diego, San Diego, CA, Executed and Administered Its Intergovernmental Agreement as Required, 07/15/2019.
2019-NY-1003	New York City Department of Housing Preservation and Development, New York, NY, Did Not Always Ensure That Units Met Housing Quality Standards but Generally Abated Payments When Required, 08/02/2019. Questioned: \$28,303. Better use: \$760,363.
2019-PH-1001	The Housing Authority of the City of Easton, PA, Did Not Always Properly Administer Its Housing Choice Voucher Program, 07/30/2019. Questioned: \$2,463.
2019-PH-1002	The Charlottesville Redevelopment and Housing Authority, Charlottesville, VA, Did Not Always Comply With Applicable Procurement Requirements, 08/02/2019. Questioned: \$728,516. Unsupported: \$728,516.
2019-PH-1004	The Housing Authority of the City of Annapolis, MD, Did Not Always Properly Administer Its Housing Choice Voucher Program, 08/14/2019.
<b>AUDIT-RELATED MEMORANDUMS<sup>19</sup></b>	
<b>GENERAL COUNSEL</b>	
2019-CF-1803	Pacific Horizon Bancorp, Inc., and Two Loan Officers Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/30/2019. Questioned: \$340,000.
2019-CF-1804	PrimeLending, a PlainsCapital Company, Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/30/2019. Questioned: \$10,124,836.
2019-CF-1805	Quicken Loans, Inc., Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/30/2019. Questioned: \$32,500,000.

No Evaluation reports were issued during the reporting period.

<sup>19</sup> 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; or to report on the results of a survey, an attestation engagement, or civil actions or settlements.

## APPENDIX 3 – TABLES

### TABLE A

#### AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AT 09/30/2019

\*Significant audit reports described in previous Semiannual Reports

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
* 2014-FO-0003 Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	See chapter 8, page 27	12/16/2013
* 2014-LA-0005 HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	See chapter 8, page 28	08/08/2014
* 2015-FO-0003 Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	See chapter 8, page 29	02/27/2015
* 2016-FO-0001 Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	See chapter 8, page 29	11/13/2015
* 2016-FO-0003 Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	See chapter 8, page 30	11/18/2015
* 2016-PH-0001 HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	See chapter 8, page 31	06/30/2016
* 2016-PH-0005 HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes	See chapter 8, page 31	09/29/2016
* 2017-FO-0001 Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	See chapter 8, page 32	11/14/2016
* 2017-FO-0003 Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	See chapter 8 page 33	11/15/2016
* 2017-DP-0001 HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	See chapter 8, page 34	02/01/2017
2017-FW-0001 HUD's Office of Community Planning and Development Did Not Appropriately Assess State CDBG Grantees' Risk to the Integrity of CPD Programs or Adequately Monitor Its Grantees	See chapter 8, page 34	07/10/2017

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
2017-CF-0801 HUD Needs To Clarify Whether Illegal-Undocumented Aliens Are Eligible for Assistance Under the Housing Opportunities for Persons With AIDS Program	See chapter 8, page 35	08/21/2017
* 2017-PH-0002 HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That State Disaster Grantees Followed Proficient Procurement Processes	See chapter 8, page 36	09/22/2017
* 2017-NY-0002 HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	See chapter 8, page 38	09/29/2017
* 2018-FO-0004 Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	See chapter 8, page 39	11/15/2017
* 2018-FW-0002 HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program	See chapter 8, page 39	07/23/2018
* 2019-NY-1001 The State of New York Did Not Ensure That Properties Purchased Under the Acquisition Component of Its Program Were Eligible	See chapter 8, page 40	03/29/2019

### EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AT 09/30/2019

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
2014-OE-0002 Risk-Based Enforcement Could Improve Program Effectiveness	See chapter 8, page 41	02/12/2016
2016-OE-0004S Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	See chapter 8, page 42	03/29/2017
2016-OE-0002 HUD Web Application Security Evaluation	See chapter 8, page 42	07/06/2017
2018-OE-0004 HUD IT System Management and Oversight of the Section 184 Program	See chapter 8, page 43	08/13/2018

## TABLE B

### SIGNIFICANT AUDIT REPORTS FOR 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
2005-AT-1013	Corporacion para el Fomento Economico de la Ciudad Capital, San Juan, Puerto Rico, Did Not Administer Its Independent Capital Fund in Accordance with HUD Requirements	09/15/2005	01/11/2006	Note 1
2006-CH-1021	Housing Authority of the County of Cook, Chicago, Illinois, Had Weak Controls over Its Section 8 Housing Choice Voucher Program	09/30/2006	01/26/2007	09/30/2037
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	01/30/2032
2009-AT-0001	HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds	09/28/2009	03/18/2011	Note 1
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
2010-CH-1008	The DuPage Housing Authority Inappropriately Administered Its Section 8 Project-Based Voucher Program, Wheaton, IL	06/15/2010	10/08/2010	11/01/2019
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	Note 1
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	Note 1
2011-CH-1006	The DuPage Housing Authority Inappropriately Administered Its Section 8 Housing Choice Voucher Program, Wheaton, IL	03/23/2011	07/28/2011	11/01/2019
2011-NY-1010	The City of Buffalo Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Buffalo, NY	04/15/2011	01/25/2012	Note 1
2011-AT-1018	The Municipality of San Juan Did Not Properly Manage Its HOME Investment Partnerships Program, San Juan, PR	09/28/2011	01/12/2012	Note 1

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2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	Note 1
2012-PH-0001	HUD Needed To Improve Its Use of Its Integrated Disbursement and Information System To Oversee Its CDBG Program	10/31/2011	02/28/2012	Note 1
2012-LA-0001	HUD Did Not Adequately Support the Reasonableness of the Fee-for-Service Amounts or Monitor the Amounts Charged	11/16/2011	03/27/2012	05/29/2020
2012-AT-1009	The Municipality of Bayamón Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Bayamon, PR	05/23/2012	09/18/2012	Note 1
2012-PH-1011	Prince George's County Generally Did Not Administer Its HOME Program in Accordance With Federal Requirements, Largo, MD	08/03/2012	11/30/2012	Note 1
2012-CH-1012	The Saginaw Housing Commission Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With HUD's and Its Own Requirements, Saginaw, MI	09/27/2012	01/07/2013	01/01/2023
2012-CH-1013	The Flint Housing Commission Did Not Always Administer Its Grants in Accordance With Recovery Act, HUD's, and Its Own Requirements, Flint, MI	09/27/2012	01/24/2013	11/29/2019
2013-PH-1001	Luzerne County Did Not Properly Evaluate, Underwrite, and Monitor a High-Risk Loan, Wilkes-Barre, PA	10/31/2012	01/31/2013	Note 1
2013-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2012 and 2011 Financial Statements	11/15/2012	05/15/2013	Note 1
2013-LA-1003	Bay Vista Methodist Heights Violated Its Agreement With HUD When Administering Its Trust Funds, San Diego, CA	03/14/2013	05/15/2013	12/31/2019
2013-AT-1003	The Municipality of Arecibo Did Not Always Ensure Compliance With CDBG Program Requirements, Arecibo, PR	03/22/2013	06/14/2013	Note 1
2013-NY-1006	Nassau County Did Not Administer Its HOME Investment Partnerships Program in Accordance With HUD Requirements, Nassau County, NY	05/13/2013	09/06/2013	Note 1

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2013-KC-0002	HUD Did Not Enforce the Reporting Requirements of Section 3 of the Housing and Urban Development Act of 1968 for Public Housing Authorities	06/26/2013	10/24/2013	Note 1
2013-LA-1009	The City of Hawthorne Inappropriately Used Nearly \$1.6 Million in HOME Funds for Section 8 Tenants, Hawthorne, CA	09/13/2013	01/06/2014	Note 1
2013-LA-1010	The City of Hawthorne Did Not Administer Its CDBG Program Cost Allocations in Accordance With HUD Rules and Requirements, Hawthorne, CA	09/20/2013	01/06/2014	Note 1
2013-NY-1010	The City of Auburn Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Auburn, NY	09/26/2013	01/24/2014	Note 1
2013-CH-1009	The Flint Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Flint, MI	09/27/2013	01/14/2014	11/29/2019
2013-CH-1011	The Michigan State Housing Development Authority Did Not Follow HUD's Requirements Regarding the Administration of Its Program, Lansing, MI	09/30/2013	01/15/2014	07/31/2029
2013-CH-1012	The Hamtramck Housing Commission Did Not Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hamtramck, MI	09/30/2013	01/21/2014	11/29/2019
2013-DE-1005	The Jefferson County Housing Authority Did Not Properly Use Its Disposition Sales Proceeds, Wheat Ridge, CO	09/30/2013	01/24/2014	02/28/2020
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program	12/03/2013	01/24/2014	Note 1
2014-FO-0001	Government National Mortgage Association Fiscal Years 2013 and 2012 Financial Statements Audit	12/06/2013	05/02/2014	Note 1
2014-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013	07/09/2014	Note 3

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2014-AT-1004	The State of Mississippi Did Not Ensure That Its Subrecipient and Appraisers Complied With Requirements, and It Did Not Fully Implement Adequate Procedures for Its Disaster Infrastructure Program, Jackson, MS	12/30/2013	04/15/2014	Note 1
2014-CH-1002	The City of Detroit Lacked Adequate Controls Over Its Neighborhood Stabilization Program-Funded Demolition Activities Under the Housing and Economic Recovery Act of 2008, Detroit, MI	01/06/2014	05/05/2014	Note 1
2014-FW-0001	The Boston Office of Public Housing Did Not Provide Adequate Oversight of Environmental Reviews of Three Housing Agencies, Including Reviews Involving Recovery Act Funds	02/07/2014	03/17/2015	Note 2
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	Note 1
2014-AT-0001	Violations Increased the Cost of Housing's Administration of Its Bond Refund Program	03/14/2014	07/11/2014	Note 1
2014-FO-0004	HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	04/15/2014	01/07/2015	12/31/2020
2014-CH-1003	The Hamtramck Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, or Its Own Requirements, Hamtramck, MI	04/30/2014	08/08/2014	11/29/2019
2014-FW-0002	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Kansas City Office	05/12/2014	03/17/2015	Note 2
2014-AT-1005	The City of Huntsville, Community Development Department, Did Not Adequately Account for and Administer the Mirabeau Apartments Project, Huntsville, AL	05/29/2014	09/23/2014	Note 1
2014-LA-0004	HUD Could Not Support the Reasonableness of the Operating and Capital Fund Programs' Fees and Did Not Adequately Monitor Central Office Cost Centers	06/30/2014	10/20/2014	05/29/2020
2014-KC-0002	The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems	07/02/2014	10/27/2014	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-NY-1008	Palladia, Inc., Did Not Administer Its Supportive Housing Program in Accordance With HUD Requirements, New York, NY	07/25/2014	11/21/2014	Note 1
2014-AT-1007	The Municipality of Carolina Did Not Properly Administer Its HOME Program, Carolina, PR	08/08/2014	12/05/2014	Note 1
2014-LA-0005	HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	08/08/2014	12/03/2014	Note 3
2014-CH-1006	The Goshen Housing Authority Failed To Follow HUD's and Its Own Requirements Regarding the Administration of Its Program, Goshen, IN	08/14/2014	01/21/2015	12/31/2019
2014-LA-0006	HUD's ONAP Lacked Adequate Controls Over the ICDBG Closeout Process	08/19/2014	12/09/2014	11/29/2019
2014-PH-1008	The State of New Jersey Did Not Fully Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Tourism Marketing Program	08/29/2014	09/02/2015	Note 1
2014-NY-0003	Asset Repositioning Fees for Public Housing Authorities With Units Approved for Demolition or Disposition Were Not Always Accurately Calculated	09/04/2014	12/29/2014	12/31/2020
2014-AT-1010	Miami-Dade County Did Not Always Properly Administer Its HOME Program, Miami, FL	09/11/2014	12/11/2014	Note 1
2014-FW-0005	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Detroit Office	09/24/2014	03/17/2015	Note 2
2014-LA-1007	The City of Los Angeles Did Not Always Ensure That CDBG-Funded Projects Met National Program Objectives, Los Angeles, CA	09/29/2014	01/27/2015	Note 1
2015-NY-1001	The City of New York Did Not Always Disburse CDBG Disaster Recovery Assistance Funds to Its Subrecipient in Accordance With Federal Regulations, New York, NY	11/24/2014	03/23/2015	Note 1
2015-FO-0002	Interim Report on HUD's Internal Controls Over Financial Reporting	12/08/2014	09/28/2015	12/31/2019
2015-FO-0003	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	02/27/2015	06/25/2015	Note 3

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-AT-0001	HUD's Office of Community Planning and Development Did Not Always Pursue Remedial Actions but Generally Implemented Sufficient Controls for Administering Its Neighborhood Stabilization Program	03/31/2015	08/28/2015	Note 1
2015-LA-0001	HUD's Claim Payment System Did Not Always Identify Ineligible FHA-HAMP Partial Claims	04/20/2015	08/19/2015	Note 2
2015-NY-1005	The City of Paterson, NJ's HOME Investment Partnerships Program Controls Did Not Ensure Compliance With Regulations	04/30/2015	06/03/2015	07/30/2023
2015-LA-1004	The Housing Authority of the County of San Bernardino, San Bernardino, CA, Used Shelter Plus Care Program Funds for Ineligible and Unsupported Participants	05/29/2015	09/16/2015	Note 1
2015-PH-1003	The State of New Jersey Did Not Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Disaster Management System	06/04/2015	10/02/2015	Note 1
2015-FW-0001	HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements	06/16/2015	10/07/2015	Note 1
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program	07/06/2015	10/28/2015	12/31/2021
2015-LA-1005	NOVA Financial & Investment Corporation's FHA-Insured Loans With Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	07/09/2015	09/11/2015	Note 1
2015-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Section 203(k) Rehabilitation Loan Mortgage Insurance Program	07/31/2015	11/27/2015	Note 1
2015-KC-0002	The Office of Community Planning and Development's Reviews of Matching Contributions Were Ineffective and Its Application of Match Reductions Was Not Always Correct	08/11/2015	12/09/2015	Note 1
2015-AT-0002	HUD's Office of Multifamily Asset Management and Portfolio Oversight Did Not Comply With Its Requirements For Monitoring Management Agents' Costs	08/21/2015	12/16/2015	Note 1

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2015-NY-1010	New York State Did Not Always Administer Its Rising Home Enhanced Buyout Program in Accordance With Federal and State Regulations	09/17/2015	03/01/2016	Note 1
2015-NY-1011	Program Control Weaknesses Lessened Assurance That New York Rising Housing Recovery Program Funds Were Always Disbursed for Eligible Costs	09/17/2015	03/18/2016	Note 1
2015-CH-1009	The State of Illinois' Administrator Lacked Adequate Controls Over the State's Community Development Block Grant Disaster Recovery Program-Funded Projects	09/30/2015	01/28/2016	06/28/2021
2015-LA-1009	loanDepot's FHA-Insured Loans With Downpayment Assistance Funds Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 1
2015-LA-1010	loanDepot's FHA-Insured Loans With Golden State Finance Authority Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 1
2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015	03/24/2016	Note 3
2016-FO-0002	Fiscal Years 2015 and 2014 Financial Statements Audit	11/16/2015	03/16/2016	Note 1
2016-FO-0003	Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/18/2015	03/22/2016	Note 3
2016-DP-0801	Review of Information System Controls Over the Government National Mortgage Association	11/30/2015	03/30/2016	Note 1
2016-AT-1002	The Municipality of Toa Alta, PR, Did Not Properly Administer Its Section 108 Loan Guarantee Program	12/17/2015	04/12/2016	Note 1
2016-DP-0002	Single Family Insurance System and Single Family Insurance Claims Subsystem	12/21/2015	03/31/2016	Note 1
2016-NY-1003	The City of Rochester, NY, Did Not Always Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	02/05/2016	06/17/2016	Note 1
2016-CH-0001	HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With Its Declaration of Trust Requirements	02/26/2016	06/20/2016	10/01/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-SE-1001	Homewood Terrace, Auburn, WA, Did Not Always Conduct Timely Reexaminations, Properly Request Assistance Payments, or Verify Income Information	03/09/2016	07/06/2016	Note 1
2016-NY-1006	New York State Did Not Always Disburse Community Development Block Grant Disaster Recovery Funds in Accordance With Federal and State Regulations	03/29/2016	07/27/2016	Note 1
2016-NY-1007	The City of Jersey City, NJ's Community Development Block Grant Program Had Administrative and Financial Control Weaknesses	03/30/2016	06/08/2016	Note 1
2016-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act	05/13/2016	10/04/2016	12/31/2020
2016-AT-0001	HUD Did Not Enforce and Sufficiently Revise Its Underwriting Requirements for Multifamily Accelerated Processing Loans	05/20/2016	09/16/2016	12/31/2019
2016-AT-1006	The City of Miami Beach Did Not Always Properly Administer Its HOME Program	06/17/2016	10/05/2016	Note 1
2016-BO-1003	The State of Connecticut Did Not Always Administer Its Neighborhood Stabilization Program in Compliance With HUD Regulations	06/28/2016	10/25/2016	Note 1
2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	06/30/2016	02/16/2017	Note 3
2016-AT-1012	The Municipality of Bayamon, PR, Did Not Always Ensure Compliance With HUD Program Requirements	08/29/2016	12/15/2016	Note 1
2016-DP-0003	Additional Review of Information System Controls Over FHA Information Systems	08/31/2016	12/22/2016	Note 1
2016-FW-1006	The State of Louisiana's Subrecipient Did Not Always Comply With Its Agreement and HUD Requirements When Administering Its Disaster Assistance Programs	08/31/2016	12/16/2016	Note 1
2016-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified	09/12/2016	12/22/2016	04/01/2025
2016-DP-0004	HUD Rushed the Implementation of Phase 1, Release 3, of the New Core Project	09/20/2016	01/10/2017	Note 1

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2016-NY-1010	Folts, Inc., Herkimer, NY, Did Not Administer the Folts Adult Home and Folts Home Projects In Accordance With Their Regulatory Agreements	09/29/2016	03/28/2017	Note 1
2016-CH-1009	The Condominium Association and Management Agent Lacked Adequate Controls Over the Operation of West Park Place Condominium, Chicago, IL	09/30/2016	01/25/2017	Note 1
2016-FW-1010	The State of Oklahoma Did Not Obligate and Spend Its Community Development Block Grant Disaster Recovery Funds in Accordance With Requirements	09/30/2016	01/17/2017	Note 2
2016-PH-1009	The State of New Jersey Did Not Disburse Disaster Funds to Its Contractor in Accordance With HUD, Federal, and Other Applicable Requirements	09/30/2016	01/27/2017	Note 2
2017-BO-1001	The State of Connecticut Did Not Always Comply With CDBG Disaster Recovery Assistance Requirements	10/12/2016	02/01/2017	Note 1
2017-KC-0001	FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time	10/14/2016	02/28/2017	Note 2
2017-BO-1002	The City of Springfield, MA, Needs To Improve Its Compliance with Federal Regulations for Its CDBG Disaster Recovery Assistance Grant	10/17/2016	01/04/2017	Note 2
2017-NY-1001	The City of New York, NY, Implemented Policies That Did Not Always Ensure That CDBG Disaster Recovery Funds Were Disbursed in Accordance With Its Action Plan and Federal Requirements	11/02/2016	05/08/2017	Note 1
2017-FO-0001	Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	11/14/2016	04/06/2017	Note 3
2017-FO-0003	Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2016	09/13/2017	Note 3
2017-NY-1004	The City of New York, NY, Lacked Adequate Controls To Ensure That the Use of CDBG-DR Funds Was Always Consistent With the Action Plan and Applicable Federal and State Requirements	12/21/2016	04/17/2017	Note 1

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2017-NY-1005	Union County, NJ's HOME Investment Partnerships Program Was Not Always Administered in Compliance With Program Requirements	01/13/2017	05/11/2017	Note 2
2017-LA-0002	HUD Failed To Follow Departmental Clearance Protocols for FHA Programs, Policies, and Operations	01/25/2017	09/22/2017	Note 1
2017-DP-0001	HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	02/01/2017	05/25/2017	Note 3
2017-DP-0002	Review of Information Systems Controls Over FHA's Single Family Premiums Collection Subsystem – Periodic and the Single Family Acquired Asset Management System	02/09/2017	06/12/2017	Note 1
2017-KC-1801	Final Action Memorandum: Purchaser of HUD-Insured Single-Family Property Settled Allegations of Causing the Submission of a False Claim	02/23/2017	02/23/2017	06/15/2021
2017-LA-0003	HUD Failed To Adequately Oversee FHA-Insured Loans With Borrower-Financed Downpayment Assistance	03/03/2017	06/22/2017	Note 2
2017-PH-1001	The City of Pittsburgh, PA, Did Not Always Administer Its CDBG Program in Accordance With HUD and Federal Requirements	03/22/2017	07/19/2017	Note 1
2017-CF-1803	United Shore Financial Services, LLC, Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	03/29/2017	03/29/2017	03/27/2022
2017-CH-1801	Final Civil Action: Judgment Imposed on the Former President and Founder of MDR Mortgage Corporation Regarding Allegations of Failing To Comply With HUD's Federal Housing Administration Requirements	03/31/2017	08/31/2017	Note 1
2017-NY-0001	HUD PIH's Required Conversion Program Was Not Adequately Implemented	05/18/2017	09/15/2017	12/31/2023
2017-KC-0003	HUD Did Not Ensure That Lenders Properly Processed Voluntary Terminations of Insurance Coverage on FHA Loans and Disclosed All Implications of the Terminations to the Borrowers	05/22/2017	09/19/2017	11/01/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-PH-1003	The Yorkville Cooperative, Fairfax, VA, Did Not Administer Its HUD-Insured Property and Housing Assistance Contract According to Applicable Requirements	05/22/2017	09/19/2017	Note 1
2017-KC-0005	Owners of Cooperative Housing Properties Generally Charged More for Their Section 8 Units Than for Their Non-Section 8 Units	06/12/2017	10/06/2017	Note 1
2017-LA-1005	The City of Huntington Park, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements	06/16/2017	10/17/2017	Note 2
2017-FW-1009	Beverly Place Apartments, Groves, TX, Subsidized Nonexistent Tenants, Unqualified Tenants, and Tenants With Questionable Qualifications	06/29/2017	10/20/2017	Note 2
2017-CH-1002	The Youngstown Metropolitan Housing Authority, Youngstown, OH, Did Not Always Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program	07/07/2017	11/03/2017	11/02/2019
2017-KC-0006	HUD Did Not Conduct Rulemaking or Develop Formal Procedures for Its Single-Family Note Sales Program	07/14/2017	10/19/2017	03/31/2020
2017-LA-1006	The City of Fresno, CA, Did Not Administer Its Community Development Block Grant in Accordance With HUD Requirements	08/09/2017	11/21/2017	Note 2
2017-PH-1005	The State of New Jersey Did Not Always Disburse Disaster Funds for Its Sandy Homebuyer Assistance Program To Assist Eligible Home Buyers	08/14/2017	11/15/2017	Note 1
2017-AT-1011	The Lexington Housing Authority, Lexington, NC, Did Not Administer Its RAD Conversion in Accordance With HUD Requirements	08/21/2017	12/11/2017	12/31/2019
2017-FW-1011	BLM Companies LLC Failed To Ensure That It Protected and Preserved HUD Properties Under Its Field Service Manager Contract for Area 1D	08/29/2017	12/26/2017	Note 2
2017-FW-1012	The City of New Orleans, New Orleans, LA, Did Not Always Properly Administer Its HOME Program	09/06/2017	12/19/2017	Note 2

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2017-KC-0007	HUD Subsidized 10,119 Units for Tenants Who Were Undercharged Flat Rents	09/12/2017	12/01/2017	12/31/2019
2017-LA-0004	HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation	09/14/2017	01/11/2018	Note 2
2017-NY-1010	The State of New York Did Not Show That Disaster Recovery Funds Under Its Non-Federal Share Match Program Were Used for Eligible and Supported Costs	09/15/2017	01/12/2018	Note 1
2017-LA-0005	HUD Did Not Always Follow Applicable Requirements When Forgiving Debts and Terminating Debt Collections	09/21/2017	01/17/2018	Note 2
2017-PH-1006	The Owner of Schwenckfeld Manor, Lansdale, PA, Did Not Always Manage Its HUD-Insured Property in Accordance With Applicable HUD Requirements	09/25/2017	01/23/2018	Note 2
2017-CF-1807	Residential Home Funding Corp. Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	09/28/2017	09/28/2017	09/30/2021
2017-DP-0003	New Core Project: Although Transaction Processing Had Improved, Weaknesses Remained	09/28/2017	01/25/2018	Note 2
2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017	01/26/2018	Note 3
2017-CH-1009	The Owner and Management Agents Lacked Adequate Controls Over the Operation of Mary Scott Nursing Center, Dayton, OH	09/30/2017	01/26/2018	Note 2
2017-CH-1011	BLM Companies LLC, Hurricane, UT, Did Not Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements	09/30/2017	01/25/2018	Note 2
2018-FO-0003	Fiscal Years 2017 and 2016 (Restated) Financial Statements Audit	11/15/2017	04/03/2018	Note 1
2018-FO-0004	Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2017	07/02/2018	Note 3

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2018-AT-1802	Yabucoa Housing Project, Yabucoa Volunteers of America Elderly Housing, Inc., Yabucoa, PR, Section 202 Supportive Housing for the Elderly Program	12/29/2017	04/20/2018	Note 2
2018-CF-0801	Management Alert: HUD Did Not Provide Acceptable Oversight of the Physical Condition of Residential Care Facilities	01/05/2018	08/14/2018	12/31/2019
2018-FW-1001	Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program	01/29/2018	05/22/2018	Note 2
2018-NY-1003	The Housing Authority of the City of Asbury Park, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements	02/08/2018	06/07/2018	01/28/2050
2018-PH-1001	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Administer Its Housing Choice Voucher Program in Accordance With Applicable Program Requirements	02/12/2018	06/11/2018	11/25/2019
2018-DP-0002	Review of Selected FHA Information Systems and Credit Reform Estimation and Reestimation Process Applications	02/13/2018	05/07/2018	Note 2
2018-PH-1002	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Ensure That Its Program Units Met Housing Quality Standards and That It Accurately Calculated Housing Assistance Payment Abatements	02/16/2018	06/12/2018	11/25/2019
2018-KC-1001	CitiMortgage, Inc., O'Fallon, MO, Improperly Filed for FHA-HAMP Partial Claims Before Completing the Loan Modifications and Reinstating the Loans	03/05/2018	06/13/2018	Note 2
2018-DP-0003	Fiscal Year 2017 Review of Information Systems Controls in Support of the Financial Statements Audit	03/09/2018	06/07/2018	Note 2
2018-KC-0802	Limited Review of HUD Multifamily Waiting List Administration	03/22/2018	07/25/2018	Note 2
2018-CF-1801	MetLife Home Loans, LLC, and a Borrower's Son Settled Allegations of Failing To Comply With HUD's Federal Housing Administration HECM Loan Requirements	03/23/2018	08/09/2018	Note 2
2018-KC-0001	FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements	03/26/2018	07/11/2018	01/31/2020

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2018-LA-1003	The City of South Gate, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	03/29/2018	07/25/2018	Note 2
2018-KC-1002	The Kansas City, MO, Health Department Did Not Spend Funds in Accordance With HUD Requirements	04/06/2018	08/02/2018	Note 2
2018-SE-1001	The Spokane, WA, Housing Authority Did Not Follow Permanent Relocation Requirements for Its RAD Conversion of the Parsons Apartments	04/24/2018	05/15/2018	Note 2
2018-FW-1003	The Texas General Land Office, Austin, TX, Should Strengthen Its Capacity To Administer Its Hurricane Harvey Disaster Grants	05/07/2018	08/16/2018	Note 2
2018-LA-0002	HUD Did Not Have Adequate Controls To Ensure That Grantees Submitted Accurate Tribal Enrollment Numbers for Program Funding	05/07/2018	08/23/2018	12/31/2020
2018-FW-1004	The City of Dallas, TX, HOME Investment Partnerships Program Was Not Always Administered in Accordance With Requirements	05/08/2018	08/30/2018	06/08/2020
2018-FW-0802	Interim Report - Potential Antideficiency Act and Generally Accepted Accounting Principle Violations Occurred With Disaster Relief Appropriation Act, 2013, Funds	05/15/2018	09/12/2018	Note 2
2018-CH-0002	HUD Lacked Adequate Oversight of Lead-Based Paint Reporting and Remediation in Its Public Housing and Housing Choice Voucher Programs	06/14/2018	12/06/2018	12/31/2021
2018-BO-1003	The City of Providence, RI, Did Not Properly Administer Its HOME Program	06/20/2018	09/28/2018	Note 2
2018-FW-0001	CPD's Risk Assessment and Monitoring Program Did Not Provide Effective Oversight of Federal Funds	06/26/2018	10/16/2018	10/15/2019
2018-AT-1006	The Lexington-Fayette Urban County Housing Authority, Lexington, KY, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements	07/13/2018	11/09/2018	02/28/2020

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-AT-1008	The Lexington-Fayette Urban County Housing Authority, Lexington, KY, Did Not Fully Comply With HUD's Program Requirements After the Completion of Its Rental Assistance Demonstration Program Conversion	07/13/2018	11/09/2018	02/28/2020
2018-AT-1009	The Pell City Housing Authority, Pell City, AL, Did Not Always Administer Its and the Ragland Housing Authority, Ragland, AL's Funds in Accordance With HUD Requirements	07/23/2018	10/23/2018	10/22/2019
2018-FW-1005	Eastwood Terrace Apartments, Nacogdoches, TX, Multifamily Section 8, Subsidized Questionable Tenants, Overhoused Tenants, and Uninspected Units	08/02/2018	11/26/2018	Note 2
2018-KC-0002	HUD's Office of the Chief Financial Officer Did Not Locate or Recover Its Funds Held by State Unclaimed Property Administrators	08/07/2018	08/07/2018	Note 2
2018-FW-1802	Final Civil Action: The Former Executive Director of the Housing Authority of the City of Beeville, TX, Et Al, Settled False Claims Allegations in the Housing Choice Voucher Program	08/21/2018	08/21/2018	12/31/2022
2018-LA-0801	The Office of Native American Programs Section 184 Program Continues To Operate Without Adequate Oversight 3 Years After the Prior OIG Audit	08/27/2018	12/21/2018	12/31/2021
2018-FW-0003	REAC Could Improve Its Inspections Processes and Controls	08/31/2018	11/14/2018	11/14/2019
2018-FW-1006	Louis Manor Apartments, Port Arthur, TX, Multifamily Section 8 Program, Subsidized Unsupported Tenants and Uninspected Units	08/31/2018	02/27/2019	01/31/2020
2018-DE-1001	Meeker Housing Authority, Meeker, CO, Improperly Used Project Operating Funds for Its 221(d)(3) Multifamily Housing Insurance Program	09/06/2018	04/05/2019	03/02/2020
2018-PH-0002	HUD Did Not Provide Adequate Oversight of Its Family Self-Sufficiency Program	09/10/2018	02/04/2019	12/31/2019
2018-BO-0001	HUD's Office of Residential Care Facilities Did Not Always Have and Use Financial Information To Adequately Assess and Monitor Nursing Homes	09/17/2018	03/07/2019	12/02/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-CH-1006	The Columbus Metropolitan Housing Authority, Columbus, OH, Did Not Always Comply With HUD's Requirements Regarding the Administration of Its Public Housing Operating and Capital Fund Programs	09/18/2018	12/20/2018	12/31/2019
2018-BO-1005	The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs	09/19/2018	03/27/2019	02/15/2020
2018-KC-0004	HUD Did Not Always Identify and Collect Partial Claims Out of Surplus Foreclosure Proceeds	09/20/2018	04/18/2019	12/31/2021
2018-LA-0005	HUD Did Not Have Adequate Controls To Ensure That Partial Claim Notes for FHA Loans Were Properly Tracked for Future Collection	09/21/2018	03/08/2019	03/21/2020
2018-PH-1006	The Owner of Luther Towers II, Wilmington, DE, Did Not Manage Its HUD-Insured Project in Accordance With Its Regulatory Agreement and HUD Requirements	09/21/2018	02/22/2019	02/22/2020
2018-NY-0001	HUD Did Not Adequately Administer Its Housing Counseling Program	09/24/2018	02/26/2019	03/31/2021
2018-CH-1007	The Housing Authority of the County of Lake, Grayslake, IL, Did Not Always Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program	09/25/2018	12/20/2018	12/20/2019
2018-PH-1007	The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Public Housing Program Operating and Capital Funds	09/25/2018	03/01/2019	12/31/2019
2018-NY-1005	The Red Bank Housing Authority, Red Bank, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements	09/26/2018	02/28/2019	02/27/2020
2018-NY-1006	The Buffalo Municipal Housing Authority, Buffalo, NY, Did Not Administer Its Operating Funds in Accordance With Requirements	09/26/2018	02/26/2019	01/24/2020
2018-PH-1008	The City of Erie, PA, Did Not Always Administer Its Code Enforcement and Community Policing Activities in Accordance With HUD and Federal Requirements	09/26/2018	03/07/2019	12/31/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-CH-1008	Hamilton County, OH, and People Working Cooperatively, Inc., Did Not Always Comply With HUD's Requirements in the Use of Community Development Block Grant Funds for a Housing Repair Services Program	09/27/2018	03/26/2019	03/31/2020
2018-KC-0005	HUD's Travel Cards Were Used for Unauthorized, Unsupported, or Ineligible Purchases in at Least 950 Instances Totaling More Than \$95,000	09/27/2018	03/07/2019	04/02/2020
2018-LA-0007	HUD Paid an Estimated \$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays	09/27/2018	04/03/2019	04/02/2021
2018-NY-1007	The City of New York, NY, Did Not Always Use Disaster Recovery Funds Under Its Program for Eligible and Supported Costs	09/27/2018	02/28/2019	Note 2
2018-AT-0801	HUD's Improper Approvals Resulted in Invalid Exemptions and an Ineligible Capital Funds Expenditure for the Lexington-Fayette Urban County Housing Authority	09/28/2018	03/18/2019	03/01/2020
2018-AT-1011	The City of Hattiesburg, MS, Did Not Always Administer Its HOME Investment Partnerships Program in Accordance With HUD's and Its Own Requirements	09/28/2018	02/13/2019	03/10/2020
2018-CH-1009	The Owner and Management Agent for Rainbow Terrace Apartments, Cleveland, OH, Did Not Always Operate the Project in Accordance With the Regulatory Agreement and HUD's Requirements	09/28/2018	03/25/2019	02/21/2020
2018-FW-1007	The State of Louisiana, Baton Rouge, LA, Did Not Always Maintain Adequate Documentation or Comply With Website Reporting Requirements	09/28/2018	03/29/2019	Note 2
2018-NY-1008	The Newark Housing Authority, Newark, NJ, Did Not Ensure That Units Met Housing Quality Standards and That It Accurately Calculated Abatements	09/28/2018	03/04/2019	02/29/2020
2018-PH-0003	HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program	09/28/2018	02/22/2019	02/21/2020

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-CF-0802	HUD Failed To Enforce the Terms of a Settlement Agreement With Fifth Third Bank Because It Did Not Record Indemnified Loans in Its Tracking System	09/29/2018	12/21/2018	11/19/2019
2018-CH-1010	The City of Chicago's Department of Public Health, Chicago, IL, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD's and Its Own Requirements	09/30/2018	03/14/2019	02/28/2020

**SIGNIFICANT AUDIT REPORTS ISSUED WITHIN THE PAST 12 MONTHS THAT WERE DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS FOR WHICH FINAL ACTION HAD NOT BEEN COMPLETED AS OF 09/30/2019**

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2019-FO-0002	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2018 and 2017 (Restated)	11/14/2018	05/30/2019	03/26/2020
2019-FO-0003	Additional Details To Supplement Our Fiscal Years 2018 and 2017 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2018	07/11/2019	09/30/2021
2019-AT-1001	The Owners of Civic Towers and Civic Towers Senior in Miami, FL, Generally Corrected Section Eight Housing Assistance Payments To Address Duplicate Benefits and Ensured That the Payments Were Eligible and Supported	12/14/2018	04/08/2019	12/27/2019
2019-CH-1001	The Housing Authority of the City of North Chicago, North Chicago, IL, Did Not Always Comply With HUD's Requirements and Its Own Policies Regarding the Administration of Its Housing Choice Voucher Program	12/20/2018	03/28/2019	02/28/2024
2019-DP-0001	Information System Control Over Integrated Pool Management System	12/21/2018	04/11/2019	12/31/2019
2019-CH-1002	The Detroit Housing Commission, Detroit, MI, Did Not Always Administer Its Moderate Rehabilitation Program in Accordance With HUD's and Its Own Requirements	02/06/2019	06/05/2019	05/23/2020

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2019-LA-1003	The City of San Bernardino, CA, Did Not Fully Administer Its HOME Investment Partnerships Program in Accordance With HUD Requirements	02/20/2019	04/25/2019	02/19/2020
2019-DP-0002	Review of Selected Controls of the GrantSolutions and OneStream Applications	02/28/2019	05/07/2019	12/31/2019
2019-AT-1002	Louisville Metro, Louisville, KY, Did Not Always Administer the TBRA Activity in Its HOME and CoC Programs in Accordance With Program Requirements	03/18/2019	07/16/2019	01/16/2020
2019-DP-0004	Fiscal Year 2018 Review of Information Systems Controls in Support of the Financial Statements Audit	03/27/2019	06/20/2019	08/31/2020

### Audits excluded:

88 audits under repayment plans

34 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 more than 1 year old.

2 Management did not meet the target date. Target date is less than 1 year old.

3 No management decision

## SIGNIFICANT EVALUATION REPORTS FOR 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
2013-ITED-0001	FY 2013 Federal Information Security Management Act (FY13 FISMA)	11/29/2013	11/29/2013	Note 1
2014-ITED-0001	HUD Cybersecurity Privacy Programs (Privacy)	04/30/2014	04/30/2014	Note 1
2014-OE-0003	FY 2014 Federal Information Security Modernization Act (FY14 FISMA)	11/15/2014	11/15/2014	Note 1
2015-OE-0001	FY 2015 Federal Information Security Modernization Act (FY15 FISMA)	11/15/2015	11/15/2015	Note 1
2015-OE-0002	HUD IT Modernization	09/28/2015	09/25/2015	Note 1
2014-OE-0002	Risk-Based Enforcement Could Improve Program Effectiveness	02/12/2016	04/09/2019	Note 3
2016-OE-0006	FY 2016 Federal Information Security Modernization Act (FY16 FISMA)	11/10/2016	11/10/2016	Note 1
2016-OE-0004S	Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017	08/20/2019	Note 3
2016-OE-0002	HUD Web Application Security Evaluation	07/06/2017	06/02/2017	Note 3
2017-OE-0007	FY 2017 Federal Information Security Modernization Act (FY17 FISMA)	10/31/2017	08/16/2018	Note 1
2017-OE-0014	HUD's Oversight of the Alexander County Housing Authority	07/24/2018	09/13/2018	Note 1
2018-OE-0002	Fire Safety Planning for the Weaver Building Needs Improvement	06/12/2018	11/29/2018	Note 1
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	08/13/2018	11/26/2018	Note 2

**SIGNIFICANT EVALUATION REPORTS ISSUED WITHIN THE PAST 12 MONTHS THAT WERE DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS FOR WHICH FINAL ACTION HAD NOT BEEN COMPLETED AS OF 09/30/2019**

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-OE-0003	FY 2018 Federal Information Security Modernization Act (FY18 FISMA)	10/31/2018	05/17/2019	Note 2

**Notes:**

- 1 Management did not meet the target date. Target date is more than 1 year old.
- 2 Management did not meet the target date. Target date is less than 1 year old.
- 3 No management decision

## TABLE C

## INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED AND UNSUPPORTED COSTS AT 09/30/2019 (IN THOUSANDS)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
<b>A1</b>	For which no management decision had been made by the beginning of the reporting period	10	\$67,047	\$19,744
<b>A2</b>	For which litigation, legislation, or investigation was pending at the beginning of the reporting period	2	24,559	2,744
<b>A3</b>	For which additional costs were added to reports in beginning inventory	-	2,550	1,319
<b>A4</b>	For which costs were added to noncost reports	1	1	0
<b>B1</b>	Which were issued during the reporting period	31	985,363	407,679
<b>B2</b>	Which were reopened during the reporting period	0	0	0
<b>Subtotals (A+B)</b>		44	1,079,520	431,486
<b>C</b>	For which a management decision was made during the reporting period	19 <sup>20</sup>	66,554	11,767
	(1) Dollar value of disallowed costs:			
	Due HUD	8 <sup>21</sup>	50,927	5,809
	Due program participants	14	15,428	5,759
	(2) Dollar value of costs not disallowed	1 <sup>22</sup>	199	199
<b>D</b>	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	1	20,157	0
<b>E</b>	For which no management decision had made by the end of the reporting period	23 <60> <sup>23</sup>	992,809 <955,494> <sup>23</sup>	419,719 <405,025> <sup>23</sup>

<sup>20</sup> Seven audit reports also contain recommendations with funds to be put to better use.

<sup>21</sup> Three audit reports also contain recommendations with funds due program participants.

<sup>22</sup> One audit report also contains recommendations with funds agreed to by management.

<sup>23</sup> The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D below table D.

## TABLE D

## INSPECTOR GENERAL-ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE AT 09/30/2019 (IN THOUSANDS)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	DOLLAR VALUE
<b>A1</b>	For which no management decision had been made by the beginning of the reporting period	14	\$9,562,221
<b>A2</b>	For which litigation, legislation, or investigation was pending at the beginning of the reporting period	0	0
<b>A3</b>	For which additional costs were added to reports in beginning inventory	-	4,809
<b>A4</b>	For which costs were added to noncost reports	0	0
<b>B1</b>	Which were issued during the reporting period	16	6,689,573
<b>B2</b>	Which were reopened during the reporting period	0	0
<b>Subtotals (A+B)</b>		30	16,256,603
<b>C</b>	For which a management decision was made during the reporting period	10 <sup>24</sup>	961,941
	(1) Dollar value of recommendations that were agreed to by management:		
	Due HUD	3	925,879
	Due program participants	6	35,920
	(2) Dollar value of recommendations that were not agreed to by management	2 <sup>25</sup>	142
<b>D</b>	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	0	0
<b>E</b>	For which no management decision had made by the end of the reporting period	20 <17> <sup>26</sup>	15,294,662 <11,780,849> <sup>26</sup>

<sup>24</sup> Seven audit reports also contain recommendations with questioned costs.

<sup>25</sup> One audit report also contains recommendations with funds agreed to by management.

<sup>26</sup> 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 recognize their efforts.

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

## APPENDIX 4 – INSPECTOR GENERAL EMPOWERMENT ACT

*The Inspector General Empowerment Act (Public Law 114-317) (IGEA), enacted in December 2016, contains several reporting requirements in the Offices of Inspector General's (OIG) Semiannual Reports to Congress (SAR). Below are the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), statutory requirements as stipulated in the IGEA, with hyperlinks to the detailed information located on its website at [www.hudoig.gov](http://www.hudoig.gov).*

### Summary of Reports With No Establishment Comment

*The IGEA requires OIGs to report on each audit and evaluation report for which the Department did not return comments within 60 days of HUD OIG's providing the report to the Department.*

On February 22, 2019, HUD OIG's Office of Investigation delivered Systemic Implication Report (SIR) FY (fiscal year) 19-001, Systemic Implication Report Pertaining to the Housing Choice Voucher Program Initial Certification and Annual Recertifications, to HUD's Office of Public and Indian Housing. Specifically, the SIR recommended that HUD standardize the initial certification and annual recertification questionnaire for the Housing Choice Voucher Program. It specifically recommended that HUD standardize and require the use of a personal declaration form regarding a tenant's declaration of his or her income and assets. The Department did not respond within the requisite 60 days, and HUD OIG had not received a response as of September 30, 2019.

### Summary of Reports With Open Recommendations

*The IGEA requires OIGs to report on each audit and evaluation report for which there are any outstanding unimplemented recommendations, including the combined potential cost savings of these recommendations. Summaries for the Office of Audit and Office of Evaluation (OE) are presented below.*

The details of each open recommendation can be found on OIG's website at <https://www.hudoig.gov/library/semiannual-reports>.

## AUDIT

The Department currently has 1,760 outstanding (open) unimplemented recommendations with a combined potential cost savings of nearly \$25 billion. The following table and charts reflect the reasons why they remain unimplemented:

- 1,569 recommendations have active corrective action plans in place or valid repayment plans, but HUD has not finished implementing the recommendation.
- 191 recommendations are currently without management decisions (agreement between the Department and OIG), 48 of which are beyond the 180-day statutory requirement due to disagreement and were reported in table A of OIG's Semiannual Report to Congress. The remainder are within the 180-day limit, during which time management and OIG can arrive at an agreed-upon corrective action plan.
- 421 open recommendations have management decisions in place but are currently under investigative, legislative, or judicial action or under a valid repayment plan and are, therefore, suspended pending resolution.

OFFICE OF AUDIT OPEN RECOMMENDATIONS		
Calendar year	Number of open recommendations	Cumulative estimated cost savings from open recommendations
Pre-2001	4	\$3,920,288
2001	1	240,000
2002	7	1,382,626
2003	14	1,813,658
2004	8	8,303,357
2005	5	3,006,373
2006	15	10,996,201
2007	18	5,207,180
2008	33	72,339,854
2009	29	80,007,224
2010	24	23,911,025
2011	42	100,086,158
2012	29	19,117,105
2013	92	393,535,823
2014	171	554,820,823
2015	152	1,153,952,566
2016	243	8,448,844,579
2017	242	1,423,515,123
2018	393	5,040,518,907
2019	238	7,642,209,116
Total	1,760	24,987,727,986

## EVALUATION

The following table summarizes OE reports with open recommendations.

OFFICE OF EVALUATION OPEN RECOMMENDATIONS	
Reporting period	Number of open recommendations
2013	10
2014	22
2015	24
2016	9
2017	26
2018	61
2019	0
Total	152

OE conducts evaluations focused on improving departmental process and programs. As of the writing of this SAR, OE's recommendations have not focused on producing direct cost savings but, rather, improving program effectiveness, reducing the likelihood of negative outcomes, and addressing HUD's top management challenges.

## Statistical Table Showing Investigative Report Metrics

The IGEA requires the SAR to include statistical tables and metrics for investigative cases.

OFFICE OF INVESTIGATION IGEA STATISTICAL TABLE	
Requirement	Total
A. Total number of investigative reports issued during the reporting period. <sup>27</sup>	208
B. Total number of persons referred to the U.S. Department of Justice for criminal prosecution during the reporting period. <sup>28</sup>	150*
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period.	71*
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities.	113
<p>* The data used in this statistical table were extracted from HUD OIG's Case Management System. The Case Management System and its underlying infrastructure allow for data input and maintain data integrity during the complete investigative case cycle, while ensuring data privacy and confidentiality. The system was developed in .Net 4.5.1, and the database is SQL 2012. HUD OIG develops queries to extract data from the Case Management System to meet business requirements, such as the information used to create this statistical table. The footnotes referenced in the table provide additional guidance pertaining to each requested category of information.</p>	

## Investigations of Senior Government Employees

The IGEA requires OIG to summarize in the SAR each investigation involving a senior government employee when allegations of misconduct were substantiated. Listed below are the cases for this reporting period.

A senior HUD OIG employee received a letter of reprimand for misconduct. During a HUD OIG management assistance review, irregularities were discovered in a field office's evidence room. An investigation into this matter determined there was a discrepancy between what had been logged into and out of evidentiary custody and what was maintained within the evidence room. HUD OIG referred this case to the United States Attorney's Office; however, the matter was declined for prosecution.

## Instances of Whistleblower Retaliation

The IGEA requires OIG to include in the SAR a detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences the establishment imposed to hold that official accountable.

There are no instances of whistleblower retaliation to report in this SAR period.

<sup>27</sup> Includes approved Reports of Investigations

<sup>28</sup> Includes all charging documents reported: criminal complaints, indictments, informations, and superseding indictments

## OIG Independence

*The IGEA requires OIG to include in the SAR a detailed description of any attempt by the establishment to interfere with the independence of OIG, including incidents in which the establishment has resisted or objected to oversight activities or restricted or significantly delayed access to information.*

On April 29, 2019, the Inspector General issued a management alert to Secretary Benjamin Carson, Sr., to inform him of significant deficiencies in the process used by the Department to provide OIG with access electronically stored information. The departmental failures resulted in unreasonable delays, seriously impeding OIG's ability to carry out its oversight function.

The management alert requested that the Department take immediate action to address the shortcomings in its process to ensure that OIG has timely access to all requested records as required by the Inspector General Act of 1978 as amended.

## Reports That Were Closed During the Period That Were Not Disclosed to the Public

*Section 5(a)(22) of the IGEA, as amended, requires that OIG report on each audit and investigation conducted by the office that is closed during the reporting period and was not disclosed to the public.*

During the current reporting period, OIG has one investigation report that was closed but not disclosed to the public. The allegations include the following:

## INVESTIGATION

It was alleged that a senior HUD official made false statements on his Government Ethics, Public Financial Disclosure Report (OGE Form 278e); specifically, that the employee failed to disclose debts related to an eviction, boat slip and dockage fees, and a car note on the OGE Form 278e. The investigation revealed no evidence to substantiate the allegation involving false statements on the OGE Form 278e. HUD OIG did not refer this case to the United States Attorney's Office because no criminal violations occurred.

# OIG TELEPHONE DIRECTORY

## OFFICE OF AUDIT

### HEADQUARTERS OFFICE

Washington, DC 202-708-0364

### REGION 1

Boston, MA 617-994-8380

Hartford, CT 860-240-9739

### REGION 2

New York, NY 212-264-4174

Buffalo, NY 716-551-5755

Newark, NJ 973-622-7900

### REGION 3

Philadelphia, PA 215-656-0500

Baltimore, MD 410-962-2520

Pittsburgh, PA 412-644-6372

Richmond, VA 804-771-2100

### REGION 4

Atlanta, GA 404-331-3369

Greensboro, NC 336-547-4001

Miami, FL 305-536-5387

San Juan, PR 787-766-5540

### REGION 5

Chicago, IL 312-913-8499

Columbus, OH 614-280-6138

Detroit, MI 313-226-6190

<b>REGION 6</b>	Fort Worth, TX	817-978-9309
	Baton Rouge, LA	225-448-3975
	Houston, TX	713-718-3199
	New Orleans, LA	504-671-3000
	Albuquerque, NM	505-346-6463
	Oklahoma City, OK	405-609-8606
	San Antonio, TX	210-475-6800

<b>REGION 7-8-10</b>	Kansas City, KS	913-551-5870
	St. Louis, MO	314-539-6339
	Denver, CO	303-672-5452
	Seattle, WA	206-220-5360

<b>REGION 9</b>	Los Angeles, CA	213-894-8016
	Las Vegas, NV	702-366-2100
	Phoenix, AZ	602-379-7250
	San Francisco, CA	415-489-6400

## OFFICE OF EVALUATION

<b>HEADQUARTERS</b>	Washington, DC	202-708-0430
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## OFFICE OF INVESTIGATION

<b>HEADQUARTERS</b>	Washington, DC	202-708-5998
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<b>REGION 1-2</b>	New York, NY	212-264-8062
	Boston, MA	617-994-8450
	Hartford, CT	860-240-4800
	Manchester, NH	603-666-7988
	Newark, NJ	973-776-7347

<b>REGION 3</b>	Philadelphia, PA	215-430-6756
	Baltimore, MD	410-209-6695
	Pittsburgh, PA	412-644-2668
	Richmond, VA	804-822-4890
<b>REGION 4</b>	Atlanta, GA	404-331-5001
	Greensboro, NC	336-547-4000
	Miami, FL	305-536-3087
	San Juan, PR	787-766-5868
<b>REGION 5</b>	Chicago, IL	312-353-4196
	Cleveland, OH	216-357-7800
	Columbus, OH	614-469-5737
	Detroit, MI	313-226-6280
	Indianapolis, IN	317-957-7377
	Minneapolis-St. Paul, MN	612-370-3130
<b>REGION 6</b>	Fort Worth, TX	817-978-5440
	Baton Rouge, LA	225-448-3941
	Houston, TX	713-718-3220
	New Orleans, LA	504-671-3700
	Oklahoma City, OK	405-609-8601
	San Antonio, TX	210-475-6822

<b>REGION 7-8-10</b>	Denver, CO	303-672-5350
	Billings, MT	406-247-4080
	Kansas City, KS	913-551-5566
	Salt Lake City, UT	801-524-6091
	St. Louis, MO	314-539-6559
	Seattle, WA	206-220-5380

<b>REGION 9</b>	Los Angeles, CA	213-534-2496
	Las Vegas, NV	702-366-2144
	Phoenix, AZ	602-379-7252
	Sacramento, CA	916-930-5693
	San Francisco, CA	415-489-6685

## **JOINT CIVIL FRAUD**

<b>Audit</b>	Kansas City, KS	913-551-5566
<b>Investigation</b>	Kansas City, KS	913-551-5566

# ACRONYMS AND ABBREVIATIONS LIST

<b>ACD</b>	Accelerated Claims Disposition
<b>ASC</b>	Accounting Standards Codification
<b>CDBG</b>	Community Development Block Grant
<b>CDBG-DR</b>	Community Development Block Grant Disaster Recovery
<b>CFR</b>	Code of Federal Regulations
<b>CHDO</b>	community housing development organization
<b>CO</b>	carbon monoxide
<b>CoC</b>	Continuum of Care
<b>CPD</b>	Office of Community Planning and Development
<b>CWCOT</b>	Claims Without Conveyance of Title program
<b>DEC</b>	Departmental Enforcement Center
<b>DHS</b>	U.S. Department of Homeland Security
<b>DoD</b>	U.S. Department of Defense
<b>DOT</b>	U.S. Department of Transportation
<b>FBI</b>	Federal Bureau of Investigation
<b>FFMIA</b>	Federal Financial Management Improvement Act of 1996
<b>FHA</b>	Federal Housing Administration
<b>FHFA</b>	Federal Housing Finance Agency
<b>FSSP</b>	Federal shared service provider
<b>FY</b>	fiscal year
<b>GAAP</b>	generally accepted accounting principles
<b>Ginnie Mae</b>	Government National Mortgage Association
<b>HAMP</b>	Home Affordable Modification Program
<b>HECM</b>	home equity conversion mortgage
<b>HOPWA</b>	Housing Opportunities for Persons With AIDS
<b>HPD</b>	New York City Department of Housing Preservation and Development
<b>HUD</b>	U.S. Department of Housing and Urban Development

# ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

<b>HUDAR</b>	HUD Acquisition Regulation
<b>IAA</b>	interagency agreement
<b>ICDBG</b>	Indian Community Development Block Grant
<b>IDIS</b>	Integrated Disbursement and Information System
<b>IGEA</b>	Inspector General Empowerment Act
<b>IPERA</b>	Improper Payments Elimination and Recovery Act of 2010
<b>IRS</b>	Internal Revenue Service
<b>IT</b>	information technology
<b>LIHTC</b>	Low-Income Housing Tax Credit
<b>LOS</b>	Loan Origination System
<b>LTW</b>	Louisiana, Texas, and West Virginia
<b>MHI</b>	mortgage held for investment
<b>MRI</b>	minimum required investment
<b>MSS</b>	master servicer
<b>NCIS</b>	New Core Interface Solution
<b>NSP</b>	Neighborhood Stabilization Program
<b>NSPIRE</b>	National Standards for the Physical Inspection of Real Estate
<b>OBGA</b>	Office of Block Grant Assistance
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OCIO</b>	Office of the Chief Information Officer
<b>OCPO</b>	Office of the Chief Procurement Officer
<b>OE</b>	Office of Evaluation
<b>OI</b>	Office of Investigation
<b>OIG</b>	Office of Inspector General
<b>ONAP</b>	Office of Native American Programs
<b>OSC</b>	Office of Special Counsel
<b>PBRA</b>	Project-Based Rental Assistance
<b>PHA</b>	public housing agency

## ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

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<b>PIH</b> .....	Office of Public and Indian Housing
<b>PP&amp;E</b> .....	plant, property, and equipment
<b>PRWORA</b> .....	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
<b>PTD</b> .....	Performance Tracking Database
<b>RAD</b> .....	Rental Assistance Demonstration Program
<b>REAC</b> .....	Real Estate Assessment Center
<b>RREM</b> .....	Rehabilitation, Reconstruction, Elevation, and Mitigation
<b>SAR</b> .....	Semiannual Report to Congress
<b>SEMAP</b> .....	Section Eight Management Assessment Program
<b>SIR</b> .....	Systemic Implication Report
<b>U.S.C.</b> .....	United States Code
<b>USDA</b> .....	U.S. Department of Agriculture

# 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.

SOURCE-REQUIREMENT	PAGES
Section 4(a)(2)-review of existing and proposed legislation and regulations.	22
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-19, 46-47
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	27-45
Section 5(a)(3) <sup>26</sup> -identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, table B, 56-74
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	1-21
Section 5(a)(5)-summary of reports made on instances where information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No instances
Section 5(a)(6)-listing of each audit report completed during the reporting period, and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 2, 50-53
Section 5(a)(7)-summary of each particularly significant report.	1-21
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 D, 77
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, 78
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, 50-55
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	43-44
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	44
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	45

<sup>30</sup> Unsupported costs are a subset of questioned costs that the Inspector General Act requires be identified separately from the cumulative questioned costs identified.

# FRAUD ALERT

*Every day, loan modification and foreclosure rescue scams rob vulnerable homeowners of their money and their homes. The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), is the Department's law enforcement arm and is responsible for investigating complaints and allegations of mortgage fraud. Following are some of the more common scams.*

## COMMON LOAN MODIFICATION SCAMS

**Phony counseling scams:** The scam artist says that he or she can negotiate a deal with the lender to modify the mortgage — for an upfront fee.

**Phony foreclosure rescue scams:** Some scammers advise homeowners to make their mortgage payments directly to the scammer while he or she negotiates with the lender. Once the homeowner has made a few mortgage payments, the scammer disappears with the homeowner's money.

**Fake “government” modification programs:** Some scammers claim to be affiliated with or approved by the government. The scammer's company name and website may appear to be a real government agency, but the website address will end with .com or .net instead of .gov.

**Forensic loan audit:** Because advance fees for loan counseling services are prohibited, scammers may sell their services as “forensic mortgage audits.” The scammer will say that the audit report can be used to avoid foreclosure, force a mortgage modification, or even cancel a loan. The fraudster typically will request an upfront fee for this service.

**Mass joinder lawsuit:** The scam artist, usually a lawyer, law firm, or marketing partner, will promise that he or she can force lenders to modify loans. The scammers will try to “sell” participation in a lawsuit against the mortgage lender, claiming that the homeowner cannot participate in the lawsuit until he or she pays some type of upfront fee.

**Rent-to-own or leaseback scheme:** The homeowner surrenders the title or deed as part of a deal that will let the homeowner stay in the home as a renter and then buy it back in a few years. However, the scammer has no intention of selling the home back to the homeowner and, instead, takes the monthly “rent” payments and allows the home to go into foreclosure.

Remember, only work with a HUD-approved housing counselor to understand your options for assistance. HUD-approved housing counseling agencies are available to provide information and assistance. Call 888-995-HOPE to speak with an expert about your situation. HUD-approved counseling is free of charge.

If you suspect fraud, call HUD OIG.

## **Diversity and Equal Opportunity**

The promotion of high standards and equal employment opportunity for employees and job applicants at all levels. HUD OIG reaffirms its commitment to nondiscrimination in the workplace and the recruitment of qualified employees without prejudice regarding their gender, race, religion, color, national origin, sexual orientation, disability, or other classification protected by law. HUD OIG is committed and proactive in the prevention of discrimination and ensuring freedom from retaliation for participating in the equal employment opportunity process in accordance with departmental policies and procedures.

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## **Report fraud, waste, and mismanagement in HUD programs and operations by**

**Faxing the OIG hotline:** 202-708-4829

**Emailing the OIG hotline:** [hotline@hudoig.gov](mailto:hotline@hudoig.gov)

### **Sending written information to**

Department of Housing and Urban Development

Inspector General Hotline (GFI)

451 7th Street SW

Washington, DC 20410

### **Internet**

<https://www.hudoig.gov/hotline>

**ALL INFORMATION IS CONFIDENTIAL, AND**

**YOU MAY REMAIN ANONYMOUS.**





U.S. DEPARTMENT  
OF HOUSING  
AND URBAN  
DEVELOPMENT

Report Number 82  
[www.hudoig.gov](http://www.hudoig.gov)