OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

FOR THE PERIOD ENDING SEPTEMBER 30, 2015

SERVING THE PUBLIC

OFFICE of INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OUR **MISSION**

As the Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD), we remain an independent and objective organization, conducting and supervising audits, evaluations, and investigations relating to the Department's programs and operations.

- **We promote** economy, efficiency, and effectiveness in these programs and operations as we also prevent and detect fraud, abuse, and mismanagement.
- **We are committed** to keeping the HUD Secretary, Congress, and our stakeholders fully and currently informed about problems and deficiencies and the necessity for and progress of corrective action.


DEPARTMENT
OF
HOUSING
AND
URBAN
DEVELOPMENT

OUR VALUES

❶ **Collaboration:** The commitment to work jointly with HUD, Congress, and our stakeholders for the benefit of all citizens. ❷ **Accountability:** The obligation and willingness to accept responsibility and account for our actions. ❸ **Integrity:** The firm adherence to high moral and professional standards, honesty, and fairness in all that we do. Acting with integrity is a core job responsibility for every employee. ❹ **Stewardship:** The careful and responsible management of that which has been entrusted to our care. ❺ **Diversity:** The promotion of high standards of equal employment opportunity for employees and job applicants at all levels so that our workforce is reflective of our country's citizens.

OUR **VISION**

❶ To promote fiscal responsibility and financial accountability in HUD programs and operations. ❷ To improve the execution of and accountability for grant funds. ❸ To strengthen the soundness of public and Indian housing programs. ❹ To protect the integrity of housing insurance and guarantee programs. ❺ To assist HUD in determining whether it is successful in achieving its goals. ❻ To look ahead for emerging trends or weaknesses that create risk and program inefficiencies. ❼ To produce innovative work products that are timely and of high quality. ❽ To benchmark best practices as a means to guide HUD. ❾ To have a significant impact on improving the way HUD does business.

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.

PROFILE OF PERFORMANCE

For the period April 1 to September 30, 2015

AUDIT RESULTS[1]	THIS REPORTING PERIOD	FISCAL YEAR 2015
Recommendations that funds be put to better use	$783,126,186	$1,978,524,145
Recommended questioned costs	$375,546,339	$2,104,912,657
Collections from audits	$19,396,709	$476,546,692
Administrative sanctions	1	3
Civil actions	3	9
Subpoenas	60	72
Personnel action	0	1

INVESTIGATION RESULTS[1]	THIS REPORTING PERIOD	FISCAL YEAR 2015
Total restitution and judgments[2]	$259,491,265	$436,460,945
Total recoveries and receivables to HUD programs	$194,658,354	$233,154,990
Arrests	126	232
Indictments and informations	175	308
Convictions, pleas, and pretrial diversions	156	335
Civil actions	23	43
Total administrative sanctions	185	440
Suspensions	36	110
Debarments	99	191
Limited denial of participation	0	0
Removal from program participation	13	71
Evictions	10	16
Other[2]	27	52
Systemic implication reports	1	6
Search warrants	24	61
Subpoenas	389	691

JOINT CIVIL FRAUD RESULTS[1]	THIS REPORTING PERIOD	FISCAL YEAR 2015
Recoveries and receivables to HUD programs or HUD program participants	$161,722,168	$558,657,646
Recoveries and receivables for other entities	$86,959,989	$268,245,511[3]
Civil actions	7	12
Administrative sanctions	1	2

1 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 not duplicated in the Audit Results or Investigation Results. These results include civil settlements of $212.5 million from First Tennessee Bank, $29.6 from Reverse Mortgage Solutions, Inc., and $1.8 million from three other settlements. Results are further detailed in chapter 7.

2 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.

3 This amount represents funds that relate to HUD programs but were paid to other entities rather than to HUD for its benefit, such as funds paid to the U.S. Treasury for general government purposes.

DURING THIS REPORTING PERIOD, WE HAD **MORE THAN $783 MILLION** IN FUNDS PUT TO BETTER USE, QUESTIONED COSTS OF MORE THAN **$537 MILLION**, AND **NEARLY $79 MILLION** IN COLLECTIONS, RESULTING FROM **110 AUDITS**, AND OBTAINED MORE THAN **$260 MILLION** IN RECOVERIES AND RECEIVABLES DUE TO OUR INVESTIGATIVE EFFORTS; OF THIS AMOUNT, **$195 MILLION** WAS RETURNED TO HUD PROGRAMS, WITH THE REMAINDER GOING TO VICTIMS OF FRAUD AND ABUSE.

A MESSAGE FROM **INSPECTOR GENERAL DAVID A. MONTOYA**

It is my pleasure to 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 2015. This report describes the extraordinary accomplishments of the talented public servants of HUD OIG. By promoting better stewardship and accountability, HUD OIG staff continues to have an enduring impact on the Department and our communities for the benefit of the American people.

Our mission is simple. We conduct and supervise audits, evaluations, and investigations of HUD programs and operations to ensure their efficiency and effectiveness while always looking for instances of waste, fraud, and abuse. This is done primarily through the Office of Audit, the Office of Evaluation, and the Office of Investigation within HUD OIG. These offices are supported by the Office of Legal Counsel and the Office of Management and Technology. Together, working as a collaborative team, the dedicated individuals of these offices combine their skills and abilities to accomplish the goals and mission of HUD OIG.

During the second reporting period of fiscal year 2015, the Office of Audit issued 110 reports. These reports resulted in the following:

- Identifying more than $783 million in funds that could to be put to better use in HUD programs to more appropriately serve its mission,
- Questioned costs of more than $537 million in situations in which it was not clear that these expenditures were for legitimate reasons, and
- Nearly $79 million in collections for reimbursement to HUD programs or the U.S. Department of the Treasury in situations in which fraud and abuse were proven.

Of these, two audits performed by the Office of Audit this reporting period were especially noteworthy. These were:

- Overincome Families Resided in Public Housing Units and
- HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements.

The overincome audit received significant news coverage over several days and resulted in HUD, which originally disagreed with the report, publically announcing that it would revisit its position. In this audit, our auditors discovered that 25,226 families had annual incomes that exceeded HUD's eligibility limits yet were living in HUD-subsidized public housing. Also discovered was that almost 70 percent of these overincome tenants had been doing so for more than 1 year.

The environmental audit reviewed five HUD field offices and discovered that none of them adequately followed environmental compliance requirements and either were not trained or did not consider compliance a priority. As a result, more than $405 million in activities had no or inadequate review, which potentially increased the risk to the health and safety of the public or failed to prevent damage to the environment.

During the second half of fiscal year 2015, the Office of Investigation completed 263 investigations to improve departmental operations and address program abuses, recovering $260 million. Of this amount, $195 million was returned to HUD programs, with the remainder going to victims of fraud and abuse. We continue to focus on HUD's performance and accountability in single-family and public and Indian housing, both significant concerns for the Department and taxpayers.

In one single-family loan case, the owner of a Florida mortgage company was sentenced to serve 135 months in prison for orchestrating a multi-million-dollar mortgage fraud scheme. He was also ordered to pay more than $64.5 million in restitution and forfeit $8 million received through illicit profits. In addition, three real estate developers; a straw buyer recruiter; and 20 loan officers, loan processors, and underwriters at the mortgage company were convicted of participating in the scheme, which resulted in jail terms and fines, restitutions, and forfeitures of more than $31 million.

These criminal conspirators solicited and approved unqualified customers to submit fraudulent Federal Housing Administration (FHA) mortgage loan applications, which resulted in loans that were sold to financial institutions. When the loans defaulted, the financial institutions and FHA suffered millions of dollars in losses.

In another case regarding HUD's Home Equity Conversion Mortgage (HECM) program, which is also known as the reverse mortgage program, the Office of Investigation and the Joint Civil Fraud Division, working with the U.S. Department of Justice (DOJ), Civil Fraud Unit, investigated a HECM originator and servicer that operated in several States. In this case, the servicer fraudulently received payments for interest and commissions equaling millions of dollars. On April 27, 2015, the servicer and DOJ agreed to a settlement of nearly $30 million.

In closing, I would like to express my continued gratitude to Congress and the Department for their sustained commitment to improving HUD's programs. I also want to reiterate my sincere appreciation of the people of HUD OIG for their dedication to the critically important work that they do. Through their collective effort, HUD OIG has achieved its annual goals and fulfilled its mission and responsibilities. As a result, their hard work has had a positive impact on the Department, our communities, and the citizens of our Nation. The members of the OIG staff have my deepest respect, and I am proud to be their Inspector General.

David A. Montoya | *Inspector General*

TRENDING

WHISTLEBLOWER OMBUDSMAN PROGRAM

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), continues to stress the importance of a strong Whistleblower Protection Program and recognizes that whistleblowers are a crucial source of information about waste, fraud, and abuse. HUD OIG strives to create an environment in which allegations of waste, fraud, and abuse can be freely reported without fear of reprisal.

Key to HUD OIG's Whistleblower Protection Program is educating HUD and HUD OIG employees on prohibitions against retaliating against Federal whistleblowers and ensuring that employees understand their specific rights and remedies. In the last 6 months, the HUD OIG Whistleblower Ombudsman Program has continued to focus on outreach and training. All HUD employees were directed to attend mandatory whistleblower training in October of 2015. Two live training sessions were given, and the presentation was posted on our Whistleblower Web page. Secretary Castro, consistent with his emphasis on this program, introduced the training and stressed its importance. The training was also given to all HUD OIG personnel, with Mr. Montoya providing introductory remarks stressing his view on the importance of the program. A separate training session was provided at our OIG managers meeting. Our Whistleblower Ombudsman discussed investigating whistleblower complaints with our Office of Investigation staff. Whistleblower training is incorporated into HUD's new employee training and is also included in HUD's supervisor training series. Training is also retained on HUD OIG Whistleblower and Ethics Web sites.

The Whistleblower Ombudsman Program continues to work to find opportunities to highlight how whistleblower disclosures have the potential to save billions of taxpayer dollars. Whistleblowers play a critical role in keeping our Government honest, efficient, and accountable.

Number of complaints received	70
Number of complainants asserting whistleblower status[4]	70 (48 to hotline)
Employee[5] complaints referred for investigation to the HUD OIG Office of Investigation (OI)	17
Employee complaint investigations opened by OI	3
Complaints declined by OI	1
Complaints currently under review by OI	8
Employee complaint investigations closed by OI	5

4 Many complainants raise questions regarding treatment by housing authorities following alleging wrongdoing by the same housing authority. They define themselves as whistleblowers. These complaints are referred to our hotline for appropriate referral and disposition.
5 Employee complaints are those complaints received from employees, potential employees, and former employees of HUD as well as employees of contractors, subcontractors, and grantees.

INTEGRITY AND COMPLIANCE PROGRAM

In September 2015, HUD OIG launched its new Integrity and Compliance Program (ICP) with a goal to incorporate a values-based ethics culture. ICP is the first of its kind in a Federal OIG and will go beyond the requirements of a typical government ethics endeavor. HUD OIG seeks to foster a higher level of integrity in every decision our staff makes and will change the way we look at the ethical challenges we face every day. The purpose of ICP is to demonstrate our commitment to the American public to always maintain a high standard of accountability and integrity and live the values we judge others by.

We believe that most people are fair and honest and approach their duties with integrity. They want to do the right thing. However, sometimes they fall short or stray from their personal values. Unfortunately, there have been far too many instances recently in which Federal workers have lost their way and engaged in unethical behavior. HUD OIG's ICP looks to change that.

As the components of ICP are developed over the next few months, the program will be carefully shaped into a sustainable platform using resources within HUD OIG. First among these are HUD OIG's core values, which will form the nucleus of a program to properly make the difficult ethical decisions that are a part of our daily work life. There is no shortage of rules and rule books in the Federal Government, yet almost every day, someone comes upon a circumstance no one had encountered before. ICP is designed to help guide the way to an ethical solution when these unanticipated situations occur.

We know this is an ambitious endeavor, and we will need innovative thinking and new approaches to be successful. Most of all, we know we also have to take a collaborative approach that involves everyone at HUD OIG. This approach includes a thorough examination of our culture, our challenges, and the resources available to us. On this foundation, we will build a values-based program to transform our existing system into an enduring blueprint for the highest levels of ethical behavior and standards of conduct.

This is an exciting program, and we also hope our success will encourage other Federal agencies to follow our lead, but more importantly, we hope to become a model for our own Department to emulate. Combined with our existing whistleblower, ombudsman, and hotline programs, we are confident that ICP will lead us to become an even stronger organization with impeccable integrity and unimpeachable ethics. That is what we believe is expected of us by our fellow citizens. We can do nothing less.

TABLE OF CONTENTS

ONE SINGLE-FAMILY **PROGRAMS**

AUDIT

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:

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	15 audits	$25,239,740	$258,526,170

REVIEW OF HUD'S FHA HOME AFFORDABLE MODIFICATION PROGRAM

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the HUD FHA Home Affordable Modification Program (HAMP) partial claim option to determine whether HUD had adequate controls over its postclaim reviews and adequate policies in place to ensure that servicers properly understood the FHA-HAMP partial claim option.

HUD did not have an effective postclaim review function and did not have clear program guidance in place for the FHA-HAMP partial claim option. As a result, HUD overpaid more than $177 million in partial claim notes due to servicer miscalculations, which affected more than 21,200 loans. HUD's policies allowed servicers to determine partial claim amounts in different ways, which resulted in some claims that were higher than necessary.

OIG recommended that HUD (1) assign the necessary administrative resources and oversight to reduce potential losses of $88.5 million per year for ineligible FHA-HAMP claim amounts that may go undetected, (2) require servicers to repay HUD nearly $415,000 in ineligible partial claim amounts, (3) require servicers to support or repay more than $94,000 in partial claim amounts, (4) provide training to HUD staff and its contractor on all loss mitigation programs, (5) review a sample of postclaim reviews submitted by the contractor to ensure that the contractor adequately identifies ineligible claims, and (6) update FHA-HAMP policies to ensure that all servicers apply policies consistently. (Audit Report: **2015-LA-0003**)

HUD OIG audited the FHA-HAMP partial claim option to determine whether HUD had adequate controls over FHA-HAMP partial claim payments.

HUD's claim payment controls for the FHA-HAMP partial claim option were not adequate. Specifically, HUD's claim system allowed payment of (1) more than one claim with a modification or FHA-HAMP option in a 24-month period, (2) duplicate claims, (3) partial claims exceeding 30 percent of the unpaid principal balance at initial default, and (4) non-HAMP partial claims after HUD discontinued this claim type. As a result, HUD paid more than $22 million in unsupported claims and nearly $104,000 in ineligible claims that did not meet HUD requirements.

OIG recommended that HUD (1) develop and implement controls to detect and prevent payment of claims that violate HUD requirements, (2) support the eligibility or require the repayment of the claims that did not meet HUD requirements, and (3) require the repayment of the ineligible claims. (Audit Report: **2015-LA-0001**)

REVIEW OF FHA-INSURED LOANS WITH DOWNPAYMENT ASSISTANCE

HUD OIG audited loanDepot in **Foothill Ranch, CA** to determine whether it originated FHA loans containing downpayment assistance gift funds and secondary financing in accordance with HUD FHA requirements.

The loanDepot FHA-insured loans with downpayment assistance gift funds and secondary financing did not always comply with HUD requirements, putting FHA's Mutual Mortgage Insurance Fund at unnecessary risk, including potential losses of $4.7 million for 53 loans with ineligible assistance and $29.9 million for a projected 339 loans that likely contained ineligible assistance. Also, loanDepot inappropriately charged borrowers nearly $26,000 in fees that were not customary or reasonable and nearly $47,000 in discount fees that did not represent the purpose of the fee. The ineligible loans put borrowers at a disadvantage due to higher monthly mortgage payments resulting from a premium interest rate.

OIG recommended that HUD determine legal sufficiency to pursue civil and administrative remedies against loanDepot for incorrectly certifying that mortgages were eligible for FHA mortgage insurance. OIG also recommended that HUD require loanDepot to (1) stop originating FHA loans with the ineligible assistance; (2) indemnify HUD for the loans with ineligible assistance; (3) indemnify HUD for loans that likely contain ineligible assistance; (4) reimburse borrowers for fees that were not customary or reasonable and discount fees that did not represent the purpose of the fee; (5) reduce the interest rate for borrowers who received ineligible assistance; (6) reimburse borrowers for overpaid interest as a result of the premium interest rate; and (7) update all internal control checklists to include specific HUD requirements on gifts, secondary financing, premium rates, and allowable fees. (Audit Report: **2015-LA-1009**)

HUD OIG audited loanDepot, LLC, to determine whether it originated FHA loans containing Golden State Finance Authority downpayment assistance grants in accordance with HUD FHA requirements.

The loanDepot FHA-insured loans with Golden State downpayment assistance gifts did not always comply with HUD requirements, putting FHA's Mutual Mortgage Insurance Fund at unnecessary risk, including potential losses of $5.5 million for 62 loans with ineligible gifts and $16.1 million for 178 loans that likely contained ineligible gifts. Also, loanDepot inappropriately charged borrowers nearly $14,000 in fees that were not customary or reasonable. The ineligible loans put borrowers at a disadvantage due to higher monthly mortgage payments, including the burden of funding the downpayment assistance program through premium interest rates.

OIG recommended that HUD determine legal sufficiency to pursue civil and administrative remedies against loanDepot for incorrectly certifying that mortgages were eligible for FHA mortgage insurance. OIG also recommended that HUD require loanDepot to (1) stop originating FHA insured loans with the ineligible gifts; (2) indemnify HUD for the loans with ineligible gifts; (3) indemnify HUD for loans that likely contain ineligible gifts; (4) reimburse borrowers for fees that were not customary or reasonable; (5) reduce the interest rate for borrowers who received ineligible gifts; (6) reimburse borrowers for overpaid interest as a result of the premium interest rate; and (7) update all internal controls to include specific HUD requirements on gifts, premium rates, and allowable fees. (Audit Report: **2015-LA-1010**)

HUD OIG audited NOVA Financial & Investment Corporation in **Tucson, AZ**, to determine whether NOVA originated loans with downpayment assistance in accordance with HUD FHA rules and regulations.

NOVA's FHA-insured loans with downpayment assistance gift funds did not always comply with HUD FHA rules and regulations, putting FHA's Mutual Mortgage Insurance Fund at unnecessary risk, including potential losses of $48.5 million for 709 loans. NOVA also inappropriately charged borrowers more than $376,000 in misrepresented discount fees and more than $7,000 in fees that were not customary or reasonable. The premium rate attached to the ineligible loans put borrowers at a disadvantage due to higher monthly mortgage payments.

OIG recommended that HUD determine legal sufficiency to pursue civil and administrative remedies against NOVA for incorrectly certifying that mortgages were eligible for FHA mortgage insurance. OIG also recommended that HUD require NOVA to (1) stop originating FHA-insured loans with ineligible gifts; (2) indemnify HUD for 709 FHA loans that were originated with ineligible downpayment assistance gifts; (3) reimburse borrowers for the misrepresented discount fees and fees that were not customary or reasonable; (4) reduce the interest rate for borrowers who received downpayment assistance; (5) reimburse borrowers for overpaid interest as a result of the premium interest rate; and (6) update all internal control checklists to include specific HUD rules and regulations governing downpayment assistance, premium interest rates, and allowable fees. (Audit Report: **2015-LA-1005**)

REVIEW OF HUD'S HOME EQUITY CONVERSION MORTGAGE PROGRAM

HUD OIG audited HUD's oversight of its Home Equity Conversion Mortgage (HECM) program to determine whether HUD had effective controls to ensure that HECM loan borrowers complied with residency requirements while also receiving rental assistance from its multifamily programs.

HUD policies did not always ensure that HECM borrowers complied with residency requirements. The borrowers of 67 of 68 loans reviewed did not live in the properties associated with their loans because they received rental assistance from HUD's multifamily programs at a different address at the same time. Of the 67 loans, 18 were independently terminated by the servicing lenders during the audit. The remaining 49 insured loans had current balances totaling more than $7.1 million and maximum claim amounts totaling more than $8.4 million. As a result, 49 insured loans should be declared in default and due and payable to reduce the risk of loss to HUD's insurance fund of up to $1.3 million. Further, the borrowers of an additional 642 insured loans also may have violated the residency requirements. If HUD cannot confirm that these borrowers are compliant with the residency requirements, these loans should also be declared in default and due and payable to reduce the risk of loss to HUD's insurance fund of up to $14.4 million.

OIG recommended that HUD direct the applicable servicing lenders to verify borrowers' compliance with the residency requirements or for each noncompliant borrower, declare the loan in default and due and payable, thereby putting up to $15.7 million to better use. Further, OIG recommended that HUD implement controls to prevent or reduce instances of borrowers violating residency requirements by participating in multifamily programs at the same time. (Audit Report: **2015-PH-0004**)

REVIEW OF HUD'S LOSS MITIGATION PROGRAM

HUD OIG audited First Niagara Bank in **Lockport, NY**, regarding its servicing of FHA-insured mortgages and its implementation of HUD's Loss Mitigation program to determine whether First Niagara Bank properly serviced FHA-insured mortgages; specifically, whether it (1) properly implemented HUD's Loss Mitigation program, (2) provided the proper reporting for the FHA-insured mortgages it serviced, and (3) established and implemented an effective quality control program.

First Niagara Bank did not always properly implement applicable procedures and requirements in servicing FHA-insured mortgages. Specifically, it did not (1) properly implement HUD's Loss Mitigation program, (2) accurately report its servicing of FHA-insured mortgages, and (3) implement an effective quality control program. The lack of adequate loss mitigation efforts could affect the borrower's ability to retain home ownership and have a negative impact on FHA's Mutual Mortgage Insurance Fund.

OIG recommended that HUD instruct First Niagara Bank to provide support showing that the lender's servicing practices for identified loans were acceptable for mortgages insured by HUD. For any loan for which HUD determines that the servicing practices were inadequate, HUD should take the appropriate administrative actions, including indemnifying inadequately serviced loans. OIG also recommended that HUD instruct First Niagara Bank to provide evidence that 80 loans were either paid in full or closed and remove the loans from HUD's FHA-insured portfolio. This measure will result in a more than $4.2 million reduction in obligations to the Mutual Mortgage Insurance Fund and reinstate 15 loans totaling nearly $952,000 that were incorrectly terminated from HUD's FHA-insured portfolio. (Audit Report: **2015-NY-1006**)

REVIEW OF HUD'S SECTION 203(K) REHABILITATION LOAN MORTGAGE INSURANCE PROGRAM

HUD OIG audited HUD's Section 203(k) Rehabilitation Loan Mortgage Insurance program to determine whether HUD had adequate oversight of the program.

HUD needs to improve its monitoring of lenders for compliance with Section 203(k) program requirements because lenders did not always ensure that (1) borrowers or contractors obtained required building permits to rehabilitate properties and (2) contractors were licensed or certified to perform rehabilitation work. In addition, lenders did not always ensure that contractors' cost estimates contained clear descriptions of the proposed repairs to determine eligibility for the Streamlined (k) program. As a result, HUD lacked assurance of the soundness of the repairs, thus potentially impacting the safety of the borrowers and increasing the risk to FHA's Mutual Mortgage Insurance Fund.

Further, HUD did not always ensure that (1) loan-to-value ratios were correctly calculated when determining borrowers' monthly mortgage insurance premiums and (2) lenders properly entered borrowers' loan information into FHA Connection. As a result, HUD lacked assurance that it (1) properly managed the risk to FHA's Mutual Mortgage Insurance Fund and (2) protected the interests of borrowers due to the overpayment of mortgage insurance.

OIG recommended that HUD require lenders to (1) support or indemnify HUD for any future losses on 40 loans with estimated losses totaling more than $1.2 million and (2) support or reimburse HUD for the actual losses incurred on 2 loans totaling more than $83,000. OIG also recommended that HUD (1) strengthen its controls over Section 203(k) program requirements, (2) adjust its formula for calculating the loan-to-value ratio, (3) determine the overpaid mortgage insurance premiums for loans with incorrect loan-to-value ratios, and (4) credit the accounts of active borrowers who overpaid their mortgage insurance premiums and refund overpaid premiums to borrowers for terminated loans. (Audit Report: **2015-CH-0001**)

REVIEW OF FILING OF CLAIMS ON FORECLOSED-UPON PROPERTIES

HUD OIG audited LoanCare, LLC, in **Virginia Beach, VA**, regarding its postforeclosure activities as a single-family master subservicer for the Government National Mortgage Association (Ginnie Mae) to determine whether LoanCare conveyed foreclosed-upon properties held on behalf of Ginnie Mae, filed claims with FHA, and remitted the funds to Ginnie Mae on time.

LoanCare did not always (1) convey foreclosed-upon properties to FHA within 30 days of acquiring possession and title, (2) file the part B portion of its conveyance claim within 45 days of the date the deed was filed for record or within 15 days of the title approval letter date, and (3) remit FHA claim funds to Ginnie Mae within 2 business days.

OIG recommended that Ginnie Mae require LoanCare to repay any additional costs associated with the violations noted. (Audit Report: **2015-KC-1012**)

INVESTIGATION

PROGRAM RESULTS

Administrative-civil actions	16
Convictions-pleas-pretrial diversions	155
Financial recoveries	$164,695,040

MULTIPLE SUBJECTS CONVICTED IN MORTGAGE INSURANCE FRAUD CONSPIRACY

Three recruiters, two loan officers, a seller, and an attorney assistant pled guilty to wire fraud, mail fraud, obstruction of justice, and aggravated identity theft for their roles in a multiloan mortgage insurance fraud scheme involving both FHA and conventional loans. From August 2004 through October 2012, the conspirators participated in a scheme to defraud lenders by providing false information on loan documents to qualify borrowers. The investigation identified 52 fraudulent loans in the scheme, including five having FHA mortgage insurance. Losses to FHA are approximately $1.6 million. This investigation was conducted by HUD OIG and the Federal Bureau of Investigation (FBI). **(Chicago, IL)**

CLOSING ATTORNEY SENTENCED FOR MORTGAGE FRAUD

A closing attorney was sentenced in U.S. District Court to 1 year and 1 day incarceration and 3 years supervised release and ordered to pay $2 million in restitution, with $625,220 payable to FHA, following his conviction of conspiracy to commit wire fraud and money laundering. From March 2011 through December 2012, the attorney and other conspirators recruited straw buyers and submitted falsified loan applications and supporting documents to lenders to obtain mortgage loans for properties located in northern New Jersey. The closing attorney used his position to facilitate some of these transactions. Several of the loans involved in this scheme have defaulted, exposing lenders and FHA to more than $2 million in potential losses. This investigation was conducted by HUD OIG, the FBI, the U.S. Postal Inspection Service, and the Federal Housing Finance Agency (FHFA) OIG. **(Newark, NJ)**

MORTGAGE BROKER SENTENCED IN LOAN MODIFICATION SCHEME

A former mortgage broker and owner of a mortgage company was sentenced in U.S. District Court to 24 months incarceration and ordered to pay $997,712 in restitution related to his conviction of making false statements. From January 2010 through April 2015, the mortgage broker assisted distressed homeowners with obtaining extensions and renewals of their mortgage loans while charging illegal fees for his loan modification services. The mortgage broker also received mortgage payments from the borrowers but did not forward the payments to the lenders. This investigation was conducted by HUD OIG and FHFA OIG. **(Sherman, TX)**

OWNER OF MORTGAGE COMPANY SENTENCED TO 11 YEARS INCARCERATION

The owner and operator of a former FHA mortgage lender in Miami, FL, was sentenced in U.S. District Court to 135 months incarceration and 60 months supervised release and agreed to forfeit $8 million following his conviction of conspiracy to commit wire fraud affecting a financial institution. From at least 2006 through September 2008, the owner and other conspirators specialized in approving FHA loans primarily for buyers of condominiums at complexes where he had an ownership interest. As part of the scheme, the conspirators provided false information on loan documents to qualify borrowers and in some cases, also paid inducements to borrowers to purchase the condominium units. Many of the loans defaulted, causing losses to FHA and financial institutions. To date, 25 individuals have been charged in this investigation, including the owner, 3 partner developers, and 20 former employees of the mortgage lender. Of those charged, 14 individuals have pled guilty, and 1 has signed a plea agreement. Losses to FHA exceeded $64 million. This investigation was conducted by HUD OIG. **(Miami, FL)**

ATTORNEY SENTENCED FOR MAKING FALSE STATEMENTS TO THE MORTGAGEE REVIEW BOARD

The attorney for a HUD direct endorsement-approved mortgage company was sentenced to 60 months probation and ordered to pay $1.3 million in restitution to HUD following his conviction of making a false statement to HUD. The attorney created and submitted an affidavit to the Mortgagee Review Board falsely representing that the owner of the mortgage company did not have an interest in a construction entity that received direct payments at the closings of FHA-insured purchases originated by the mortgage company. The affidavit was submitted in response to a notice of violation, issued to the mortgage company by the Mortgagee Review Board. The investigation further determined that the owner was also the full shareholder, director, president, chief executive officer, and secretary of the construction entity, who received more than $12 million in payments during FHA-insured closings originated by the lender. This investigation was conducted by HUD OIG. **(Fort Worth, TX)**

WOMAN SENTENCED FOR REVERSE MORTGAGE FRAUD

The daughter and former power of attorney of a HECM borrower was sentenced in Arizona Superior Court to 3 years probation and ordered to pay $100,573 in restitution to FHA following her conviction of residential mortgage fraud. The daughter submitted a false residency certification in the HECM loan application, which stated that her father lived in the subject property, when he was in hospice care in another State at the time the HECM loan was completed. The father died 5 days after the HECM loan closed. The investigation further determined that after the loan closed, the daughter quit-claimed the subject property into the name of a trust for which she was the sole trustee and had a $30,596 one-time HECM payment wired to a bank account in the trust name. The HECM loan was later foreclosed upon, resulting in a loss to FHA of $100,573. This investigation was conducted by HUD OIG. **(Phoenix, AZ**)

TWO PUBLIC AND INDIAN HOUSING **PROGRAMS**

AUDIT

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.

STRATEGIC INITIATIVE 2: CONTRIBUTE TO THE REDUCTION OF ERRONEOUS PAYMENTS IN RENTAL ASSISTANCE

Key program results		Questioned costs	Funds put to better use
Audit	34 audits	$12,274,297	$188,055,413

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

HUD's Office of Inspector General (OIG) audited HUD's oversight of enhanced vouchers provided under its Housing Choice Voucher program to determine whether HUD had adequate oversight related to enhanced vouchers administered by three **New York** PHAs.

HUD did not adequately oversee enhanced vouchers administered by three New York PHAs responsible for administering most of the funds associated with the vouchers. The PHAs could not fully justify program subsidies provided to voucher recipients. Of 28 cases reviewed, HUD overpaid subsidies for 15 units (54 percent) that were larger than allowed. For another 264 families, HUD potentially overpaid subsidies for units that were larger than allowed. One of the PHAs did not perform rent reasonableness determinations as required for 544 units at 2 of its properties; therefore, the rent charged for the units may not have been reasonable. As a result, more than $1.1 million in program subsidies used for housing assistance payments was unsupported. In addition, HUD could save more than $1.2 million over a 1-year period by ensuring that PHAs implement policies and procedures to prevent deficiencies.

OIG recommended that HUD require the three PHAs to (1) justify the more than $1.1 million in program subsidies spent on housing assistance payments and (2) implement policies and procedures to ensure that they make housing assistance payments related to enhanced vouchers in accordance with all applicable requirements and detect and prevent future deficiencies. OIG also recommended that HUD develop policies to implement periodic targeted monitoring and related followup procedures for PHAs responsible for administering the most funds associated with enhanced vouchers to help prevent the potential waste of program funds. (Audit Report: **2015-PH-0003**)

HUD OIG audited the Jefferson Metropolitan Housing Authority in **Steubenville, OH**, regarding its Section 8 Housing Choice Voucher program housing quality standards to determine whether the Authority conducted thorough housing quality standards inspections of its program units in accordance with HUD's and its own requirements.

The Authority did not adequately enforce HUD's housing quality standards and its own requirements. Specifically, it failed to ensure that 44 program units, including 38 that materially failed, complied with HUD's housing quality standards and its program administrative plan. As a result, the Authority's households were subjected to health- and safety-related violations, and the Authority did not properly use its program funds.

OIG recommended that HUD require the Authority to (1) certify that the applicable housing quality standards violations have been corrected for the units cited, (2) reimburse its program more than $38,000 from non-Federal funds for the units that materially failed to meet HUD's and its own requirements, and (3) implement adequate procedures and controls to ensure that all units meet HUD's housing quality standards and its own requirements to prevent more than $1.9 million in program funds from being spent on units that do not comply with HUD's requirements over the next year. (Audit Report: **2015-CH-1007**)

HUD OIG audited the Housing Authority of the City of **South Bend, IN**'s Section 8 Housing Choice Voucher program to determine whether the Authority (1) correctly calculated and paid housing assistance and utility allowances, (2) obtained and maintained eligibility documentation required to support the admission and continued occupancy of its program households, and (3) appropriately managed its Family Self-Sufficiency program.

The Authority did not always comply with HUD's requirements and its own administrative plan regarding its program household files. Specifically, it did not (1) correctly calculate and process housing assistance payments and (2) obtain and maintain required eligibility documentation. As a result, HUD lacked assurance that the Authority used its program funds appropriately. If the Authority does not correct its certification process, it could overpay nearly $754,000 and underpay more than $67,000 in housing assistance over the next year.

The Authority also failed to appropriately manage its Family Self-Sufficiency program. Specifically, it did not ensure that (1) participants were connected to needed supportive services, (2) services included in the participants' contracts of participation were provided, and (3) participants' escrow accounts were properly maintained. As a result, the Authority inappropriately received Family Self-Sufficiency program coordinator grant funds.

OIG recommended that HUD require the Authority to (1) reimburse its program nearly $80,000 from non-Federal funds for the ineligible housing assistance and utility allowance payments, (2) support or reimburse its program more than $411,000 from non-Federal funds for the unsupported payments, (3) reimburse HUD more than $24,000 for the unearned Family Self- Sufficiency grant funds, and (4) implement adequate controls to address the findings cited. (Audit Report: **2015-CH-1008**)

PUBLIC HOUSING

HUD OIG audited HUD's public housing program to determine the extent to which HUD-subsidized public housing units were occupied by overincome families and evaluate the impact of HUD policies.

PHAs provided public housing assistance to as many as 25,226 families with income exceeding HUD's 2014 eligibility income limits, and 17,761 of those families had exceeded HUD's limits for more than a year. HUD regulations require families to meet eligibility income limits only when they are admitted to the public housing program. The regulations do not limit the length of time families may reside in public housing. However, HUD's December 2004 public housing final rule gave PHAs discretion to establish and implement policies that would require families with incomes above the eligibility income limits to find housing in the unassisted market. The 15 PHAs contacted allowed overincome families to reside in public housing, and HUD did not encourage them to require these families to find housing in the unassisted market. As a result, HUD did not assist as many low-income families in need of housing as it could have.

OIG recommended that HUD direct PHAs to establish policies to reduce the number of overincome families in public housing, thereby putting as much as $104.4 million to better use by providing those funds to eligible low-income families in need of housing assistance. (Audit Report: **2015-PH-0002**)

HUD OIG audited the Richmond Redevelopment and Housing Authority in **Richmond, VA**, regarding its public housing program to determine whether the Authority complied with HUD procurement requirements.

The Authority did not procure services associated with its public housing program in accordance with HUD procurement requirements. Specifically, it did not (1) prepare an independent cost estimate and cost analysis before awarding contracts, (2) maintain documentation to demonstrate that services were procured competitively, and (3) ensure that option years were awarded competitively. As a result, HUD and the Authority had no assurance that public housing operating funds totaling more than $6.5 million, which were paid under the contracts, were fair and reasonable.

OIG recommended that HUD direct the Authority to (1) provide documentation to support that payments for services totaling more than $6.5 million were fair and reasonable or reimburse its program from non-Federal funds for any amount that it cannot support, (2) not exercise remaining option years for the contracts identified, and (3) implement controls in its procurement process to ensure that HUD requirements are followed. OIG also recommended that HUD provide technical assistance to the Authority to ensure that responsible personnel receive necessary procurement training. (Audit Report: **2015-PH-1008**)

SECTION 184 INDIAN HOME LOAN GUARANTEE PROGRAM

HUD OIG audited HUD's Section 184 Indian Home Loan Guarantee program to determine whether HUD had adequate controls in place to provide oversight of the program.

HUD did not provide adequate oversight of the Section 184 program, resulting in an increased overall risk to the program, including guaranteeing 3,845 loans totaling more than $705 million that were not underwritten in accordance with program guidelines. Specifically, HUD did not adequately monitor, track, and evaluate participating lenders to ensure that loans were underwritten in accordance with the Section 184 processing guidelines. This lack of oversight and high incidence of poorly underwritten loans could negatively impact the financial standing of Native American communities.

OIG recommended that HUD develop and implement policies and procedures (1) for monitoring, tracking, underwriting, and evaluating the Section 184 program, resulting in $77 million in funds to be put to better use; (2) for standardized monthly delinquency reports; (3) to deny payments to lenders for claims on loans that have material underwriting deficiencies; and (4) to ensure that it uses enforcement actions available under 12 U.S.C. (United States Code) 1715z-13a(g). HUD should also (1) request indemnification for the loans that had material underwriting deficiencies, resulting in $2.5 million in funds to be put to better use; (2) request statutory authority to indemnify poorly underwritten loans; (3) obtain support for one loan, which lacked documentation required for loan approval; and (4) ensure that only HUD-approved underwriters underwrite Section 184 loans. (Audit Report: **2015-LA-0002**)

MOVING TO WORK PROGRAM

HUD OIG reviewed HUD's oversight of the Moving to Work program of the Chicago Housing Authority in **Chicago, IL**, to determine whether HUD provided adequate oversight of the Authority's Moving to Work exception payment standards.

HUD could improve its oversight of the Authority's Moving to Work exception payment standards to ensure that expenditures for related activities in the Authority's annual Moving to Work plans and reports are reasonable and cost effective.

OIG recommended that HUD implement adequate policies and procedures to ensure that the activities included in Authority's plans are (1) allowable under the Moving to Work statutory purposes, (2) described in sufficient detail to convey anticipated impacts (including financial impact), and (3) in accordance with the terms and authorizations in the Moving to Work agreements. This recommendation should apply to all PHAs under Moving to Work agreements to ensure consistency within the program. (Audit Memorandum: **2015-CH-0802**)

RENTAL ASSISTANCE DEMONSTRATION PROGRAM

HUD OIG audited HUD's Rental Assistance Demonstration program to determine whether HUD had adequate controls over the program, to include (1) completing a risk assessment that adequately evaluated (a) the need for additional administrative funding, (b) determining how funding level and program funds were established, (c) site conditions and residents' ability to return after conversion, and (d) participants' management and information systems capacity and (2) a plan to reduce these risks to an acceptable level.

HUD did not sufficiently identify the risks that could disrupt an effective implementation of the program in its front-end risk assessment, document a plan to reduce these risks to an acceptable level, or conduct the risk assessment in a timely manner. Additionally, HUD did not clearly identify specific risks associated with some program units.

OIG recommended that HUD (1) reexamine and modify the risk assessment completed for the program, (2) clearly identify specific risks for its program units, and (3) ensure that a plan for reducing the risks to an acceptable level is in place to promote an effective and successful implementation of the program. (Audit Report: **2015-AT-0003**)

INVESTIGATION

Administrative-civil actions	24
Convictions-pleas-pretrial diversions	69
Financial recoveries	$3,956,144

COMPANY PRESIDENT SENTENCED FOR WIRE FRAUD

The president of a company was sentenced in U.S. District Court to 12 months and 1 day incarceration and ordered to pay $1.25 million in restitution to HUD related to his conviction of wire fraud. From January 2008 to June 2009, the president diverted $1.25 million in funds from a HUD Special Purpose Grant, earmarked for the Mesa Grande Band of Mission Indians to purchase equipment for the construction of a panelized home factory, for his personal use by repaying personal debts and the purchase of a timeshare for a private jet, exotic furniture, and a personal limousine service. This case was investigated by HUD OIG and the Federal Bureau of Investigation (FBI). **(San Diego, CA)**

FORMER EXECUTIVE DIRECTOR SENTENCED FOR EMBEZZLEMENT

The former executive director of the Bradenton Housing Authority was sentenced in U.S. District Court to 12 months and 1 day incarceration and 3 years supervised release and ordered to pay $276,300 in restitution to HUD following his conviction of theft of government funds. From September 2010 through September 2013, the executive director and a coworker engaged in a romantic relationship and stole government time while employed by the Authority. Specifically, they were frequently absent from the Authority during work hours while not engaged in Authority business and failed on many occasions to take annual or sick leave for their absences. This investigation was conducted by HUD OIG, the FBI, the Florida Department of Law Enforcement, and the Bradenton Police Department. **(Tampa, FL)**

PROGRAM MANAGER SENTENCED IN EMBEZZLEMENT SCHEME

The former program manager for the Parma Public Housing Agency was sentenced in U.S. District Court to 16 months incarceration and ordered to pay $232,407 in restitution to the Agency following her conviction of theft of public funds. From January 2008 through September 2014, the program manager issued checks to herself from the Agency. Although the Agency required two signatures on the checks, the program manager was able to coendorse the checks, using a stamp of the executive director's signature to which she had access. The program manager was able to conceal her activities by creating false invoices from legitimate Agency vendors, which she deposited into her personal account, and then falsified the Agency check registers to make it appear that the vendor was paid for work that had not been ordered or completed. The program manager deposited 138 Agency checks into her personal bank account. This investigation was conducted by HUD OIG and the Parma Police Department. **(Cleveland, OH)**

THREE MULTIFAMILY HOUSING PROGRAMS

In addition to multifamily housing developments and healthcare programs with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages, HUD subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly and handicapped. 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	14 audits	$59,036,512	$22,669,593

REVIEW OF MULTIFAMILY MANAGEMENT AGENTS

HUD's Office of Inspector General (OIG) audited HUD's resident home-ownership program grant for Carmen-Marine Apartments in **Chicago, IL**, to determine whether the Carmen-Marine Cooperative and management agent operated the project in accordance with HUD requirements and the grant agreement.

The Cooperative and management agent did not ensure that (1) the Cooperative always maintained a proper waiting list for rental units and appropriately selected households for initial membership sales, (2) sufficient documentation was maintained to support that the Cooperative's payments to HUD for initial membership sales were accurate, (3) sufficient documentation was maintained to support whether the City of Chicago should have received proceeds from subsequent membership sales, (4) housing was affordable for all members, (5) members maintained their units as their principal residence, (6) the Cooperative could support that it notified the Chicago Housing Authority that it received excessive Section 8 Housing Choice Voucher program housing assistance payments for units, and (7) the Cooperative submitted required reports to HUD. As a result, HUD and the Cooperative lacked assurance that the project was operated in accordance with HUD's requirements and the grant agreement, and the Cooperative is at risk of having to reimburse HUD nearly $22.7 million in program funds.

OIG recommended that HUD (1) require the Cooperative to resolve the issues and implement adequate procedures and controls to address the weaknesses cited and (2) determine whether the Cooperative is in default of its grant agreement. (Audit Report: **2015-CH-1010**)

HUD OIG audited HUD's Office of Multifamily Asset Management and Portfolio Oversight to determine whether HUD adequately monitored its management agents to ensure that front line costs and direct costs were not excessive across their portfolios.

HUD did not adequately monitor its management agents. HUD's monitoring did not always include detailed reviews of management agents' front line costs and direct costs across their portfolios to ensure that costs were not excessive. As a result, funds may not have been available to maintain property conditions, and Section 8 reserves may have been reduced if project funds were used to pay improper front line and direct costs.

OIG recommended that HUD's Office of Multifamily Asset Management and Portfolio Oversight comply with its handbook requirements, which state that HUD must perform management reviews of the management agent's central office activities as well as regular onsite reviews of functions carried out at the projects. These reviews should be performed at least every 18 months. (Audit Report: **2015-AT-0002**)

REVIEW OF UNDERWRITING PROCESS

HUD OIG audited Prudential Huntoon Paige Associates, LTD's underwriting of a $22.8 million mortgage loan to refinance Lafayette Towers Apartments, a 584-unit highrise multifamily project in **Detroit, MI**, to determine whether Prudential underwrote and processed the loan for Lafayette Towers according to HUD's requirements.

Prudential exposed the FHA insurance fund to unnecessary risk and a loss of more than $15 million because it did not underwrite and process the loan for Lafayette in accordance with HUD's guidelines and regulations. Specifically, Prudential did not ensure that the project capital needs assessment was complete and accurate, adequately assess the borrower's eligibility, adequately assess the property's financial capacity, and ensure that the appraisal report was supported.

OIG recommended that HUD refer Prudential to the Mortgagee Review Board to take appropriate action for violations that caused the loss to the Federal Housing Administration's (FHA) Mutual Mortgage Insurance Fund or other administrative action as appropriate. OIG also recommended that HUD pursue civil remedies, if legally sufficient, against responsible parties and administrative actions, as appropriate, against the responsible party for the material underwriting deficiencies cited. (Audit Report: **2015-AT-1007**)

HUD OIG audited Berkadia Commercial Mortgage, LLC's underwriting of a loan to fund the renovation of the Temtor project in **St. Louis, MO**, to determine whether Berkadia properly underwrote the items that established the maximum mortgage amount for the Temtor project.

Berkadia did not properly determine the maximum mortgage amount for the Temtor loan, resulting in an $11.3 million loss to HUD. Ineligible and unsupported items increased the HUD-insured mortgage by more than $6 million. Berkadia included projected commercial rents without establishing the market rate and tax increment financing payments that were not guaranteed. The project's income was insufficient to pay the larger mortgage. The owners defaulted on the loan, and a claim was submitted to HUD.

OIG recommended that HUD refer Berkadia to the Mortgagee Review Board for the violations that caused the loss to FHA's Mutual Mortgage Insurance Fund. OIG also recommended that Berkadia modify its policies and procedures to ensure that future loans represent an acceptable risk to HUD. (Audit Report: **2015-KC-1005**)

HUD OIG audited Prudential Huntoon Paige Associates, LTD's underwriting of a $19.9 million mortgage loan to develop Amaranth at 544, a senior multifamily project located in **Lewisville, TX**, to determine whether Prudential underwrote and processed the loan according to HUD requirements.

Prudential exposed FHA's Mutual Mortgage Insurance Fund to unnecessary risk and a loss of more than $10 million because it did not underwrite and process the loan for Amaranth in accordance with HUD's guidelines and regulations. Specifically, it did not ensure that adequate cash reserves were provided at loan closing, the appraisal report was supported, the market analysis included support to reflect the present economic conditions, and the project revenue was not overstated. In addition, Prudential failed to obtain support for the borrower's financial capacity.

OIG recommended that HUD refer Prudential to the Mortgagee Review Board to take appropriate action for the violations that caused the loss to FHA's Mutual Mortgage Insurance Fund or other administrative action as appropriate. Additionally, OIG recommended that HUD pursue administrative actions, as appropriate, against the responsible party for the material underwriting deficiencies cited. (Audit Report: **2015-AT-1003**)

REVIEW OF OFFICE OF HEALTHCARE PROGRAMS

HUD OIG audited St. Francis Hospital, Inc., in **Columbus, GA**, to determine whether the hospital complied with its executed regulatory agreement and HUD requirements for its Section 242 program.

The hospital did not comply with its regulatory agreement and Federal regulations. Specifically, it submitted inaccurate financial information, improperly disbursed mortgage proceeds, incurred an unauthorized liability, and subjected mortgage funds to bank sweeps. Additionally, members of the hospital's board of trustees, including its chairman, had potential conflicts of interest through employment with and serving on the board of a bank from which the hospital obtained a line of credit. As a result, $21.4 million in proceeds from the HUD-insured mortgage and HUD's collateralized properties was not disbursed properly, and the multifamily insurance portfolio was subjected to increased risk. Also, HUD depended on inaccurate financial information to approve a $29.8 million mortgage increase.

OIG recommended that HUD require the hospital to (1) repay the improperly disbursed mortgage funds, (2) resolve the apparent conflicts of interest between its board of trustees members and the bank, and (3) improve its internal controls and implement policies and procedures to provide accurate and complete reporting of financial information to ensure compliance with Federal regulations and HUD requirements. OIG also recommended that HUD pursue administrative actions, as appropriate, against the responsible parties for the regulatory violations cited and civil remedies, if legally sufficient, against responsible parties. (Audit Report: **2015-AT-1009**)

INVESTIGATION

Administrative-civil actions	15
Convictions-pleas-pretrial diversions	3
Financial recoveries	$1,033,771

OWNER OF ASSISTED LIVING FACILITY SETTLES LAWSUIT WITH HUD

The owner of an assisted living facility entered into an agreement with HUD to pay $500,000 in civil money penalties, related to a March 2015 complaint filed by HUD against Williams seeking $12.9 million in monetary recoveries. The complaint alleged that Williams used operating funds for his personal gain by purchasing golf club memberships, private school tuition for his children, and health care coverage for himself and his family as well as paying his home mortgage. The owner refinanced the facility's mortgage with an FHA-insured mortgage and in conjunction with the refinance, entered into a regulatory agreement with HUD, which precluded him from paying out any project funds except for reasonable operating expenses without the prior written approval of HUD. This settlement was as the result of a joint investigation between the HUD OIG, Office of Investigation and Office of Audit. **(Denver, CO)**

FOUR 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	30 audits[6]	$276,185,846	$313,793,822

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), Shelter Plus Care Program, and Supportive Housing Program (SHP).

HOME INVESTMENT PARTNERSHIPS PROGRAM

HUD OIG audited the City of **Paterson, NJ**'s HOME program to determine whether City officials had established and implemented adequate controls to ensure that the City's HOME program was administered in compliance with program requirements and Federal regulations.

The City's HOME program was not always administered in compliance with program requirements. Specifically, HOME funds were (1) not committed in accordance with program requirements, (2) spent on ineligible and unsupported costs, (3) reserved and disbursed to ineligible community housing development organizations (CHDO), (4) drawn down in excess of need and not reimbursed for terminated activities, and (5) used to assist ineligible and unsupported home buyers and homeowners. As a result, $1.8 million was unavailable for eligible activities, more than $561,000 was disbursed for unsupported costs, more than $2.2 million in CHDO reserve was ineligible, the CHDO reserve was underfunded by more than $1.1 million, and HUD's interest in more than $1.37 million was not properly recorded.

6 The total CPD audits, questioned costs, and funds put to better use amounts include any disaster recovery (13 audits) type audits conducted in the CPD area. The writeups for these audits may be shown separately in chapter 5 of this semiannual report.

OIG recommended that HUD recapture nearly $845,000 in ineligible committed funds and instruct City officials to (1) reimburse more than $948,000 spent for ineligible costs, (2) provide documentation to support the HUD funds spent on unsupported costs and activities, (3) remove the ineligible CHDO reserve funds, (4) provide documentation for the unsupported CHDO reserve funds, and (5) properly record deed restrictions and affordability requirements so that HUD's interest is protected. (Audit Report: **2015-NY-1005**)

HUD OIG audited the City of **Colorado Springs, CO**, to determine whether the City properly committed its HOME program funds and monitored its subrecipients' use of tenant-based rental assistance administrative funds.

The City committed HOME grant funds without having properly executed contracts or environmental reviews. Specifically, it (1) committed funds for 5 affordable housing projects that lacked contracts or environmental reviews at the time of the commitment, (2) committed funds for 6 affordable housing and 26 residential rehabilitation projects that had a complete contract or environmental review but did not have the required signatures or dates, and (3) increased the original commitment amounts for 15 residential rehabilitation projects without having an amendment to the contract or a change order. Additionally, the City did not monitor how its subrecipient spent tenant-based rental assistance administration funds.

OIG recommended that HUD (1) recapture more than $1.9 million of the City's HOME grant, (2) require the City to provide support for $2.1 million in HOME grant expenses, (3) require the City to provide support for more than $36,000 in increased commitments, (4) require the City to develop and implement detailed policies and procedures to ensure better managerial oversight, (5) monitor its subrecipient's use of the tenant-based rental assistance funds allocated to it from 2009 to 2014 to ensure that they were used for eligible administration costs, and (6) require the City to develop and implement detailed policies and procedures for monitoring its subrecipients to ensure that all HUD funds are spent for eligible program activities. (Audit Report: **2015-DE-1003**)

HUD OIG reviewed the City of **Richmond, CA**'s Filbert Phase 1 and Filbert Phase 2 activities in response to HUD's concerns regarding the City's administration of its HOME program, CDBG, and CDBG Recovery (CDBG-R) funding of Filbert Phase 1 and Filbert Phase 2 activities.

The City did not use its HUD funds for Filbert Phase 1 and Filbert Phase 2 activities in accordance with HUD requirements. It constructed three HOME-funded townhomes and disbursed more than $2 million in HOME, CDBG, and CDBG-R funding for both projects. In addition, it (1) removed restrictions requiring a low-income family to occupy HOME-funded units for a minimum of 15 years (Filbert Phase 1), (2) entered inaccurate information that misrepresented the status of its project in HUD's Integrated Disbursement and Information System (IDIS), and (3) withdrew funds without an agreement in place (Filbert Phase 2). As a result, the long-term affordability of HOME-assisted units was not maintained, and HUD lacked assurance regarding how funding was used for the projects.

OIG recommended that HUD require the City to (1) repay from non-Federal funds nearly $1.3 million for funds spent on Filbert Phase 1 for units that did not meet affordability requirements and (2) repay more than $1 million in ineligible costs for Filbert Phase 2, which was misrepresented in IDIS, was drawn before a legally binding agreement was in place, and did not produce a project. OIG also recommended that HUD require the City to implement policies and procedures to require HOME, CDBG, and CDBG-R program expenditures to be adequately supported, ensure proper oversight of IDIS administration and maintenance of support for grant expenditures, and ensure the long-term affordability of HOME projects and activities. (Audit Memorandum: **2015-LA-1803**)

HUD OIG audited CPD's administration of the HOME matching requirements to determine whether CPD effectively reviewed participating jurisdictions' match logs and the support for their match contributions and whether it applied the correct match reductions in fiscal year 2013.

CPD did not always enforce the HOME requirement that participating jurisdictions maintain sufficient and supported match logs, and it applied incorrect match reductions for 63 participating jurisdictions in fiscal year 2013.

OIG recommended that CPD (1) issue guidance to help participating jurisdictions accurately report the amount of match contributed and consumed; (2) include monitoring of HOME match during its performance reviews to ensure that match contributions exist, are eligible, and are supported; (3) require the 10 jurisdictions that overstated their excess match balances to remove the overstated amounts from their reported HOME match carry-forward balances; (4) create and implement policies and procedures specifying the process for assigning match reductions; (5) begin using the poverty rate instead of the family poverty rate for determining eligible fiscal match reductions; (6) use the national average for per capita income reported by the U.S. Census Bureau for determining eligible fiscal match reductions; and (7) review the reductions assigned in HUD's systems by comparing a report of all match liabilities to the calculated reductions. (Audit Report: **2015-KC-0002**)

COMMUNITY DEVELOPMENT BLOCK GRANT

HUD OIG audited the City of **Colorado Springs, CO,** to determine whether the City used its grant funds for eligible project costs and performed environmental reviews of its projects.

The City used grant funds for unsupported salary and project costs. It could not support its CDBG salaries from 2009 to 2013 totaling more than $3.8 million and could not support any expenditures for a 2011 capital improvement project totaling more than $67,000. Additionally, the City did not properly complete environmental reviews of its projects. It did not document the exempt status for its human service projects and did not complete a full environmental review of 22 of its non-human-service projects totaling more than $3.1 million.

OIG recommended that HUD require the City to (1) provide support for the unsupported salary costs or reimburse HUD from non-Federal funds any amount that it cannot support; (2) provide support for the unsupported project costs or reimburse HUD from non-Federal funds any amount that it cannot support; (3) develop and implement a detailed payroll tracking system to ensure that only costs incurred in administering the CDBG program are charged to the CDBG grants; (4) develop and implement a system to track its project files; (5) develop and implement detailed policies and procedures to ensure that it complies with HUD environmental review requirements; and (6) provide support for the 22 non-human-service CDBG projects, showing that each project was either exempt or complied with environmental requirements, and for any amount not supported, reimburse HUD from non-Federal funds. (Audit Report: **2015-DE-1002**)

SHELTER PLUS CARE PROGRAM

HUD OIG audited the Shelter Plus Care program of the Housing Authority of the County of San Bernardino in **San Bernardino, CA**, to determine whether the Authority administered its program funds in accordance with HUD rules and requirements, specifically related to participants' eligibility.

The Authority did not always ensure that its participants were eligible for the program. Of 75 participants reviewed, 50 were ineligible for the program. The eligibility of eight participants could not be validated because of missing documents. The Authority spent more than $3.2 million in program funds on ineligible participants and participants whose eligibility was not supported with documentation. If the Authority does not improve its controls, it could pay more than $873,000 in program funds for ineligible participants in the next year. Further, the Authority's practices reduced its ability to accomplish HUD's goal of ending homelessness for individuals with disabilities and their families.

OIG recommended that HUD require the Authority to (1) repay HUD from non-Federal funds for program funds spent on ineligible participants, (2) provide supporting documentation for program funds used for participants for whom eligibility could not be determined, and (3) develop and implement written policies and procedures to ensure that participants are eligible for the program and comply with HUD rules and requirements so that program funds can be put to better use and not paid for ineligible participants. (Report Number: **2015-LA-1004**)

SUPPORTIVE HOUSING PROGRAM

HUD OIG audited the Supportive Housing Program of Veterans First in **Santa Ana, CA**, to determine whether expenditures Veterans First charged to its SHP grants and program fees it charged to its SHP clients were eligible and supported.

Veterans First charged its SHP grants nearly $531,000 in unsupported payroll and other costs and had more than $3,000 in ineligible costs. In addition, Veterans First's accounting system data were unreliable and unauditable. Further, Veterans First continued charging clients a 19 percent program fee after a change in regulations disallowed the practice and did not adequately maintain documentation in its client files.

OIG recommended that HUD require Veterans First to provide adequate supporting documentation for the unsupported costs or repay its program from non-Federal funds and repay its program for the ineligible costs. Additionally, OIG recommended that Veterans First implement accounting system procedures and controls and that HUD suspend its funding until such controls are in place. OIG also recommended that Veterans First repay the applicable clients the overcharged program fees, which totaled more than $15,000, and implement additional policies and procedures for reviewing and maintaining client income documentation and rent determinations. (Audit Report: **2015-LA-1002**)

INVESTIGATION

Administrative-civil actions	8
Convictions-pleas-pretrial diversions	17
Financial recoveries	$1,716,482

BOOK KEEPER INVOLVED IN $1.3 MILLION EMBEZZLEMENT

The former book keeper-fiscal manager for several nonprofit organizations was sentenced in U.S. District Court to 3 years incarceration followed by 3 years of supervised release and ordered to pay $1.3 million related to her earlier guilty plea to theft of government funds. From January 2008 through March 2011, the book keeper diverted business checks for her personal use from four nonprofit organizations that received Federal funding to provide services for disadvantaged children and homeless families in Baltimore, MD. The Shelter Plus Care Housing and SHP grants are administered by Baltimore City, with Federal funds provided by HUD. The HUD funding received by the nonprofits included more than $800,000. This investigation was conducted by HUD OIG, the Federal Bureau of Investigation (FBI) and the Baltimore City OIG. **(Baltimore, MD)**

GRANTEE SENTENCED FOR RACKETEERING AND THEFT OF GOVERNMENT FUNDS

The former chairman of the board of trustees at South Carolina State University and HUD American Recovery and Reinvestment Act grant recipient for a property development company was sentenced in U.S. District Court to 60 months incarceration and 5 years supervised release and ordered to pay $337,000 in restitution, $234,000 of which is payable to HUD, following his conviction, which included charges of Racketeer Influenced and Corrupt Organizations Act violatons, theft of government funds, money laundering, wire fraud, and false statements. The developer submitted false statements on HUD construction draw request forms, committed wire fraud and money laundering, and embezzled funds earmarked for construction for his personal use. The developer has also been suspended by the HUD, Office of General Counsel, Departmental Enforcement Center. This investigation was conducted by HUD OIG, the FBI, the Internal Revenue Service – Criminal Investigations, and the South Carolina Law Enforcement Division. **(Columbia, SC)**

FIVE DISASTER RELIEF 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 1993, Congress has appropriated $47 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. To date, approximately $3 billion of the $47 billion in disaster grants has been closed out, and $44.2 billion remains active. Of the $44.2 billion in active disaster grants, the funds have been allocated nationwide, with nearly $35.1 billion obligated and $30.6 billion disbursed as of September 30, 2015.

Disaster	Funds allocated	Funds obligated	Funds disbursed	Percentage of funds used
Hurricane Sandy	$14.2 billion	$5.6 billion	$4.0 billion	28
Hurricanes Katrina, Rita & Wilma	$19.6 billion	$19.5 billion	$18.6 billion	95
Hurricanes Ike, Gustav & Dolly	$6.1 billion	$6.0 billion	$4.4 billion	72
9-11	$3.5 billion	$3.4 billion	$3.1 billion	89
Other	$0.8 billion	$0.6 billion	$0.47 billion	59

Keeping up with communities in the recovery process can be a challenging position for HUD. HUD's Office of Inspector General (OIG) continues to take steps to ensure that HUD remains diligent in assisting communities with their recovery efforts.

STRATEGIC INITIATIVE 3: CONTRIBUTE TO THE STRENGTHENING OF COMMUNITIES

AUDIT

Key Program results		Questioned costs	Funds put to better use
Audit	13 audits[7]	$250,534,950	$311,040,127

HUD OIG audited the **New York State** Community Development Block Grant Disaster Recovery (CDBG-DR)-funded New York Rising Housing Recovery Program to determine whether State officials established and maintained adequate controls to ensure that CDBG-DR funds were disbursed for eligible activities and allowable costs and properly reported in compliance with regulations.

State officials did not always ensure that CDBG-DR funds were disbursed for eligible costs, ineligible awards could be recovered, procurement activity was executed or reported as required, and disbursements were properly reported. Specifically, (1) funds were disbursed for ineligible and unsupported costs, (2) disbursements were made before recipients executed grant agreements, (3) procedures were not implemented to recapture funds disbursed for ineligible costs, (4) procurement of construction management and environmental review services did not comply with Federal and State requirements, (5) national objectives were inadequately classified and reported, and (6) assistance payments were made without receipts.

OIG recommended that HUD direct State officials to (1) repay the program more than $2.2 million in CDBG-DR funds disbursed for ineligible costs, (2) provide documentation supporting more than $119,000 in unsupported disbursements and the reasonableness of the cost figure used to disburse more than $55.6 million for reconstruction costs, (3) strengthen controls to ensure that grant agreements are signed before checks are disbursed to recipients, (4) implement procedures to recapture ineligible CDBG-DR funds disbursed, (5) provide documentation showing that the $127.2 million contract for construction management and environmental review services was fair and reasonable, (6) strengthen controls to ensure that national objectives are adequately classified and reported, and (7) require receipts for completed work to ensure that more than $241.2 million will be put to its intended use. (Audit Report: **2015-NY-1011**)

HUD OIG audited the **State of New Jersey**'s CDBG-DR-funded Sandy Integrated Recovery Operations and Management System to determine whether the State procured services and products for its system in accordance with Federal procurement and cost principle requirements.

The State did not procure services and products for its system in accordance with Federal procurement and cost principle requirements. Specifically, it did not prepare an independent cost estimate and analysis before awarding the system contract to the only responsive bidder. Further, it did not ensure that option years were awarded competitively and included provisions in its request for quotation that restricted competition. It also did not ensure that software was purchased competitively and that the winning contractor had adequate documentation to support labor costs charged by its employees. The State's process was not equivalent to Federal procurement standards; therefore, its certification to HUD was inaccurate. As a result, the State did

7 The total disaster-related audits consist of community planning and development audits. The questioned costs and funds put to better use amounts relate only to disaster-related costs.

not show that the overall contract price of $38.5 million and option years totaling another $21.7 million were fair and reasonable and that the $1.5 million it disbursed was adequately supported. The State began taking corrective actions during the audit and began providing some documentation to resolve these deficiencies.

OIG recommended that HUD determine whether corrective actions and documentation the State provided are adequate to show that the $38.5 million contract price for the initial 2-year period was fair and reasonable and that $1.5 million disbursed for software and labor costs was allowable and supported or direct the State to repay HUD from non-Federal funds. Further, HUD should determine whether the documentation provided is adequate to show that the contract price for the 3 additional option years was fair and reasonable or direct the State to rebid for the additional option years, thereby putting $9.1 million to better use. (Audit Report: **2015-PH-1003**)

HUD OIG audited the New York Rising Home Enhanced Buyout Program to determine whether **New York State** officials established adequate controls to ensure that funds were used for eligible activities and reasonable expenses and procurement actions complied with Federal regulations.

State officials did not always (1) administer the program in accordance with program procedures and their partial action plan, (2) ensure that property eligibility and the purchase price were adequately supported, (3) maintain documentation to support that procurement actions complied with Federal and State requirements, and (4) post required information to a Web site. As a result, officials disbursed $6.6 million for properties that did not conform to published requirements, $672,000 for ineligible incentives, and more than $598,000 for purchase prices in excess of authorized limits. Documentation was also inadequate to support that $1.7 million was disbursed for eligible purchases and that $8.7 million spent for contracts complied with Federal or State requirements. State officials had taken corrective actions to ensure that an additional $16.5 million would be put to its intended use.

OIG recommended that HUD require State officials to (1) support that 19 properties complied with the State's partial action plan and the intent of its board resolution authorizing the buyout program, (2) repay ineligible incentives and purchase prices, (3) provide support for unsupported expenditures and that contracts were procured in accordance with requirements, and (4) ensure that contracts and subrecipient agreements are executed in accordance with Federal and State regulations. (Audit Report: **2015-NY-1010**)

HUD OIG audited the City of **New Orleans, LA**'s CDBG-DR funds awarded to the City as a result of damages caused by Hurricane Isaac to determine whether the City maintained adequate procurement controls and financial management systems and administered its CDBG-DR funds in accordance with Federal guidelines, HUD regulations, and other requirements.

The City did not always maintain adequate procurement controls and financial management systems or administer its CDBG-DR funds in accordance with Federal guidelines, HUD regulations, and other requirements. Specifically, it did not always (1) prepare independent cost estimates or cost analyses, (2) have documentation to support expenditures, (3) submit timely projections to HUD, or (4) maintain a complete public Web site. As a result, it could not show that costs were reasonable, adequately support its contract costs, or ensure that it received the greatest overall benefit from HUD funds paid to its contractors. Further, the City could not provide reasonable assurance to HUD that it had adequate procurement and financial controls for the proper administration and expenditure of its CDBG-DR funds. Thus, its remaining CDBG-DR grant funds were at risk of mismanagement.

OIG recommended that HUD require the City to (1) support or repay more than $2.5 million and develop and implement a HUD-approved written plan and checklists to correct and prevent the procurement and financial deficiencies identified to better ensure that it spends its remaining $4.5 million in CDBG-DR funds in accordance with requirements, (2) amend its contracts to clarify the type of documentation needed to support invoices, (3) maintain complete CDBG-DR procurement and expenditure files, (4) obtain training concerning procurement and CDBG-DR requirements, and (5) maintain a required log of its Web site updates and submit the log to HUD periodically for review to ensure that it completes the updates in a timely manner and in accordance with requirements. (Audit Report: **2015-FW-1002**)

HUD OIG audited the **State of Illinois**' CDBG-DR program to determine whether the State's Department of Commerce and Economic Opportunity ensured that program funds used for three projects met Federal requirements.

The Department did not ensure that program funds used for the three projects met Federal requirements. It could not provide sufficient documentation to support that two of the three projects met a national objective and the use of program funds for one project. Further, program funds loaned for one project were not repaid as required by the Department's grant agreement with the subrecipient, and the Department could not ensure that two of the subrecipients appropriately procured services for three contracts associated with two of the projects. As a result, HUD and the Department lacked assurance that more than $1.7 million in program funds was used and more than $4.3 million in program funds would be used in accordance with Federal requirements. In addition, the Department did not have $250,000 in program funds available for eligible program-funded projects.

OIG recommended that HUD require the State to (1) support or reimburse its program from non-Federal funds for the three projects that lacked evidence of compliance with Federal requirements, (2) support that one project met a national objective or deobligate the program funds, (3) reimburse its program from non-Federal funds for the program funds not repaid, and (4) implement adequate controls to address the findings cited. (Audit Report: **2015-CH-1009**)

HUD OIG audited the **State of Florida**'s CDBG-DR program to determine whether the State administered its program in accordance with applicable HUD requirements; specifically, whether the State used funds to assist eligible properties and beneficiaries.

The State did not adequately administer its CDBG-DR program in accordance with HUD requirements because it did not demonstrate whether (1) 93 assisted units with expenditures of more than $2 million were impacted by the 2008 declared disasters, (2) a property acquired for more than $63,000 was in a high-risk area, (3) a property met the low- and moderate-income housing national objective, and (4) 9 beneficiaries with expenditures of nearly $221,000 were income eligible to receive assistance.

OIG recommended that HUD require the State to support the eligibility of funds used or reimburse HUD from non-Federal funds. The State should also develop policies and procedures to ensure that sufficient eligibility documentation is maintained. (Audit Report: **2015-AT-1006**)

HUD OIG audited the **State of Maryland**'s CDBG-DR-funded Housing Recovery program to determine whether the State (1) assisted eligible applicants, (2) avoided duplicating assistance, (3) incurred eligible expenses that were properly supported, (4) procured services and products properly, and (5) constructed homes properly in accordance with applicable HUD and Federal requirements.

The State could not show that replacement homes were designed and constructed to increase energy efficiency and minimize their environmental footprint as required. Specifically, the State's subgrantee could not show that it constructed replacement homes that complied with the Green Building Standard. As a result, HUD had no assurance that $1.9 million in program funds paid to the subgrantee were spent and $293,000 in program funds not yet paid to the subgrantee would be spent to design and construct 13 replacement homes in a manner that increased energy efficiency and minimized their environmental footprint. The subgrantee (1) assisted eligible applicants, (2) avoided duplicating assistance, (3) incurred eligible expenses that were properly supported, and (4) procured services and products properly.

OIG recommended that HUD require the State to (1) provide documentation showing that the 13 homes, with related program costs totaling $1.9 million, meet the Green Building Standard or repay HUD for any amount that it cannot support and (2) continue to develop and implement procedures to ensure that future replacement homes comply with the Standard, thereby ensuring that $293,000 in program funds not yet paid to the subgrantee will be put to better use. (Audit Report: **2015-PH-1005**)

INVESTIGATION

PROGRAM RESULTS*

Administrative-civil actions	8
Convictions-pleas-pretrial diversions	1
Financial recoveries	$0

*Figures included in public and Indian housing and community planning and development statistics

LOUISIANA ROAD HOME GRANT RECIPIENT CONVICTED OF FRAUD

A Louisiana Road Home Program grant recipient pled guilty in U.S. District Court to making false statements related to a CDBG-DR grant. In June 2007, the grantee received $97,969 from the Program after signing a covenant agreement to reoccupy the property within 3 years of the grant closing. However, the recipient did not repair or reoccupy the property. To avoid having her grant recaptured, the grantee submitted a falsified utility bill to the Program in an effort to prove occupancy. This investigation was conducted by HUD OIG and the Federal Bureau of Investigation. **(New Orleans, LA)**

SIX OTHER SIGNIFICANT AUDITS AND INVESTIGATIONS

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	9 audits	$1,179,830	$2,500

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) more significant audits are discussed below.

REVIEW OF HUD'S COMPLIANCE WITH IMPROPER PAYMENTS INFORMATION ACT

HUD OIG audited HUD's fiscal year 2014 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) to determine (1) HUD's compliance with IPERA reporting and improper payments reduction requirements; (2) whether HUD's reporting of improper payments data, including the agency's performance in reducing and recapturing improper payments, was complete and accurate; and (3) whether HUD's assessment of the level of risk associated with high-priority programs and the quality of the improper payments estimates and methodology were reasonable.

HUD did not comply with IPERA for fiscal year 2014. It did not adequately report on its supplemental measures because it lacked documented procedures, and its improper payments risk assessment was deficient because all relevant OIG audit reports were not considered. Additionally, HUD's estimate of improper payments for the billing error component was based on out-of-date information, and its methodology for developing the estimate did not include an evaluation of all types of errors that could lead to significant improper payments. Finally, OIG noted 18 unimplemented recommendations from its prior-year report. As a result, (1) HUD officials and other users, including Congress and the Office of Management and Budget (OMB), did not have a complete and accurate picture for making decisions regarding HUD's internal controls over improper payments and efforts to recover improper payments, (2) HUD's risk assessments may have underestimated the risk of significant improper payments, and (3) its estimate of improper payments may have been misstated.

OIG recommended that HUD (1) implement procedures to ensure that all required improper payments reporting elements are included in its annual financial report and all relevant OIG and U.S. Government Accountability Office (GAO) audit reports are considered in its risk assessments, (2) consider the dollar amounts related to OIG and GAO audit reports and HUD's program monitoring findings in its risk assessment, and (3) reevaluate the types of errors previously identified to determine whether there are new causes of significant improper payments that would require reporting. (Audit Report: **2015-FO-0005**)

REVIEW OF NEW CORE PROJECT

HUD OIG audited release 3 of phase 1 of HUD's New Core Project as part of the internal control assessments required for the fiscal year 2015 financial statement audit under the Chief Financial Officer's Act of 1990. OIG's objective was to assess the status of the project and determine whether the New Core Project team complied with Federal regulations and departmental project management processes.

Weaknesses in the New Core Project had not been adequately addressed. HUD did not follow its own agency policies and procedures, the policies established for New Core, or best practices. If HUD is not successful in this implementation, it could reflect negatively on OMB's mandate to use Federal shared service providers. The weaknesses identified relate to requirements and schedule and risk management. These areas are significant to the project plan, and the effectiveness with which HUD manages them is critical to the project's success.

OIG recommended that HUD (1) ensure that requirements for the functional areas that were not part of the shared service provider's standard configuration are completed and approved before beginning design and development, (2) reevaluate the October 1, 2015, start date for release 3 of phase 1 of the project, (3) modify the project schedule and dashboard to identify the critical path, (4) establish a contingency plan, (5) ensure that all risks are fully mitigated before closing, and (6) address the remaining weaknesses identified. (Audit Report: **2015-DP-0006**)

HUD OIG audited HUD's New Core Interface Solution (NCIS) for release 1 of phase 1 as part of the internal control assessments required for the fiscal year 2015 financial statement audit under the Chief Financial Officer's Act of 1990. The objective was to determine whether adequate internal controls were in place for NCIS and relate the results of the review to the upcoming release 3 implementation.

HUD's implementation of release 1 of the New Core Project was not completely successful. A review of NCIS processing for release 1 travel and relocation transactions found that missed requirements and ineffective controls and procedures resulted in inaccurate financial data in HUD's general ledger and Oracle Financials. As a result, NCIS processed for more than 6 months with unresolved errors, leaving HUD's general ledger and Oracle Financials with inaccurate financial data and discrepancies in the balances between HUD's general ledger and the U.S. Department of the Treasury's Government Wide Accounting System. The implementation of release 1 confirmed the concerns cited when OIG reviewed release 3. Although HUD had taken action in its plans for release 3 to mitigate some of the problems that occurred with release 1, OIG is concerned that HUD could be moving too fast with its implementation plans and may repeat these weaknesses.

OIG recommended that HUD correct the deficiencies cited to ensure that financial data are recorded accurately in HUD's general ledger and Oracle Financials. Additionally, HUD should implement controls in current and future releases that will prevent similar errors from occurring. (Audit Report: **2015-DP-0007**)

POTENTIAL ANTIDEFICIENCY ACT VIOLATION IN HOME INVESTMENT PARTNERSHIPS PROGRAM

HUD OIG conducted further analysis of its fiscal years 2013 and 2014 findings that HUD's formula grant accounting did not comply with generally accepted accounting principles, resulting in misstatements on its financial statements, and that HUD did not comply with the HOME Investment Partnership Act (also known as the HOME Statute). The additional analysis was performed due to concerns about a potential Antideficiency Act violation regarding HOME Investment Partnerships Program funds based on HUD's implementation of the cumulative method to meet commitment deadlines; specifically, its use of the first-in, first-out (FIFO) method to commit and disburse funds for this program. The objective of the audit was to determine whether grant funds were obligated and spent in accordance with statutory requirements.

HUD's use of the cumulative method to determine compliance with the HOME Statute's 24-month commitment deadline incorrectly permitted some jurisdictions to retain and commit HOME funds beyond the statutory commitment deadline. If funds are retained by grantees beyond the deadline, HUD may incur an Antideficiency Act violation because funds remain available for obligation or expenditure by the grantee. The Antideficiency Act prohibits Federal agencies from making or authorizing an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation. In fiscal year 2014, HUD continued to use the cumulative and FIFO methods for commitments and disbursements. Therefore, the conditions remained, and the potential for an Antideficiency Act violation continued to exist.

OIG recommended that HUD (1) open an investigation and determine the impact of FIFO and the cumulative method for commitments for the HOME program on HUD's risk of an Antideficiency Act violation; (2) as part of the investigation, obtain a legal opinion from GAO and OMB to determine whether maintaining the cumulative method for determining compliance with the HOME Statute results in noncompliance with the Statute and potential Antideficiency Act violations; and (3) if HUD incurred an Antideficiency Act violation, comply with the reporting requirements at 31 U.S.C. (United States Code) 1351 and 1517(b) and OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget, section 145 (June 21, 2005). (Audit Memorandum: **2015-FO-0801**)

REVIEW OF HUD'S ADMINISTRATION OF ITS PURCHASE CARD PROGRAM

HUD OIG audited HUD's administration of its purchase card program in accordance with the Charge Card Abuse Prevention Act of 2012 to determine whether HUD evaluated and reported improper and potentially illegal uses of government purchase cards.

Purchase card transactions were generally supported. However, HUD did not evaluate a potential violation to determine whether it constituted a significant weakness and could have provided better transparency by reporting the potential purchase card violation in its reports to OMB. Specifically, HUD did not evaluate or report a violation in which an employee made fraudulent purchases totaling nearly $12,000 from August through October 2013.

OIG recommended that HUD revise its procedures to include evaluating the impact of identified violations on HUD's purchase card program controls and how violations will be reported. (Audit Report: **2015-FO-0006**)

REVIEW OF ENVIRONMENTAL REQUIREMENTS

HUD OIG audited HUD's implementation and oversight of compliance with environmental requirements to determine whether HUD ensured that it adequately implemented environmental requirements and provided adequate oversight to ensure compliance with these requirements.

HUD did not adequately implement environmental requirements or provide adequate oversight to ensure compliance with these requirements. For example, it did not adequately monitor or provide training to its staff, grantees, or responsible entities on how to comply with environmental requirements. Also, HUD did not have an adequate reporting process to ensure that the appropriate headquarters programs were informed of field offices' environmental concerns. Further, OIG's review of five field offices found that none of them adequately followed environmental compliance requirements. As a result, HUD may have increased the risk to the health and safety of the public and failed to prevent or eliminate damage to the environment, and five field offices allowed public housing agencies to spend almost $405 million for activities that either did not have required environmental reviews or had reviews that were not adequately supported.

OIG recommended that HUD (1) comply with and provide adequate oversight to ensure compliance with environmental requirements, (2) either establish an independent program office with overall departmental responsibility for developing and enforcing compliance with environmental policies by all program offices and grantees or establish an agreement that clearly outlines all program offices' environmental oversight responsibilities, and (3) clarify the delegation of authority in Federal Register notices related to its responsibility for the implementation of and compliance with environmental requirements. (Audit Report: **2015-FW-0001**)

REVIEW OF LEAD-BASED PAINT HAZARDS CONTROL

HUD OIG audited the City of **High Point, NC**'s lead-based paint procurement and eligibility operations to determine whether the City administered its lead-based paint hazard control grants in accordance with HUD's regulations and grant requirements for procurement of contracted services and expense eligibility.

The City did not properly manage its procurement activities in accordance with HUD's requirements. Specifically, it used an expired contract to pay for environmental services from November 1, 2009, to July 15, 2013. Also, it did not consistently select the lowest bidder, retain required documentation, and perform cost analyses on change orders. As a result of this noncompliance, HUD funds were used to pay more than $1 million for ineligible and unsupported procurement costs. In addition, the City improperly used its grant for ineligible lead-based paint abatement expenses. As a result, HUD funds were used to pay more than $9,000 for ineligible costs, which the City was not able to use for other projects.

OIG recommended that HUD require the City to (1) reimburse more than $207,000 in ineligible costs from non-Federal funds, (2) support or reimburse more than $874,000 in unsupported costs from non-Federal funds, and (3) implement internal controls to ensure that regulations and procedures are followed. OIG also recommended that HUD continue the zero threshold process by reviewing the eligibility of the projects for approval under the 2011 grant until the grant is completed. (Audit Report: **2015-AT-1005**)

SEVEN JOINT CIVIL FRAUD **INITIATIVES**

In recent years, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has enhanced its efforts to identify and investigate civil fraud and pursue civil actions and administrative sanctions, frequently combining efforts from its multiple disciplines to create teams of auditors, special agents, attorneys, and data analysts to conduct civil investigations. The central hub of these efforts is HUD OIG's Joint Civil Fraud Division, a distinct team of forensic auditors and special agents dedicated to investigating fraud and pursuing civil and administrative remedies.

HUD OIG's joint civil fraud teams work closely with the U.S. Department of Justice, U.S. Attorney's Offices, HUD's Office of General Counsel, and local prosecutors to pursue civil remedies under a variety of statutes and regulations, including the False Claims Act; Program Fraud Civil Remedies Act; and Financial Institutions Reform, Recovery, and Enforcement Act. HUD OIG also works with HUD's Departmental Enforcement Center to pursue debarments, suspensions, and limited denials of participation when appropriate.

HUD OIG's internal joint efforts, in conjunction with partnerships with other enforcement groups, result in civil outcomes that are meant to help HUD recover from unwarranted damages sustained due to fraud. Some of the highlights from this semiannual period, resulting from these joint civil fraud efforts, are noted below.

STRATEGIC INITIATIVE 1: CONTRIBUTE TO THE REDUCTION OF FRAUD IN SINGLE-FAMILY INSURANCE PROGRAMS

PROGRAM RESULTS

Recoveries and receivables to HUD programs or HUD program participants	$161,722,168
Recoveries and receivables for other entities	$86,959,989
Civil actions	7
Administrative sanctions	1

SINGLE FAMILY

HUD OIG assisted the U.S. Department of Justice, Washington, DC, and the U.S. Attorney's Office, Northern District of Georgia, in conducting a review of First Tennessee Bank. First Tennessee has its principal place of business in **Memphis, TN**, and is a wholly owned subsidiary of First Horizon Financial Corporation. First Tennessee became a Federal Housing Administration (FHA)-approved direct endorsement lender in 1984. As a direct endorsement lender, First Tennessee was authorized by HUD to originate and underwrite mortgage loans on HUD's behalf, including determining a borrower's creditworthiness and whether the proposed loan met all applicable requirements. When a borrower defaults on an FHA-insured loan underwritten and endorsed by a direct endorsement lender, the lender (or its representative) has the option of submitting a claim to HUD to compensate it for any loss sustained as a result of the default. Therefore, once a mortgage loan is endorsed for FHA insurance, HUD insures the risk of the borrower's defaulting on that mortgage, which is realized if an insurance claim is submitted.

On June 1, 2015, First Tennessee entered into a settlement agreement with the Federal Government to pay $212.5 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation of certain civil claims the Government contended that it had against First Tennessee. The settlement agreement was neither an admission of liability by First Tennessee nor a concession by the United States that its claims were not well founded. As part of the settlement, First Tennessee agreed that it engaged in certain conduct in connection with its origination, underwriting, and quality control of certain single-family residential mortgage loans insured by FHA. As a result of First Tennessee's conduct, HUD insured hundreds of loans approved by First Tennessee that were not eligible for FHA mortgage insurance under the direct endorsement program and that HUD would not otherwise have insured. HUD incurred substantial losses when it paid insurance claims on the loans covered by the settlement agreement. Of the total settlement, FHA received $142 million in July 2015, and other Federal entities were to receive the remaining $70.5 million. (Memorandum: **2015-AT-1801**; Office of Audit Region 4 and Joint Civil Fraud Division, with assistance from various Office of Investigation regions)

HUD OIG assisted in an investigation into alleged violations by Reverse Mortgage Solutions, Inc., of FHA regulations related to its Home Equity Conversion Mortgage (HECM) program. The investigation began due to a qui tam action filed under the False Claims Act, 31 U.S.C. (United States Code) 3729, in the U.S. District Court for the Middle District of Florida. The False Claims Act allows private persons to file suit for violations of the False Claims Act on behalf of the Government. A suit filed by an individual on behalf of the Government is known as a qui tam action, and the person bringing the action is referred to as a relator.

Reverse Mortgage Solutions is a mortgage company authorized to originate and service FHA-insured HECM loans (commonly known as reverse mortgages). Reverse Mortgage Solutions is a wholly owned subsidiary of Walter Investment Management Corporation, with its operations based in **Spring, TX**. Reverse Mortgage Solutions conducts loan servicing activities for reverse mortgages. HUD's HECM program enables qualified homeowners to withdraw a portion of the home's equity, thus creating a reverse mortgage. On July 1, 2013, the relator filed a qui tam action alleging that Walter Investment Management Corporation, Reverse Mortgage Solutions, and other entities engaged in a scheme to defraud HUD by failing to disclose in FHA insurance claims that certain required servicing actions on reverse mortgages were not completed according to HUD regulations within the required timeframes. The relator also alleged that Reverse Mortgage Solutions used a straw corporation to keep commissions on the sale of properties it liquidated.

On March 27, 2015, the United States joined in the relator's civil action regarding certain allegations made by the relator. In joining the civil action, the United States contended that it had certain civil claims against Reverse Mortgage Solutions and the other defendants for violating program rules and that as a result, HUD paid more in claims on the loans than loan owners were entitled to receive on certain claims. On September 3, 2015, the United States, the relator, Walter Investment Management Corporation, and the other defendants entered into a settlement agreement to avoid the delay, uncertainty, inconvenience, and expense of litigation. To settle the matter, Walter Investment Management Corporation, the parent corporation of Reverse Mortgage Solutions, agreed to pay $29.63 million to the United States, covering certain claims. The settlement agreement was neither an admission of liability by the defendants nor a concession by the United States that its claims were not well founded. FHA's Mutual Mortgage Insurance Fund is to receive more than $13.69 million of the $29.63 million, with the remaining funds being remitted to the relator and other Federal entities. (Memorandum: **2015-CF-1808**; Office of Investigation Region 4 and Joint Civil Fraud Division)

HUD OIG, in coordination with the U.S. Attorney's Office for the Eastern District of Michigan, conducted a review of GTL Investments, Inc., doing business as John Adams Mortgage Company, regarding its originations, underwriting, quality control, and endorsement of FHA loans. GTL Investments is based in **Southfield, MI**.

The U.S. Government contended that it had certain civil claims against GTL Investments due to the origination, underwriting, quality control, and endorsement of 29 FHA-insured loans made from January 2008 through April 2012 that went to claim. Further, GTL Investments' material deficiencies in the underwriting of the 29 loans resulted in losses to FHA's Mutual Mortgage Insurance Fund. The Government also contended that it had actual and potential administrative claims against GTL Investments for two additional FHA-insured loans that remained in GTL Investments' loan portfolio.

To avoid the delay, uncertainty, inconvenience, and expense of lengthy ligation in regard to the Government's claim and in consideration of mutual promises and obligations, on December 23, 2014, GTL Investments entered into a settlement agreement to pay $4.2 million to FHA's Mutual Mortgage Insurance Fund. GTL Investments also agreed to refrain from making any claim for FHA insurance benefits or indemnify FHA for losses incurred, if any, on the two loans that remained in its loan portfolio. The settlement agreement was neither an admission of liability by GTL Investments nor a concession by the Government that its allegations were not well founded. (Memorandum: **2015-CH-1801**; Office of Audit Region 5, Office of Investigation Region 5, and Joint Civil Fraud Division)

EIGHT EVALUATION INITIATIVES

Program evaluation affords the Office of Inspector General (OIG) a flexible and effective mechanism for oversight and review of U.S. Department of Housing and Urban Development (HUD) programs by using a multidisciplinary, collaborative approach and multiple methods for gathering and analyzing data. The program evaluation team performs information technology (IT) and program evaluations, provides data analytics services to OIG components, and performs management assistance reviews to ensure that OIG operates in accordance with its policy. During this 6-month period, OIG issued one report and had seven evaluations underway. In addition, it provided a wide range of statistical and analytical support to OIG headquarters and field components and completed two management assistance reviews within OIG.

EVALUATIONS

COMPLETED PROJECT:

HUD IT MODERNIZATION REPORT (2015-OE-0002)

OIG completed an IT modernization evaluation and issued a report with 13 recommendations to the HUD Office of the Chief Information Officer. The evaluation reviewed the implementation and maturity of HUD's capital planning and investment control process and enterprise architecture program, focusing on how they support HUD's strategic plan and IT modernization roadmap.

NEW PROJECT:

EVALUATION OF HUD RECOMMENDATION TRACKING EFFECTIVENESS

The purpose of this evaluation is to determine whether HUD would benefit from an enterprise risk management (ERM) approach to identifying, assessing, and managing departmentwide risks using a single enterprise-level recommendation tracking system. The recently revised Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Risk Management and Internal Control, encourages Federal agencies to adopt an ERM framework for the application of risk management principles at every level of an organization that is integrated in day-to-day operations, providing more effective risk management and internal control in the Federal Government.

ONGOING PROJECTS:

DEPARTMENTAL ENFORCEMENT CENTER EFFECTIVENESS

OIG is awaiting HUD's response to a draft report on the effectiveness of the Departmental Enforcement Center. This project was designed to determine whether enforcement efforts were successful in improving the physical and financial condition of multifamily properties and whether implementing a risk-based approach to enforcement could improve accomplishments in other programs.

PUBLIC HOUSING AGENCIES' FLOOD INSURANCE

OIG is awaiting HUD's response to a draft report explaining why three public housing agencies (PHA) did not have adequate flood insurance before Hurricane Sandy. In 2014, HUD acknowledged the need to determine the best way to ensure that PHAs have adequate coverage. This project was designed to inform HUD decision makers about flood insurance coverage.

HUD ACQUISITION PROCESS IMPROVEMENTS

An OIG contractor is completing fieldwork on a project to determine how HUD initiatives to improve the acquisition process are progressing and to identify practices that could improve the quality and timeliness of acquisitions. HUD has been working to address acquisition issues since 2001, when the U.S. Government Accountability Office identified acquisition management as a significant management challenge at HUD.

HUD SECURITY POLICIES AND PROCESSES FOR CONTRACTOR PERSONNEL

An OIG contractor is completing fieldwork on a review of HUD's security policies and practices for contractor personnel. Contractors pose a potential vulnerability to HUD because they comprise around half of HUD's workforce and the Office of the Chief Human Capital Officer has been under pressure to bring contractors on board quickly.

ENERGY STAR BUILDING STANDARD ALTERNATIVES

OIG is completing a research project requested by the HUD Office of Community Planning and Development (CPD). For its Home Investment Partnerships Program, CPD tracks new and significantly remodeled units that meet the HUD priority goal of certification under the Energy Star building standard. CPD asked OIG to research State low-income housing building standards to see whether States used other standards, equivalent to Energy Star, that CPD could count toward achieving the HUD priority goal.

FEDERAL INFORMATION SECURITY MODERNIZATION ACT

OIG is completing the fiscal year 2015 Federal Information Security Modernization Act (FISMA) review of HUD. According to OMB's FISMA guidance, inspectors general are required to conduct an independent review of agency IT security programs based on U.S. Department of Homeland Security (DHS) annual metrics. These metrics consist of 10 topic areas that measure the agency's IT security posture. The review is due to OMB by mid-November. OIG will provide written submissions for the DHS metrics, along with a written report.

COUNCIL OF THE INSPECTORS GENERAL FOR INTEGRITY AND EFFICIENCY IT PROJECT

OIG participated in a Council of the Inspectors General for Integrity and Efficiency IT subcommittee project group that developed an Information Security Continuous Monitoring maturity model. This maturity model and methodology were approved by OMB and DHS for use in annual FISMA reviews as it strengthens the assessment and oversight of agencies' information security under FISMA.

DATA ANALYTICS

OIG analyzed HUD internal and housing-related external data to identify program mismanagement patterns, internal control weaknesses, and potential fraud to improve long-term OIG workload planning and strategic decision making. During the 6-month reporting period, OIG

- Completed **110** data and statistical analyses assistance requests.
- Quantified more than **$1.5** billion in statistically estimated monetary benefits associated with work performed for the Office of Audit.
- Contributed to the **$212.5** million civil settlement negotiated as part of an OIG-U.S. Department of Justice-Federal Housing Administration (FHA) national home mortgage underwriting initiative.
- Developed HUD program assessment systems designed to identify high-risk multifamily nursing home operations and poorly performing FHA loan servicing institutions.
- Enhanced its predictive analyses infrastructure by adding data visualization and linkage capabilities and consolidating key HUD single-family and FHA data.

MANAGEMENT ASSISTANCE

OIG management assistance reviews provide the quality assurance mechanism, which ensures that OIG's audit, investigative, and administrative operations follow established standards, policies, and procedures. Management assistance review reports are issued to top OIG management to recommend improvement in management and operations. During this 6-month period, OIG

- Performed a special assessment of IT and
- Reviewed the Region 4, Atlanta, GA, audit and investigation activities.

NINE LEGISLATION, REGULATION, AND OTHER DIRECTIVES

Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG has committed approximately 915 hours to reviewing 134 issuances. The draft directives consisted of 65 notices, 12 mortgagee letters, and 57 other directives. OIG provided comments on 37 (or 28 percent) of the issuances and provided 9 nonconcurrences and was able to resolve 2. A summary of selected reviews for this 6-month period is provided below.

NOTICES, POLICY ISSUANCES, AND FINAL RULES

SINGLE FAMILY HOUSING

Single Family Lender Handbook – OIG reviewed various sections of the Federal Housing Administration's (FHA) updated and consolidated Single Family Housing Policy Handbook 4000.1. This update is part of an FHA initiative to provide borrowers with greater access to credit and to make working with FHA more efficient and effective for lenders. This handbook reconciled more than 900 mortgagee letters and other policy guidance into a single, authoritative document to serve as the definitive guide on all aspects of FHA's single-family programs. Major sections of this handbook became effective September 14, 2015.

During this period, we reviewed handbook sections "Doing Business with FHA," "Origination through Post Closing and Endorsement," "Servicing and Loss Mitigation," and "Quality Control, Oversight and Compliance." OIG provided comments and nonconcurring comments on several issues. Based on OIG's internal audit of the 203(k) program, the work writeups or cost estimates did not have adequate details to identify the specific rehabilitation work required. In many cases, due to the vague language, OIG could not determine whether the repairs and improvements involved structural changes. OIG commented that the language regarding these requirements could be strengthened. It also commented that the handbook did not adequately address lead-based paint renovation, repairs, and remodeling safety practices for homes built before 1978. Further, HUD only requires a prospective 203(k) consultant to have 3 years' experience as a remodeling contractor or general contractor. OIG is concerned that this requirement is not sufficient to determine whether a contractor would have the necessary skills to provide architectural exhibits and drawings and, if required, perform substantial rehabilitation work.

OIG also provided a number of comments related to servicing and loss mitigation based on weaknesses identified in audit work on loss mitigation. Current mortgagee letters state that a stand-alone partial claim may be used if certain criteria are met. However, the mortgagee letters do not specifically prohibit the use of a loan modification when a stand-alone partial claim is allowed. FHA pays the servicer an administrative fee under the Home Affordable Modification Program (HAMP). This practice may encourage lenders to include the HAMP loan modification with the partial claim even when it results in a nearly identical or higher interest rate that may not benefit the borrower. OIG recommends that HUD consider clarifying its policy to ensure that lenders use the loan modification with a stand-alone partial claim only if it would benefit the borrower.

HUD/VA [U.S. Department of Veterans Affairs] Addendum Uniform Residential Loan Application (form HUD-92900-A) – On May 15, 2015, HUD published a notice requesting public comment on its proposed revisions to the addendum. The purpose of the proposed revisions was to (1) show the differences between the initial and final Uniform Residential Loan Application, (2) revise lender certification on debarment and suspension to be loan-level specific, (3) remove references to handbooks no longer in use by the Office of Single Family Housing, (4) update language regarding acceptable sources of funds, (5) provide current nondiscrimination language, and (6) update terminology to reflect the new Single Family Housing Handbook 4000.1. HUD also removed the lender certification related to convictions, civil judgments, indictments, and terminations of public transactions for cause or default from loan level certifications to FHA's lender certifications for initial approval and annual renewal to assess at the lender level. When these changes were official noticed HUD OIG non-concurred.

Methodology for assessing loan quality – On June 18, 2015, FHA published its single-family loan quality assessment methodology in its drafting table. This methodology, also known as the defect taxonomy, explains how FHA intends to categorize loan defects identified in FHA-insured loans. The methodology centers on three main concepts: (1) identifying a defect, (2) capturing the sources and causes of a defect, and (3) assessing the severity of a defect. OIG informed HUD that this document meets the criteria of a change in guidance and should go through the formal clearance review process required for all directives. In addition, OIG continues to have concerns with the contents of the methodology that it would like to formally comment on before HUD's implementation. OIG is concerned that the general references to "qualitative issues of eligibility" do not clearly identify significant issues affecting eligibility of the loan. OIG is also concerned that HUD does not identify the remedy related to each specific defect based on the assessment. OIG recommended creating a matrix of remedies to outcomes.

PUBLIC AND INDIAN HOUSING

Rental Assistance Demonstration – On June 15, 2015, HUD revised its Office of Public and Indian Housing (PIH) notice PIH-2012-32 (HA) regarding final implementation of the program. OIG strongly recommended that PIH work with HUD's Office of General Counsel (OGC) to ensure that it complies with the delegation of authority since the Office of Housing and PIH both administer this program. OIG also recommended that OGC opine on whether the existing method for computing the financial assistance was in accordance with the congressional intent. Lastly, OIG expressed concern that HUD may have assumed an unacceptable level of risk without compensating controls for the implementation and oversight of the demonstration program. Program staff may want to consider allocating technical assistance funds to public housing agencies when it identifies capacity issues.

Standards for Internal Controls – On September 10, 2014, the U.S. Government Accountability Office (GAO) issued its revision of Standards for Internal Control in the Federal Government (Green Book). The revision superseded the standards issued in November 1999. The Federal Managers' Financial Integrity Act (FMFIA) requires that Federal agency executives periodically review and annually report on the agency's internal control systems. FMFIA requires the Comptroller General to prescribe internal control standards for both program and financial management. The standards may also be adopted by State, local, and quasi-governmental entities, as well as public housing agencies, as a framework for their internal control system. GAO's 2014 revision will be effective for fiscal year 2016 and the FMFIA reports covering that year. Management, at its discretion, may elect early adoption. OIG has suggested, however, that HUD has not agreed that PIH should issue a policy statement directing the use of the new internal control process to improve the effectiveness of implementing the programs and as a means to safeguard limited resources.

OFFICE OF MULTIFAMILY HOUSING

Underwriter approval delegation – On August 12, 2015, HUD issued a notice describing the realignment of its underwriter approval process. Eligible multifamily accelerated processing (MAP) and Section 232 lenders will designate a chief underwriter. The chief underwriter will designate and approve its MAP and Section 232 underwriters. HUD will no longer review and approve MAP and Section 232 underwriters, except as otherwise stated in the notice, and will instead rely on certifications from the MAP and Section 232 lender and chief underwriter that individual underwriters meet MAP Guide or Section 232 Handbook 4232.1 requirements.

COMMUNITY PLANNING AND DEVELOPMENT

The Disaster Relief Appropriations Act required grantees to spend Community Development Block Grant Disaster Recovery (CDBG-DR) funding within 24 months after HUD obligates the funds to the grantee. Section 904(c) of the Appropriations Act authorized the Office of Management and Budget (OMB) to grant waivers of the deadline. OMB authorized HUD to provide CDBG-DR grantees with expenditure deadline extensions for activities that are inherently long term and when it would not be practical to spend funds within the 24-month period and still achieve program missions. On May 11, 2015, HUD published guidance and instructions for requesting an extension.

OIG reviewed two Federal Register notices related to the waivers for grantees receiving CDGB-DR funding. The first notice, published in the Federal Register on April 7, 2015, allowed the State of New Jersey to use up to $32 million for rental assistance, utility payments, and if necessary, rental costs (for example, security deposits and utility deposits). The State may provide the assistance on behalf of beneficiaries for up to 2 years.

The second notice was published on August 25, 2015, and modified the requirements for infrastructure projects funded by Hurricane Sandy funding. It also allowed alternative requirements for the State of New Jersey's Energy Resilience Bank and LMI Homeowner Rebuilding Program and for New York City's infrastructure projects at the Breezy Point Flood Mitigation System.

FAIR HOUSING AND EQUAL OPPORTUNITY

On July 3, 2014, HUD published a notice of funding availability announcing approximately $38.3 million to be used for the Fair Housing Initiatives Program (FHIP). On April 24, 2015, HUD published the names and addresses of the recipients selected for FHIP funding. FHIP assists projects and activities designed to enhance compliance with the Fair Housing Act and substantially equivalent State and local fair housing laws.

TEN AUDIT **RESOLUTION**

In the audit resolution process, Office of Inspector General (OIG) and U.S. Department of Housing and Urban Development (HUD) management agree upon needed actions and timeframes for resolving audit 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 significant management decisions with which OIG disagrees. It also contains a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on audit resolution, see appendix 3, table B, "Significant Audit Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report."

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2015

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. The OIG report 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. HUD OIG also reported that there were not sufficient internal controls over the process in place to ensure accurate and reliable financial reporting. The weaknesses in the process failed to ensure that material financial transactions were included in HUD's consolidated financial statements and allowed public housing agencies (PHA) to continue to hold funds in excess of their immediate disbursing needs, which is in violation of Treasury cash management regulations.

The OIG report included a recommendation 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.

Since the report's issuance, HUD issued three proposals on how to address recommendation 2C on March 31, 2014, April 17, 2014, and May 28, 2014. 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; therefore, OIG has no reasonable way to determine PIH's progress in addressing the recommendation.

This issue was referred to the Assistant Secretary on June 19, 2014, and September 30, 2014; however, a new proposal had not been made as of March 31, 2015. Therefore, this issue was referred to the Deputy Secretary on March 31, 2015. A meeting was held to brief the Deputy Secretary's staff on the subject on April 20, 2015; however, a new proposal had not been made as of September 30, 2015. (Audit Report: **2014-FO-0003**)

U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, WASHINGTON, DC, IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2015, ISSUE DATE: APRIL 15, 2014

HUD OIG audited HUD's fiscal year 2013 compliance with the Improper Payments Information Act of 2002 as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The OIG report found that HUD did not comply with IPERA reporting requirements because it did not sufficiently and accurately report its (1) billing and program component improper payment rates; (2) actions to recover improper payments; (3) accountability; or (4) corrective actions, internal controls, human capital, and information systems as required by IPERA. In addition, HUD's supplemental measures and associated corrective actions did not sufficiently target the root causes of its improper payments because they did not track and monitor processing entities to ensure prevention, detection, and recovery of improper payments due to rent component and billing errors, which are root causes identified by HUD's contractor studies.

The OIG report included several recommendations that required the Office of Chief Financial Officer (OCFO) to work with PIH and the Office of Multifamily Housing Programs to ensure sufficient and accurate IPERA reporting in its agency financial report. The report also recommended that OCFO conduct a current billing study and if not performed annually in future years, report the reason in the agency financial report and update the previous study to reflect program and inflationary changes. Similarly, the report recommended a study to assess improper payments arising from the Housing Choice Voucher program. Finally, the report recommended that OCFO report on multifamily, public housing, and Section 8 program improper payment rates separately in the agency financial reports.

Initially, OCFO disagreed with several of OIG's recommendations, citing (1) funding issues in conducting current billing studies, which it believes do not produce tangible results; (2) disagreement for the need to determine whether improper payments exist due to changes in the funding of the Housing Choice Voucher program; and (3) management's position that formal policies and procedures for the IPERA reporting process are not necessary. OIG generally disagrees with OCFO's management decisions because they disregard IPERA reporting requirements and Office of Management and Budget (OMB) guidance and the management decisions do not reflect OCFO's responsibility as the lead official for directing and overseeing HUD's actions to address improper payments. OIG sent a referral memorandum to the Acting Chief Financial Officer on September 23, 2014, regarding its disagreement, along with an untimely referral memorandum for two recommendations that had not had management decisions entered. Following OIG's memorandum, OCFO entered management decisions for seven of its nine recommendations, of which OIG agreed with only one. The remaining six recommendations, along with two recommendations for which management had not yet entered a management decision, were referred to the Deputy Secretary on March 31, 2015. A meeting was held to brief the Deputy Secretary's staff on the subject on April 20, 2015, and in August 2015, meetings were held with OCFO to discuss what was needed for agreement. As of September 30, 2015, management decisions had been agreed upon for all but two recommendations. (Audit Report: **2014-FO-0004**)

HUD COULD NOT SUPPORT THE REASONABLENESS OF THE OPERATING AND CAPITAL FUND PROGRAMS' FEES AND DID NOT ADEQUATELY MONITOR CENTRAL OFFICE COST CENTERS, ISSUE DATE: JUNE 30, 2014

HUD OIG audited HUD's Public Housing Operating and Capital Fund program asset management safe harbor fees and HUD's monitoring of central office cost centers.

The OIG report found that HUD could not adequately support the reasonableness of the Operating Fund management, book-keeping, and asset management fees and Capital Fund management fee limits. Since HUD determined that the fee income earned by PHAs was not Federal funds, around $353 million in public housing operating funds was defederalized annually. HUD also lacked adequate justification for allowing PHAs to charge an asset management fee, resulting in more than $81 million of the above amount being unnecessary. Finally, HUD did not adequately monitor PHAs' central office cost center fee charges.

Among other things, the OIG report included recommendations that PIH revise its asset management fee policy to refederalize the Operating Fund program's management and book-keeping fees and the Capital Fund program's management fees (recommendation 1A), eliminate the asset management fee (recommendation 1B), and implement written procedures to ensure that fees and central office cost center expenses are used to support HUD's mission (recommendation 1H).

Since the report's issuance, management has issued two responses to address the three recommendations, with the latest issued on February 13, 2015. OIG rejected the latest management decisions proposed by PIH to address the recommendations on March 23, 2015. Although the proposed management decisions appeared to agree with some aspects of the OIG's recommendations, they did not fully and clearly explain how PIH will address the recommendations.

OIG referred the recommendations to the Deputy Secretary on February 12, 2015, and a decision is pending. After the referral, OIG and HUD held further discussions on the matter but were unable to reach agreement. On April 27, 2015, PIH sent a letter to OMB requesting input and guidance on the issues, and OIG sent a separate letter on May 11, 2015, to OMB to provide additional input. OIG has not received a response; however, PIH stated that it had held several discussions with OMB but that no final determination had been made. On August 3, 2015, Senator Grassley sent a letter to OMB to urge OMB to reject HUD's request to exempt the PHA fees from the OMB guidance and repeated the need to have the funds refederalized. (Audit Report: **2014-LA-0004**)

THE DATA IN CAIVRS DID NOT AGREE WITH THE DATA IN FHA'S DEFAULT AND CLAIMS SYSTEMS, ISSUE DATE: JULY 2, 2014

HUD OIG audited the Credit Alert Verification Reporting System (CAIVRS) to determine whether the default and claims data in CAIVRS agreed with the data in the Federal Housing Administration's (FHA) default and claim systems. OIG determined that CAIVRS did not contain information on all borrowers' default, foreclosure, and claim activity. It would incorrectly return accept codes for more than 260,000 borrowers who had been in default, foreclosure, or claim within the past 3 years. In addition, CAIVRS did not contain information for FHA borrowers with claims older than 3 years. Therefore, HUD did not provide other Federal agencies with sufficient information on FHA borrowers with delinquent Federal debt to meet the requirements of the Debt Collection Improvement Act of 1996 (DCIA).

Among other things, OIG recommended that HUD notify the users of CAIVRS that the system may have incomplete information for FHA delinquent debtors. In its October 17, 2014, management decision, HUD disagreed in part with this recommendation; however, it agreed to consult with the users of CAIVRS to determine their need for information on individuals with defaults or claims on FHA loans that do not result in delinquent Federal debt. On February 2, 2015, HUD submitted another management decision, stating that

CAIVRS was being updated to ensure that it reports all delinquent Federal debt resulting from FHA insurance claims until such debt is resolved as provided for in DCIA. In connection with this revision to the system, the Office of Single Family Program Development agreed that it should consult with the users of CAIVRS, including the U.S. Department of the Treasury, to ensure that they were aware that CAIVRS was being updated and would no longer report credit worthiness information – the existence of defaults and claims on FHA-insured loans – in addition to any actual delinquent Federal debt that has resulted from such defaults and claims. HUD will revise FHA's computer matching agreements with relevant agency users of CAIVRS to ensure that these agreements accurately reflect the delinquent Federal debt being reported by FHA and the revised period for such reports.

OIG also recommended that HUD obtain a determination from the Secretary of the Treasury of whether defaulted FHA-insured loans meet the definition of delinquent Federal debt that should be reported in CAIVRS. In its October 17, 2014, management decision, HUD disagreed with this recommendation. After discussions with OIG, HUD submitted another management decision on February 2, 2015, stating that HUD believes DCIA and pertinent regulations provide for the Secretary of HUD to determine the existence of any debt owed to the agency. HUD believes it is clear that it is not left to the Secretary of the Treasury to make this determination. HUD believes it has significant discretion in determining whether money owed to HUD is a debt, whether the debt is delinquent, and whether the debt must be repaid.

OIG rejected these management decisions because they do not resolve the recommendations. Since HUD has not indicated that it will identify all past claims that constitute unresolved delinquent Federal debt and update the system accordingly, certain Federal delinquent debts may be omitted based on HUD's prior policy. Therefore, OIG continues to recommend that HUD notify the users of CAIVRS that the system may have incomplete information for FHA delinquent Federal debtors so that these users do not unknowingly violate DCIA. For the second recommendation, OIG disagrees with HUD's position and continues to recommend that HUD seek a determination from the Secretary of the Treasury of whether FHA-insured loans meet the definition of delinquent Federal debt for the purposes of including or excluding them from CAIVRS. On March 23, 2015, OIG referred the recommendations to the Deputy Secretary because OIG could not resolve them with the Office of Housing. OIG has not received the final management decision. (Audit Report: **2014-KC-0002**)

THE NIAGARA FALLS HOUSING AUTHORITY DID NOT ALWAYS ADMINISTER ITS HOPE VI GRANT PROGRAM AND ACTIVITIES IN ACCORDANCE WITH HUD REQUIREMENTS, ISSUE DATE: JULY 10, 2014

HUD OIG audited the Niagara Falls Housing Authority's HOPE VI grant program based on an OIG risk analysis and the amount of funding the Authority received. The objectives of the audit were to determine whether the Authority administered its HOPE VI grant program and activities in accordance with HUD and HOPE VI grant program requirements.

The Authority did not always administer its HOPE VI grant program and activities in accordance with requirements. Specifically, contrary to Federal regulations and the HOPE VI grant agreement, Authority officials drew more HOPE VI funds from HUD's Line of Credit Control System than were needed to cover project expenditures. OIG recommended that HUD instruct Authority officials to (1) reimburse the U.S. Treasury for approximately $1.5 million in HOPE VI funds drawn in excess of need to cover project expenditures and (2) establish procedures to ensure that program funds are drawn in accordance with the grant agreement and regulations.

The Office of Public Housing Investments (OPHI) disagreed with recommendations 1A, 1B, and 1C and believed the funds questioned by OIG were non-Federal cost savings, which could be better used for HOPE VI-eligible activities in the Center Court neighborhood. OPHI believed that there was no authority to require non-Federal cost savings to be returned to the U.S. Treasury. OIG disagrees with the proposed management decisions for recommendations 1A, 1B, and 1C and believes that all of the questioned funds should be returned to the U.S. Treasury absent a suitable legal opinion. As a result of November 25, 2014, discussions with OIG, OPHI agreed to obtain a legal determination from HUD's Office of General Counsel (OGC) regarding the proposed management decisions. On March 26, 2015, OIG referred the disagreement to the Acting Assistant Secretary for Public and Indian Housing as a legal determination had not been provided.

On April 28, 2015, the Associate General Counsel, Office of Assisted Housing and Community Development, provided an opinion on the proposed management decisions and the related OIG concerns. This opinion concluded that approximately $1.5 million in questioned costs was program income under the definition of excess income and did not have to be repaid to the U.S. Treasury.

The Counsel to the Inspector General reviewed the OGC opinion and agreed that the OIG recommendations should be retained, the questioned costs were not program income, and the interest earned on these funds was also not program income. Also, exhibit H of the annual contributions contract amendment would have required program income to have been spent before HOPE VI funds were drawn down. Because unspent HOPE VI grant funds are no longer available for expenditure, funds returned to HUD must be returned to the U.S. Treasury.

On August 13, 2015, the Inspector General referred the disagreement on the management decisions to the Deputy Secretary for a decision as the departmental audit resolution official. (Audit Report: **2014-NY-1007**)

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 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. 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 OGC and the HUD Offices of Housing, Single Family Housing, and Finance and Budget on January 30, 2015. The meeting ended in disagreement; however, OGC and the OIG Office of Legal Counsel continued discussions.

The Office of Single Family Housing received two legal opinions from OGC, dated January 26, 2015, and February 24, 2015, respectively. Combined, the legal opinions support the Offices of 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." The Office of 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 the Offices of 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 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 OGC and the Offices of Single Family Housing and Finance and Budget regarding the recommendations in question, but agreeable management decisions have not been reached. On March 31, 2015, OIG referred the recommendations to the Deputy Secretary for a decision and has not received that decision. (Audit Report: **2014-LA-0005**)

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

HUD OIG audited the Office of Community Planning and Development's (CPD) elimination of the first-in, first-out (FIFO) method for disbursing obligations. OIG reported in prior years that the FIFO method used by the Integrated Disbursement Information System (IDIS) was not designed to comply with Federal financial management system requirements and was not compliant with generally accepted accounting principles. The continued use of the FIFO method allowed HUD's financial statements to be materially misstated.

The OIG report included a recommendation to continue working with the information technology services contractor and OCFO to ensure that all phases of the FIFO elimination plan were completed to bring IDIS into compliance with generally accepted accounting principles and applicable Federal system requirements as scheduled. However, during fiscal year 2015, funding for the elimination plan was withheld, causing delays in the timeframe. HUD issued a proposal to address the recommendation; however, OIG rejected it because it indicated that CPD did not have approved funding for fiscal years 2015 and 2016, thereby causing the elimination project to be halted sometime in the Spring of 2015. The second proposal was submitted by CPD after management approved a substantial amount of the remaining funding required, allowing the project to resume. However, a gap of approximately $150,000 in funding remained. OIG rejected the proposal because it did not include an explanation of whether the expenditure plan covered all of the necessary funds to complete the elimination plan and the new approved expenditure plan was not included as part of the management decision. (Audit Report: **2015-FO-0002**)

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 contained 20 audit recommendations to (1) correct the financial statement misstatements identified during the audit and (2) take steps to strengthen Ginnie Mae's financial management operations. Of 20 audit recommendations, OIG did not reach consensus on the necessary corrective actions for 9. OIG disagreed with Ginnie Mae on the application of accounting and the model estimation methodology for the fiscal year 2014 reserve for loss account for six of nine audit recommendations. For the other three audit recommendations, OIG rejected management's proposed corrective actions because it believes they are insufficient and inadequately responsive to the audit recommendations. OIG's audit recommendations call for the HUD Chief Financial Officer to provide oversight of Ginnie Mae's financial management operations. HUD's plan of action for providing oversight of Ginnie Mae lacked specificity. (Audit Report: **2015-FO-0003**)

The next section includes five civil actions that have gone through similar issues in attempts to obtain management decisions.

In all five cases, the Office of Program Enforcement let the 120-day deadline for the management decisions pass to trigger a referral and, ultimately, a solution for its concerns about audit resolution related to certain recommendations from final civil action memorandums. On July 22, 2015, OIG met with OCFO and the Departmental Audit Liaison Officer to discuss civil outcomes; the reporting and recording process by OIG's Office of Audit to date; and the responsibility for handling those outcomes, including the audit resolution process. As no firm decisions were made, OIG referred three of the matters to HUD's Deputy General Counsel for Enforcement in June and July 2015 (and the other two in September 2015). The Office of Program Enforcement contacted OIG on August 5, 2015, and stated that it was willing to work with OIG on resolving the issues but remained concerned about being held responsible for certain payments due HUD from settlements and court-ordered judgments that are to be collected by the U.S. Department of Justice (DOJ) on HUD's behalf.

As of August 26, 2015, OIG had not received management decisions or been contacted by HUD, so OIG informed HUD that in OIG's opinion, HUD should record the civil outcomes at the time of the settlement or court-ordered judgment, rather than waiting for the first payment to be received. Also, OIG believes that for those outcomes reached by DOJ on HUD's behalf, HUD should record the outcomes at the gross proceeds amount expected to be received by HUD. If HUD wanted the initial entry to better represent the expected "net" receipts due HUD, it should include an allowance for the potential DOJ retainer fee. This approach would allow a timelier and more accurate recording of civil outcomes in HUD's accounting records, as well as the Audit Resolution and Corrective Actions Tracking System (ARCATS). OIG further stated that based on this OIG opinion, future civil outcome recommendations would focus on ensuring that the outcomes were recorded in HUD's records upon settlement or court order, which would affect how the Office of Program Enforcement would respond with proposed management decisions. In addition, OIG explained the expected ARCATS process and coding that would allow this approach and that it would allow recommendations to remain open until collection was completed in full or remaining uncollectible funds were written off via HUD's formal writeoff process.

OIG again contacted the Office of Program Enforcement on August 27, 2015, to try to resolve the matter. The Office of Program Enforcement stated that it would check into the status of the settlement collections and consider whether it could provide proposed management decisions. However, the Office of Program

Enforcement reiterated that it was OGC's opinion that once a settlement agreement is finalized, OIG should record the outcome in ARCATS and close the recommendation, without leaving the recommendation open until collections are completed or remaining amounts due are written off.

On August 28, 2015, OIG requested a meeting with HUD's Deputy General Counsel for Enforcement to discuss the matters and attempt resolution. The Deputy General Counsel replied and asked OIG to elevate the matter to HUD's General Counsel for resolution. OIG referred the overall matter to HUD's General Counsel in September 2015. After the matters were referred, OIG followed up with the Office of Program Enforcement and was notified that HUD did not expect to provide management decisions and that OGC expected OIG to elevate the disagreements to the Deputy Secretary.

BORROWER SETTLED ALLEGED VIOLATIONS OF HOME EQUITY CONVERSION MORTGAGE PROGRAM, ISSUE DATE: JANUARY 30, 2015

HUD OIG audited HUD's oversight of its Home Equity Conversion Mortgage (HECM) program and found that contrary to program residency requirements, 37 borrowers were not living in the property associated with the loan and were renting the property to participants in HUD's Section 8 Housing Choice Voucher program (HUD OIG audit report number 2013-PH-0002, issued December 20, 2012). Renting the properties to Section 8 program participants violated program requirements because HUD requires borrowers to reside in the mortgaged residence as their principal residence.

In May 2006, a borrower obtained a HECM loan on a property that he owned in St. Charles, MO. The borrower certified in writing on at least three occasions (October 2010, June 2011, and July 2013) that the home was his principal residence. However, he was renting the property to a participant in HUD's Housing Choice Voucher program when he made the certifications. His actions violated HUD's principal residency requirements. We referred the violations to HUD's Office of Program Enforcement for action under the Program Fraud Civil Remedies Act (PFCRA).

After HUD's Office of Program Enforcement sent the borrower a demand letter, the borrower admitted that he did not reside in the property as his principal residence when he submitted the certifications. After negotiations with HUD, the borrower agreed to pay $3,000, or 12 monthly payments of $250, to settle the matter. The borrower made the first settlement payment on January 6, 2015.

OIG recommended that HUD's Office of Program Enforcement allow OIG to post the settlement of $3,000 in ARCATS as funds put to better use. (Memorandum: **2015-PH-1803**)

COURT ORDERED A FORMER EXECUTIVE DIRECTOR OF THE PHILADELPHIA HOUSING AUTHORITY TO PAY CIVIL PENALTIES FOR VIOLATING FEDERAL LOBBYING DISCLOSURE REQUIREMENTS AND RESTRICTIONS, ISSUE DATE: FEBRUARY 19, 2015

HUD OIG conducted a review of the Philadelphia Housing Authority's compliance with Federal lobbying disclosure requirements and restrictions (HUD OIG audit memorandum number 2013-PH-1803, issued April 26, 2013). OIG found that the Authority engaged in the prohibited practice of using Federal funds for lobbying, and a former executive director certified to HUD that it did not do so. In addition, the former executive director falsely certified to HUD that the Authority did not use non-Federal funds for lobbying activities. OIG recommended that HUD's Office of Program Enforcement pursue remedies under PFCRA against the former executive director for falsely certifying to HUD that the Authority did not participate in lobbying activities.

In January 2014, HUD filed a complaint against the former executive director, seeking three civil penalties under the Byrd Amendment and three civil penalties under PFCRA. As a basis for the civil penalties, HUD alleged that the former executive director made or caused to be made three materially false statements to HUD. These alleged false statements were disclosures and certifications submitted to HUD by the Authority.

In December 2014, an administrative law judge determined that the former executive director was liable for submitting three false certifications and disclosures, constituting a failure to file the required certifications and disclosures under the Byrd Amendment and violating PFCRA by knowingly making three false statements to HUD. The court ordered the former executive director to pay HUD civil penalties of $75,000. The court determined that the former executive director was liable for a $10,000 civil penalty for the first Byrd Amendment count and two $25,000 civil penalties for the second and third counts under the Byrd Amendment. Additionally, the former executive director was liable for three $5,000 civil penalties under PFCRA.

OIG recommended that HUD's Office of Program Enforcement allow OIG to post the civil penalty of $75,000 in ARCATS as funds put to better use. (Memorandum: **2015-PH-1804**)

GROUP ONE MORTGAGE, INC., SETTLED ALLEGATIONS OF FAILING TO COMPLY WITH FEDERAL HOUSING ADMINISTRATION UNDERWRITING REQUIREMENTS, ISSUE DATE: MARCH 27, 2015

HUD OIG assisted the U.S. Attorney's Office, Southern District of Florida, in the civil investigation of Group One Mortgage, Inc. Group One's principal place of business is located in Jupiter, FL. Group One has participated in the FHA insurance program since 2004 and became a direct endorsement lender in 2005. The direct endorsement program authorizes private-sector mortgage lenders to approve mortgage loans for FHA insurance. Lenders approved for the program must follow FHA requirements and provide annual and per loan certifications that the lender complied with these requirements when underwriting and approving loans for FHA insurance. When a borrower defaults on an FHA-insured loan, HUD pays the insurance claims submitted by or on behalf of the lender.

Based on our review of FHA loans underwritten by Group One, the United States contended that it had certain civil claims against the lender arising from false claims that Group One had made to FHA as a direct endorsement lender. The United States alleged that Group One approved four loans for FHA insurance but did not underwrite the loans in accordance with HUD FHA regulations. It further alleged that Group One did not use due diligence to comply with HUD handbook requirements and ensure that the loans it approved on behalf of HUD were eligible for FHA insurance. Group One denied the allegations. On November 19, 2014, Group One entered into a settlement agreement to pay $406,000 to settle allegations that it had submitted false claims to FHA in violation of the False Claims Act, 31 U.S.C. (United States Code) 3729-3733, and common law causes of action. Of the settlement total, FHA's Mutual Mortgage Insurance Fund was to receive nearly $376,000 and the more than $29,000 remaining was to be paid to other Federal entities. The parties to the settlement agreement entered into the agreement to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation of the alleged claims. The parties also agreed that the settlement was neither an admission of liability by Group One nor a concession by the United States that its claims were not well founded.

OIG recommended that HUD's Office of Program Enforcement allow OIG to post the settlement of $376,523 to ARCATS as ineligible costs. (Memorandum: **2015-CF-1801**)

BORROWER SETTLED ALLEGATIONS OF NOT COMPLYING WITH THE PRIMARY RESIDENCE REQUIREMENT OF THE FEDERAL HOUSING ADMINISTRATION PROGRAM, ISSUE DATE: MARCH 27, 2015

HUD OIG conducted a civil investigation of an alleged loan origination fraud scheme involving a cash-out refinance loan that was insured by FHA. FHA provides mortgage insurance on loans made by FHA-approved lenders to creditworthy borrowers. Borrowers must occupy the properties as their primary residence for at least 1 year. Borrowers certify to their intent to occupy the property when signing the uniform residential loan application and an addendum to the loan application.

Based on OIG's investigation, HUD alleged that the borrower falsely certified to HUD in her refinance application documents that she would occupy the subject property as her primary residence. However, she allegedly used the proceeds from her FHA-insured cash-out refinance for a downpayment on another home, which she purchased 1 month after closing the refinance loan and moved into soon thereafter. The borrower defaulted on the loan, and FHA incurred a loss when it paid an insurance claim to the lender and sold the property. HUD further alleged that the borrower was liable for the false claim for FHA mortgage insurance under PFCRA and its implementing regulations at 24 CFR Part 28. The borrower denied that she had violated the Act or HUD regulations. However, on February 11, 2015, she settled with HUD for $15,000 to avoid further expense and administrative proceedings and to reach a satisfactory resolution of the matter. The agreement did not constitute an admission of liability or fault on the part of HUD or the borrower.

OIG recommended that HUD's Office of Program Enforcement allow OIG to record the $15,000 settlement in ARCATS as an ineligible cost. (Memorandum: **2015-CF-1804**)

CIVIC CONSTRUCTION, LLC, SETTLED ALLEGATIONS OF MAKING FALSE CLAIMS TO THE SEATTLE HOUSING AUTHORITY, ISSUE DATE: MARCH 30, 2015

Based on a referral from HUD's Seattle Office of Labor Relations, OIG reviewed certain payrolls of the owner of Civic Construction, LLC, of Portland, OR. The payrolls were subject to the Davis-Bacon Act. OIG completed the review and referred alleged violations to HUD's Office of Program Enforcement for action under PFCRA.

On October 7, 2014, HUD's Office of Program Enforcement issued a complaint to Civic Construction and its owner alleging that they were liable for 17 civil penalties of $7,500 each under PFCRA. To arrive at a mutually satisfactory resolution of the matter without the expense and uncertainty of further litigation, Civic Construction and its owner agreed to pay HUD $34,000. The settlement agreement did not constitute an admission of liability or fault by any party. OIG recommended that HUD's Office of Program Enforcement allow OIG to record the $34,000 settlement in ARCATS as funds put to better use. (Memorandum: **2015-SE-1801**)

SIGNIFICANTLY REVISED MANAGEMENT DECISIONS

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

HUD Subsidized an Estimated 2,094 to 3,046 Households That Included Lifetime Registered Sex Offenders, Issue Date: August 14, 2009

OIG audited HUD's requirement prohibiting lifetime registered sex offenders from admission to HUD-subsidized housing to determine the extent to which lifetime registered sex offenders occupied HUD-subsidized housing. OIG determined that HUD subsidized an estimated 2,094 to 3,046 households, which included lifetime registered sex offenders. This number included individuals who were ineligible at the time of admission due to lifetime registration status, individuals who were admitted and convicted before the current law was enacted, and individuals who were eligible at the time of admission but later became lifetime registered sex offenders.

Among other things, OIG recommended that HUD seek legislative changes and if legislative changes were passed, (1) require properties to ask households at each recertification whether any member is subject to a lifetime registration requirement, (2) require properties to check the Dru Sjodin National Sex Offender Web site for all household members at each recertification, and (3) develop and implement controls to monitor properties' use of the required recertification questions and the use of the sex offender Web site.

In its original management decision, HUD agreed to publish in the Federal Register a proposed program rule change to require the items OIG recommended and revise its monitoring form accordingly. On June 6, 2015, HUD submitted a revised management decision to close these recommendations without further action because they were predicated on legislative changes, and no legislative changes have occurred.

On June 25, 2015, OIG agreed with the revised significant management decisions and closed the recommendations. (Audit Report: **2009-KC-0001**)

THE MANAGEMENT AND BOARD OF COMMISSIONERS OF THE HARRIS COUNTY HOUSING AUTHORITY MISMANAGED THE AUTHORITY, ISSUE DATE: JUNE 19, 2013

OIG issued an audit report entitled "The Management and Board of Commissioners of the Harris County Housing Authority Mismanaged the Authority." For recommendation 3F, OIG identified $400,000 in markups of Community Development Block Grant Disaster Recovery (CDBG-DR) funds that the Authority may have spent under a prohibited cost-plus-percentage-of-cost contract. CPD's Office of Block Grant Assistance proposed requiring detailed documentation from Harris County showing that the funds were not spent under a prohibited cost-plus contract. On November 20, 2013, OIG agreed with this management decision.

The Office of Block Grant Assistance determined that the markups were ineligible and should be repaid but concluded that since HUD's grant agreement was with the State of Texas rather than with Harris County, the State of Texas would be responsible for repayment, after which the State could require the Authority to repay it. However, HUD gave the State an opportunity to review actual invoices to determine the specific amount of CDBG-DR funds that were paid to the contractor through the ineligible cost-plus provision.

The State reviewed each voucher that contained ineligible markups and determined that the actual amount of CDBG-DR funds spent through the cost-plus provision was nearly $336,000. HUD reviewed the support and concurred with the amount.

HUD revised its management decision to require the State to repay nearly $336,000 from its general revenue to its CDBG-DR fund by September 30, 2015, and HUD would verify receipt by October 9, 2015. OIG agreed with the revised management decision, effective July 1, 2015. (Audit report: **2013-FW-1006**)

THE JEFFERSON PARISH, LA, DEPARTMENT OF COMMUNITY DEVELOPMENT DID NOT ALWAYS SUPPORT EXPENDITURES, COMPLY WITH PROCUREMENT REQUIREMENTS, OR PROVIDE ADEQUATE OVERSIGHT OF SUBRECIPIENTS, ISSUE DATE: SEPTEMBER 30, 2014

OIG issued an audit report entitled "The Jefferson Parish, LA, Department of Community Development Did Not Always Support Expenditures, Comply with Procurement Requirements, or Provide Adequate Oversight of

Subrecipients." For recommendations 1A, 2A, and 3A, effective January 26, 2015, OIG and HUD concurred on the proposed management decisions to require the Jefferson Parish Department of Community Development to

1A. Support or repay its CDBG [Community Development Block Grant] program $1,039,105 from non-Federal funds for costs that lacked adequate supporting documentation.

2A. Support the cost reasonableness of the 16 contracts or repay $267,497 to its CDBG program with non-Federal funds.

3A. Support the data reported in the CAPER [consolidated annual performance evaluation report] regarding the three projects or repay to its CDBG program $93,975 from non-Federal funds.

The final action target date on these recommendations and the remaining recommendations in the report was June 30, 2015.

In August of 2015, HUD submitted a revised management decision in which HUD requested that OIG reduce the questioned costs based upon HUD's review of supporting documentation provided by the Jefferson Parish Department of Community Development. Based upon HUD's review, it required the Jefferson Parish Department of Community Development to repay unsupported costs totaling more than $144,400 for recommendation 1A and nearly $25 thousand for recommendation 3A. For recommendation 2A, OIG concurred with the revised management decision effective August 31, 2015. (Audit report: **2014-FW-1007**)

SIGNIFICANT MANAGEMENT DECISION WITH WHICH OIG DISAGREES

During the reporting period, there was one report in which the OIG disagreed with the significant management decision.

Follow-up of the Inspections and Evaluations Division on Its Inspection of the State of Louisiana's Incentive Program Homeowner Compliance (IED-09-002, March 2010), Issue Date: March 29, 2013

OIG conducted a followup inspection of the State of Louisiana's Road Home Elevation Incentive program homeowner compliance that was completed in March 2013. As of August 31, 2012, the State's documentation showed that a total of 24,042 homeowners either were noncompliant, including those who had not elevated their homes; were nonresponsive; or did not provide sufficient supporting documentation. Therefore, the State did not have conclusive evidence that the $698.5 million in CDBG-DR program funds had been used to elevate homes. For the remaining recommendation regarding the recovery of $3.8 million awarded to 158 noncompliant homeowners, documentation showed that the State had recovered only approximately $200,900 of the award funds. As a result, this recommendation remains open and has been revised based on OIG's followup review due to the increased noncompliance among homeowners who received elevation grants.

To correct these deficiencies, OIG recommended that CPD require the State to enforce program remedies for noncompliance as stated in grant agreements. Specifically, the State should (1) recover $437.3 million in elevation grant funds from the 15,027 homeowners who did not elevate their homes within 3 years of the grant agreement date (recommendation 1A) and (2) determine whether the 8,462 homeowners who did not respond to its monitoring survey used the $245 million in elevation grant funds to elevate their homes and if not, recover these funds from the noncompliant homeowners (recommendation 1B). In addition, the State should (1) obtain documentation to validate whether the 553 homeowners who received $16 million in grant funds elevated their homes or (2) recover these funds from the noncompliant homeowners (recommendation 1C).

The State should also enforce its grant review and recovery procedures to ensure that homeowners comply with the terms of their elevation grant agreements (recommendation 1D) and reimburse the uncollectible elevation grant funds from non-Federal funds (recommendation 1E).

On July 24 2014, CPD's Acting Deputy Assistant Secretary for Grant Programs submitted CPD's original revised management decision. OIG concurred with CPD's management decision on September 29, 2014, with a final action target date of April 30, 2015. OIG received CPD's supplement to the revised management decision, on May 15, 2015, in which CPD's Deputy Assistant Secretary for Grant Programs stated that she agreed with all of OIG's recommendations and presented a plan of action that described CPD's proposed management decision revisions. CPD's draft plan consisted of a series of steps that both HUD and the State would take. However, it also stated that CPD had not secured the State's commitment and expected changes to its plan of action.

On May 27, 2015, OIG informed CPD that its proposed corrective actions differed from the originally agreed-to decisions by OIG and CPD. Specifically, CPD was expanding its original management decision to demonstrate compliance with the Road Home Elevation Incentive Program and proposing onsite inspections of each home to determine "eligible rehabilitation costs" using a cost estimation process. Therefore, CPD's new proposal would require additional revised management decisions.

On August 25, 2015, OIG received CPD's significantly revised management decisions for all of OIG's original recommendations. Within this decision, CPD proposed a number of actions that differed from OIG's original recommendations. These actions included (1) allowing the State to establish an alternative method of documenting Road Home compliance; (2) allowing the State to establish the payment of interim housing expenses as an eligible expense; and (3) requiring the State to ensure prioritized funding for the elevation of homes in designated flood hazard areas for low- and moderate-income homeowners, receiving road home grants, who are noncompliant and cannot demonstrate that they used these funds for another eligible activity.

On September 28, 2015, OIG informed CPD that it disagreed with its action when it allowed the State to amend its action plan for the CDBG-DR program. OIG is concerned that 2 years have elapsed since it issued its report and CPD has not made a determination regarding homeowners' compliance, or noncompliance and the amount of ineligible funding that should be returned to HUD. Instead, CPD has nullified the homeowners' elevation incentive agreements and allowed the State to accept rehabilitation and prior interim housing expenditures as proof of compliance with the Road Home program.

OIG remains concerned with HUD's approval of the State's action plan amendment 60, which allowed homeowners who received a grant under Road Home to use those funds to either elevate or rehabilitate their home. This is contrary to the elevation incentive agreement, which stated that the funds were intended to assist homeowners to ***only*** elevate their home. If the funds were not used for this sole purpose, the funds were to be repaid to the State.

OIG believes that CPD has either waived the program requirements or retroactively approved the State's amended action plan when grantees fail to comply with the agreed-to program requirements. The first example of this was CPD's approval of the State's amendment 60, which allowed homeowners who received a grant under Road Home to prove that they used those funds to either elevate or rehabilitate their home, while the grant was specifically intended for elevation only. In a letter to Governor Jindal on July 26, 2013, CPD's Deputy Assistant Secretary for Special Needs Programs stated, "Without this amendment, homeowners who use Road Home Elevation Incentive Program funds to repair or rebuild their homes would be in ***violation*** of the Elevation Incentive Program and would have to repay those funds to the State."

CPD's August 25, 2015, revised management decision is another example of CPD's waiving the Road Home program requirements. Specifically, CPD changed its 2013 documentation requirement for rehabilitation expenses to now permit an affidavit by the homeowner and a "valuation inspection" by the State to determine the value of home repairs that were previously performed. This new approach does not consider whether recipients previously received grants or insurance funds for rehabilitation and could result in a duplication of benefits. While Congress provided considerable flexibility in the use of CDBG-DR funds, it specifically required HUD to establish procedures that prevent duplication of benefits. This amendment appears to not meet that requirement.

The revised management decision also references a new action plan amendment that retroactively adds interim housing expenses as an eligible expense under amendment 58. Again, recipients may not be required to provide evidence of actual expenditures and may be credited for up to 2 years at the level of area fair market rent for interim housing expenses. According to CPD's Deputy Assistant Secretary for Programs, the effect of this amendment is to reduce the Road Home noncompliant repayment amount and allow the State to determine whether there is any remaining unmet need for the Road Home noncomplaint homeowners. This credit also increases the unmet need of the homeowners.

Additionally, OIG takes exception to CPD's use of the Homelessness Prevention and Rapid Re-Housing Program interim housing expenses waiver to support this amendment because this program was intended to address specific homeless activities. These homeowners, however, are not homeless, and the use of this program for that purpose is potentially inappropriate.

OIG believes that CPD's proposed alternative methods for documenting compliance 10 years after entering into the grant agreements are contrary to the original intent to elevate homes to mitigate damage from future catastrophic flooding. CPD's revised management decision includes future elevation activity, policy decisions, and the establishment of a rehabilitation program to use the remaining Road Home program funds on properties affected by Hurricane Katrina. OIG is concerned that both the management decision and the closeout plan of action provide that Road Home homeowners who are noncomplaint and cannot prove that they used Road Home funds for another eligible activity will be eligible for new funding to elevate their homes on a priority basis. Part of this concern is that these funds may include unobligated or unbudgeted CDBG funds, which might not become available.

As a result of the multiple instances of waiving program requirements or retroactively approving amended action plans, as well as the amount of time that has passed since Hurricane Katrina and the present state of the properties in the targeted area, OIG is concerned that CPD's actions weaken HUD's ability to properly administer grant agreements and reduce the affected homeowners' trust and confidence that HUD maintains the highest standards of integrity, efficiency, and fairness in its grant award process. Therefore, we continue to disagree with CPD's revised management decisions.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

HUD did not substantially comply with FFMIA during fiscal year fiscal year 2015. HUD's continued noncompliance is largely due to a reliance on its legacy financial systems (including primary or general ledger accounting systems and "mixed" or subsidiary systems) and information security weaknesses. While HUD has continued to work toward financial management system modernization and FFMIA compliance, significant challenges remain.

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 plan required by FFMIA. Section 803(A) of FFMIA requires that each agency establish and maintain financial management systems that comply with (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level.

At the end of 2015, 5 of 40 HUD financial systems were not in substantial compliance with FFMIA. These five systems are the (1) Integrated Disbursement and Information System (IDIS), (2) Facilities Integrated Resources Management System (FIRMS), (3) HUD Procurement System (HPS), (4) Small Purchase System (SPS), and (5) Ginnie Mae Financial and Accounting System (GFAS).

Like many other agencies, HUD struggled to modernize its legacy financial systems. HUD's financial systems, many of which were developed and implemented before the issue date of current standards, were not designed to provide the range of financial and performance data currently required. HUD has been working to modernize its legacy financial management system since fiscal year 2003. The previous project, the HUD Integrated Financial Management Improvement Project (HIFMIP), was based on plans to implement a solution that replaced two of the applications currently used for core processing. In March 2012, work on HIFMIP was stopped, and the project was later canceled. HUD spent more than $35 million on the failed HIFMIP project. In the fall of 2012, HUD started work on the New Core Project to move HUD forward to implement a new core financial system. The project will transition HUD's financial management function to a shared service provider, the U.S. Department of the Treasury, Bureau of Fiscal Service's Administrative Resource Center.

The project includes three phases. Phase 1 of the project has been separated into four different releases. Each release defines a particular function that will be transferred to Treasury's shared services platform. Release 1 transferred the travel and relocation functions to Treasury on October 1, 2014. Release 2, covering the time and attendance function, was implemented on February 8, 2015. Release 3 covers migration of the core financial services that are owned by OCFO. This includes the migration of accounting system services associated with budget execution, accounting, finance, data warehouse reporting, and an interface solution. Release 3 was recently implemented, and OIG will perform procedures in fiscal year 2016 to validate the effectiveness of this implementation. Release 4 is scheduled to address HUD's grant and loan accounting systems; however, details regarding this release have not been finalized, and there is no scheduled date for implementation. Phase 2 of the project will address managerial cost accounting, budget formulation, and a fixed assets system. Phase 3 of the project will address the consolidation of FHA and Ginnie Mae as well as the migration of the functionality of the Line of Credit Control System (LOCCS). LOCCS is a disbursement and cash management system that services more than 100 major HUD program areas, 68,000 grantees, and 100,000 projects and disburses more than $20 billion annually. Details regarding phases 2 and 3 have not been finalized, and there are no scheduled dates for implementation.

IDIS does not comply with applicable Federal accounting standards or the United States General Ledger at the transaction level.[8] CPD is the system owner of IDIS, and the system is FFMIA noncompliant largely due to the use of the FIFO method to account for grant expenditures. In addition to completely eliminating FIFO, HUD will need to add new data elements to the application and configure new automated controls and accounting logic to remediate this weakness. While CPD has made progress in addressing this issue, updating the application to specifically identify grants initiated during 2015 and going forward, funding constraints delayed further remediation. The FIFO elimination project was put on hold until adequate funding was available, which was substantially approved in August 2015. The halt in work has caused the remediation of this instance of noncompliance to be delayed.

The FIRMS application does not comply with Federal financial management systems requirements. While HUD has identified FIRMS as FFMIA noncompliant since 2010, technical issues, including a lapsed maintenance contract, have rendered FIRMS nonfunctional. As a result, HUD did not have a functional, automated property management system during fiscal year 2015. While HUD had initially hoped to remediate the issue by February 2014, resource constraints have resulted in significant delays. The Office

8 The U.S. Department of the Treasury publishes the United States Standard General Ledger supplement to the Treasury Financial Manual, which directs agencies to post transactions to the financial system in accordance with general ledger accounting requirements.

of Administration is working with the Office of the Chief Information Officer on a two-phase plan to replace FIRMS and transition to an automated property management application hosted by a Federal shared service provider, the Federal Aviation Administration, during fiscal year 2016.

HUD's legacy procurement applications, HPS and SPS, do not comply with Federal financial management systems requirements. HUD implemented a new procurement system in 2012, the HUD Integrated Acquisition Management System (HIAMS), to replace the noncompliant HPS and SPS. As of 2015, HPS and SPS remain operational in order to modify and close out purchase orders and contracting actions that have not been entered into HIAMS. In fiscal year 2015, the Office of the Chief Procurement Officer was working to migrate the data in HPS and SPS to the HIAMS Enterprise Acquisition Reporting Tool Data Warehouse. HUD will be able to report on historical data with this tool. HUD has deactivated a majority of HPS and SPS users, leaving only those needing continued access to perform contracting closeout functions. To remediate this weakness, HUD expects to deactivate all HPS and SPS users and decommission HPS and SPS in fiscal year 2016.

GFAS is not compliant with FFMIA primarily due to four material weaknesses related to Ginnie Mae's internal controls over financial reporting and its inability to properly account for its loan portfolio. In addition, OIG noted weaknesses related to the budgetary accounting module of the GFAS application implemented in 2014. Specifically, due to system configuration issues, large manual adjustments were needed to reconcile budgetary balances. To remediate its FFMIA noncompliance, Ginnie Mae will need to address the material weaknesses first identified during 2014, which remain outstanding. Ginnie Mae's plans to address these material weaknesses were in process as of September 30, 2015.

In addition to the specific financial system weaknesses identified above, financial process weaknesses will need to be remediated for HUD to achieve FFMIA compliance. For example, current process weaknesses include manual cash management processes implemented by PIH that do not comply with FFMIA requirements. We will continue to assess HUD's ongoing efforts to modernize its legacy systems and financial processes.

APPENDIX 1 PEER REVIEW **REPORTING**

OFFICE OF AUDIT

BACKGROUND

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203), section 989C, requires inspectors general to report the latest peer review results in their semiannual reports to Congress. The purpose in doing so is to enhance transparency within the government. Both the Office of Audit and Office of Investigation are required to undergo a peer review of their individual organizations every 3 years. The purpose of the 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.

PEER REVIEW CONDUCTED ON HUD OIG

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), received a grade of pass (the highest rating) on the peer review report issued by the Treasury Inspector General for Tax Administration on September 30, 2015. 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, 2015, has been suitably designed and complied with to provide the HUD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. 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 USPS OIG

HUD OIG conducted an external peer review of the United States Postal Service (USPS), OIG, Office of Audit, and issued a final report September 22, 2015. USPS OIG received a peer review rating of pass.

APPENDIX 1 PEER REVIEW REPORTING (CONCLUDED)

OFFICE OF INVESTIGATION

PEER REVIEW CONDUCTED BY HUD OIG ON SSA OIG

HUD OIG conducted an external peer review of the U.S. Social Security Administration (SSA) OIG, Office of Investigation, and issued a final report on August 12, 2013. HUD OIG determined that SSA OIG complied with applicable quality standards.

PEER REVIEW CONDUCTED ON HUD OIG BY DOJ OIG

The U.S. Department of Justice (DOJ) OIG conducted a peer review of the HUD OIG, Office of Investigation, and issued a final report on April 28, 2014. DOJ 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.

APPENDIX 2 AUDIT REPORTS **ISSUED**

INTERNAL REPORTS

AUDIT REPORTS	
CHIEF FINANCIAL OFFICER	
2015-DP-0006	Weaknesses in the New Core Project Were Not Adequately Addressed, 06/12/2015.
2015-DP-0007	New Core Project: Release 1 of Phase 1 New Core Interface Solution, 09/03/2015.
2015-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act, 05/15/2015.
CHIEF PROCUREMENT OFFICER	
2015-FO-0006	The Government Purchase Card Program, 07/07/2015.
COMMUNITY PLANNING AND DEVELOPMENT	
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.
DEPUTY SECRETARY	
2015-FW-0001	HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements, 06/16/2015.
HOUSING	
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.
2015-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Section 203(k) Rehabilitation Loan Mortgage Insurance Program, 07/31/2015. Questioned: $1,331,245. Unsupported: $1,318,669. Better use: $1,910,000.
2015-LA-0001	HUD's Claim Payment System Did Not Always Identify Ineligible FHA-HAMP Partial Claims, 04/20/2015. Questioned: $22,611,452. Unsupported: $22,507,527.

2015-LA-0003	HUD Did Not Have Effective Controls or Clear Guidance in Place for the FHA-HAMP Partial Claim Loss Mitigation Option, 09/18/2015. Questioned: $508,793. Unsupported: $94,120. Better use: $88,500,000.
2015-PH-0004	HUD Policies Did Not Always Ensure That HECM Borrowers Complied With Residency Requirements, 08/21/2015. Better use: $15,749,277.
PUBLIC AND INDIAN HOUSING	
2015-AT-0003	HUD Did Not Complete an Adequate Front-End Risk Assessment for the Rental Assistance Demonstration, 09/03/2015.
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program, 07/06/2015. Better use: $79,424,436.
2015-PH-0002	Overincome Families Resided in Public Housing Units, 07/21/2015. Better use: $104,417,212.
2015-PH-0003	HUD Did Not Adequately Oversee Enhanced Vouchers Administered by New York Agencies, 07/29/2015. Questioned: $1,122,707. Unsupported: $1,122,707. Better use: $1,244,784.
AUDIT-RELATED MEMORANDUMS[9]	
CHIEF FINANCIAL OFFICER	
2015-FO-0801	Potential Antideficiency Act Violation HOME Investment Partnerships Program, 06/16/2015.
COMMUNITY PLANNING AND DEVELOPMENT	
2015-AT-0801	HUD's Approval of the City of High Point's Use of a 15 Percent Margin for Procurement Bids, 08/25/2015.
2015-CH-0801	HUD's Office of Affordable Housing Programs Could Improve Its Oversight of Participating Jurisdictions' HOME Investment Partnerships Program-Funded Rental Housing Projects' Leases, 06/25/2015.
PUBLIC AND INDIAN HOUSING	
2015-CH-0802	HUD's Office of Public Housing Investments Could Improve Its Oversight of the Chicago Housing Authority's Exception Payment Standards Under Its Moving to Work Housing Choice Voucher Program, 08/26/2015.
2015-FW-0802	Very Small and Small Housing Agencies Reviewed Had Common Violations of Requirements, 09/16/2015.

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

EXTERNAL REPORTS

AUDIT REPORTS

COMMUNITY PLANNING AND DEVELOPMENT

2015-AT-1004	Virgin Islands Community AIDS Resource & Education, Inc., Did Not Administer Its Program in Accordance With HUD Requirements, 07/02/2015. Questioned: $694,252. Unsupported: $681,805.
2015-AT-1006	The State of Florida, Tallahassee, FL, Did Not Properly Support the Eligibility of Some Funds Used for the Community Development Block Grant Disaster Recovery Program, 07/27/2015. Questioned: $2,324,058. Unsupported: $2,324,058.
2015-AT-1008	Broward County, Fort Lauderdale, FL, Did Not Properly Administer One of Its Projects and Did Not Comply With Some Match Requirements, 08/23/2015. Questioned: $78,231. Better use: $195,975.
2015-AT-1010	The Alabama Department of Economic and Community Affairs Administered Its CDBG Disaster Recovery Funds for Infrastructure in Accordance With HUD Requirements, 09/28/2015.
2015-BO-1005	The New Hampshire Housing Finance Authority Administered Its HOME Investment Partnerships Program in Accordance with HUD Requirements, 09/30/2015.
2015-CH-1009	The State of Illinois' Administrator Lacked Adequate Controls Over the State's CDBG Disaster Recovery Program-Funded Projects, 09/30/2015. Questioned: $1,461,842. Unsupported: $1,211,842. Better use: $4,346,358.
2015-DE-1001	The State of Wyoming Did Not Always Administer Its CDBG Program in Accordance With Applicable Requirements, 05/26/2015. Questioned: $871,586. Unsupported: $766,072.
2015-DE-1002	The City Used Grant Funds for Unsupported Salary and Project Costs and Did Not Properly Complete Environmental Reviews of Its Projects, 06/30/2015. Questioned: $7,075,682. Unsupported: $7,075,682.
2015-DE-1003	The City Of Colorado Springs Did Not Always Administer Its HOME Program in Accordance With Applicable Requirements, 06/30/2015. Questioned: $4,008,239. Unsupported: $2,083,239.
2015-FW-1002	The City of New Orleans, LA, Did Not Always Comply With Requirements When Administering Its 2013 Disaster Relief Grant, 06/26/2015. Questioned: $2,556,409. Unsupported: $2,556,409. Better use: $4,539,286.
2015-FW-1003	The City of Moore, OK, Generally Had the Capacity To Expend Its CDBG Disaster Recovery Funds, 08/07/2015.
2015-LA-1002	Veterans First, Santa Ana, CA, Did Not Administer and Spend Its HUD Funding in Accordance With HUD Requirements, 04/16/2015. Questioned: $549,488. Unsupported: $530,808.

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. Questioned: $3,255,794. Unsupported: $136,346. Better use: $873,428.
2015-LA-1006	The City of West Covina, CA, Did Not Administer Its CDBG Program in Accordance With HUD Rules and Requirements, 08/21/2015. Questioned: $218,324. Unsupported: $218,324.
2015-NY-1004	The City of New York, NY, Generally Disbursed CDBG Disaster Recovery Assistance Funds for Administrative Costs in Accordance With HUD Regulations, 04/23/2015.
2015-NY-1005	The City of Paterson, NJ's HOME Investment Partnerships Program Controls Did Not Ensure Compliance With Regulations, 04/30/2015. Questioned: $5,747,342. Unsupported: $1,724,843. Better use: $1,684,292.
2015-NY-1007	The City of New York, NY, Did Not Always Disburse CDBG Disaster Recovery Funds in Accordance With Federal Regulations, 06/12/2015. Questioned: $241,000. Unsupported: $206,000.
2015-NY-1008	The Lower Manhattan Development Corporation, New York, NY, Generally Administered CDBG Disaster Recovery Assistance Funds in Accordance With HUD Regulations, 06/26/2015.
2015-NY-1009	County Officials Did Not Always Administer the County's CDBG Program in Accordance With Program Requirements, 08/11/2015. Questioned: $362,912. Unsupported: $191,999.
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. Questioned: $18,289,388. Unsupported: $17,019,088. Better use: $18,763,894.
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. Questioned: $185,221,340. Unsupported: $182,992,106. Better use: $274,035,899.
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. Questioned: $38,512,267. Unsupported: $38,512,267. Better use: $9,061,780.
2015-PH-1004	The State of New Jersey Awarded Disaster Funds to Eligible Businesses for Eligible Expenses in Accordance With HUD and Federal Requirements, 07/20/2015.
2015-PH-1005	The State of Maryland Could Not Show That Replacement Homes Complied With the Green Building Standard, 09/25/2015. Questioned: $1,928,646. Unsupported: $1,928,646. Better use: $292,910.
2015-SE-1002	Snohomish County Generally Administered Its Community Block Grant Entitlement Program in Accordance With HUD Rules and Regulations, 09/30/2015.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
2015-KC-1012	LoanCare Did Not Always File Claims for Foreclosed-Upon Properties Held on Behalf of Ginnie Mae and Convey Them to FHA in a Timely Manner, 09/30/2015.
HOUSING	
2015-AT-1003	Prudential Huntoon Paige Associates, LTD, Did Not Underwrite and Process a $19.9 Million Loan in Accordance With HUD Requirements, 06/30/2015. Questioned: $10,159,961.
2015-AT-1007	Prudential Huntoon Paige Associates, LTD, Did Not Underwrite and Process a $22 Million Loan in Accordance With HUD Requirements, 08/14/2015. Questioned: $15,727,529.
2015-AT-1009	St. Francis Hospital, Inc., Did Not Comply With the Executed Regulatory Agreement and Federal Regulations for the HUD Section 242 Program, 09/03/2015. Questioned: $21,438,700.
2015-AT-1012	Taliafaro, Inc., a Multifamily Housing Management Agent, Did Not Always Comply With HUD's Requirements or Its Own Policies and Procedures in the Disbursement of Project Funds and Collection of Its Fees, 09/30/2015. Questioned: $76,221. Unsupported: $61,119. Better use: $2,876.
2015-CH-1005	Member First Mortgage, LLC, Grand Rapids, MI, Generally Implemented Its Loss Mitigation and Quality Control Programs in Accordance With HUD's Requirements, 09/10/2015.
2015-CH-1006	First Source Bank, South Bend, IN, Did Not Always Properly Implement Its Loss Mitigation and Quality Control Programs in Accordance With HUD Requirements, 09/11/2015. Questioned: $172,872. Unsupported: $139,487. Better use: $191,074.
2015-CH-1010	The Cooperative and Management Agent Lacked Adequate Controls Over the Operation of Carmen-Marine Apartments, Chicago, IL, 09/30/2015. Questioned: $19,866. Unsupported: $19,866. Better use: $22,666,717.
2015-FW-1001	NTFN, Inc., Did Not Always Follow HUD and FHA Requirements, 05/26/2015. Questioned: $146,230. Unsupported: $61,419.
2015-FW-1006	Belle Maison Nursing Home, Hammond, LA, Generally Complied With the Owner and Operator Regulatory Agreements and HUD Requirements for Its Section 232 Loan, 09/23/2015.
2015-KC-1003	Christian Care Home Did Not Always Accurately Maintain Resident Trusts and Accounts Receivable, 06/30/2015.
2015-KC-1004	The Operator Generally Complied With Its Executed Regulatory Agreement and HUD Requirements But Did Not Properly Establish Its Management Agent and Management Agreement, 06/30/2015.

2015-KC-1005	Berkadia Approved a Mortgage for the Temtor Project That Was Not Economically Sound, 08/04/2015. Questioned: $11,312,956.
2015-LA-1003	Sutton Irvine Residence, Inc., Irvine, CA, Did Not Operate Its Section 202-Funded Project in Accordance With HUD Rules and Requirements, 04/24/2015. Questioned: $186,032. Unsupported: $159,843.
2015-LA-1005	NOVA Financial & Investment Corporation's FHA-Insured Loans With Downpayment Assistance Gifts Did Not Always Meet HUD Requirements, 07/09/2015. Questioned: $383,212. Better use: $48,490,784.
2015-LA-1008	The Owner of Coconut Grove Apartments Did Not Always Operate Its HUD-Insured Project in Accordance With HUD Rules and Requirements, 09/22/2015. Questioned: $72,547. Unsupported: $72,547.
2015-LA-1009	loanDepot's FHA-Insured Loans With Downpayment Assistance Funds Did Not Always Meet HUD Requirements, 09/30/2015. Questioned: $72,210. Better use: $60,060,031.
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. Questioned: $13,726. Better use: $37,646,644.
2015-NY-1006	First Niagara Bank, Lockport, NY, Did Not Always Properly Implement HUD's Loss Mitigation Requirements in Servicing FHA-Insured Mortgages, 05/22/2015. Better use: $5,978,360.
2015-NY-1012	Morris Park Did Not Always Comply With Its Regulatory Agreement and HUD Requirements, 09/30/2015.
2015-PH-1006	The Pennsylvania Housing Finance Agency, Harrisburg, PA, Properly Implemented HUD's Loss Mitigation Requirements for Servicing Loans Insured by the Federal Housing Administration, 09/28/2015.
2015-PH-1007	The Virginia Housing Development Authority, Richmond, VA, Did Not Always Accurately Report Its Servicing Actions in HUD's Single Family Default Monitoring System, 09/30/2015.
2015-SE-1001	Redwood Juniper Tacoma Apartments Did Not Always Administer Its Program in Accordance With HUD Rules and Regulations, 04/14/2015. Questioned: $42,700. Unsupported: $42,700.
LEAD HAZARD CONTROL	
2015-AT-1005	The City of High Point Did Not Properly Administer Its Lead-Based Paint Hazard Control Grants in Compliance With Federal Requirements, 07/09/2015. Questioned: $1,081,338. Unsupported: $874,241.

PUBLIC AND INDIAN HOUSING	
2015-AT-1002	The Housing Authority of the City of Comer Did Not Comply With Conflict-of-Interest and Procurement Requirements, 04/24/2015. Questioned: $55,322. Unsupported: $33,144.
2015-AT-1011	The Housing Authority of the City of Durham, NC, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements, 09/30/2015. Questioned: $49,565. Unsupported: $34,414.
2015-BO-1004	Allocation of Costs to the Waterbury Housing Authority Asset Management Projects Was Generally Supported, 09/30/2015. Questioned: $169,081. Unsupported: $169,081.
2015-CH-1002	The Detroit Housing Commission, Detroit, MI, Did Not Always Manage Its Program Projects in Accordance With HUD's Requirements, 08/26/2015. Questioned: $111,761.
2015-CH-1003	Brown County Housing Authority, Green Bay, WI, Did Not Always Ensure That Its Section 8 Housing Choice Voucher Program Files Complied With HUD's and Its Own Requirements, 08/28/2015. Questioned: $53,889. Unsupported: $48,560. Better use: $2,429.
2015-CH-1004	The Jefferson Metropolitan Housing Authority, Steubenville, OH, Did Not Always Ensure That Its Section 8 Housing Choice Voucher Program Files Complied With HUD's and Its Own Requirements, 09/09/2015. Questioned: $446,372. Unsupported: $421,285. Better use: $107,104.
2015-CH-1007	The Jefferson Metropolitan Housing Authority, Steubenville, OH, Did Not Adequately Enforce HUD's Housing Quality Standards and Its Own Requirements, 09/24/2015. Questioned: $38,522. Better use: $1,946,865.
2015-CH-1008	The Housing Authority of the City of South Bend, IN, Did Not Always Comply With HUD Requirements and Its Own Policies Regarding the Administration of Its Section 8 Housing Choice Voucher Program, 09/25/2015. Questioned: $534,902. Unsupported: $411,382. Better use: $829,497.
2015-FW-1004	The Mesilla Valley Public Housing Authority, Las Cruces, NM, Miscalculated Housing Choice Vouchers and Incorrectly Paid Rental Assistance, 08/17/2015. Questioned: $23,618. Unsupported: $21,479. Better use: $22.
2015-FW-1005	The Housing Authority of the City of Victoria, TX, Allowed Improper and Unsupported Payments, 09/02/2015. Questioned: $782,333. Unsupported: $400,938. Better use: $33,557.
2015-KC-1006	The York Housing Authority Did Not Fully Comply With Procurement Requirements and Spent $21,047 for Ineligible and Unsupported Costs, 08/20/2015. Questioned: $42,295. Unsupported: $30,933.

2015-KC-1007	The Stromsburg Housing Authority Did Not Fully Comply With Procurement Requirements and Spent Funds for Ineligible Expenses, 08/20/2015. Questioned: $45,304. Unsupported: $41,133.
2015-KC-1008	The Fairmont Housing Authority Did Not Fully Comply With Procurement Requirements and Spent Funds for Ineligible Expenses, 09/01/2015. Questioned: $48,902. Unsupported: $47,417.
2015-KC-1009	The Pineville Housing Authority Mismanaged Its Public Housing Program, 09/30/2015. Questioned: $71,006. Unsupported: $69,773.
2015-KC-1010	The Anderson Housing Authority Mismanaged Its Public Housing Program, 09/30/2015. Questioned: $103,785. Unsupported: $100,607.
2015-KC-1011	The Lanagan Housing Authority Mismanaged Its Public Housing Program, 09/30/2015. Questioned: $65,407. Unsupported: $64,185.
2015-LA-1007	The Fresno Housing Authority's Procurement of Goods and Services Did Not Always Comply With HUD Regulations, 09/11/2015.
2015-PH-1002	The Bucks County Housing Authority, Doylestown, PA, Did Not Always Ensure That Its Program Units Met Housing Quality Standards, 05/05/2015.
2015-PH-1008	The Richmond Redevelopment and Housing Authority, Richmond, VA, Did Not Comply With HUD Requirements When Procuring Services, 09/30/2015. Questioned: $6,565,897. Unsupported: $6,565,897.
AUDIT-RELATED MEMORANDUMS[10]	
COMMUNITY PLANNING AND DEVELOPMENT	
2015-LA-1802	Veterans First Did Not Administer or Spend Its Supportive Housing Program Grants in Accordance With HUD Requirements, 09/24/2015. Questioned: $409,169. Unsupported: $401,086.
2015-LA-1803	The City of Richmond, CA, Did Not Adequately Support Its Use of HUD-Funded Expenses for Its Filbert Phase 1 and Filbert Phase 2 Activities, 09/30/2015. Questioned: $2,379,877.
GENERAL COUNSEL	
2015-AT-1801	Final Civil Action: First Tennessee Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/29/2015. Questioned: $142,000,000.
2015-CF-1805	Property Owner Debarred for Violating Federal Housing Administration Insurance Requirements for Multifamily Properties, 09/09/2015.

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

2015-CF-1806	Taylor, Bean & Whitaker Mortgage Corporation and Home America Mortgage, Inc., Settled Civil Claims Related to Failing To Comply With FHA Underwriting Requirements, 09/09/2015. Questioned: $596,984.
2015-CF-1807	Mason-McDuffie Mortgage Corporation Settled Allegations of Failing To Comply With HUD's FHA Loan Requirements, 09/28/2015. Questioned: $465,981.
2015-CF-1808	Reverse Mortgage Solutions, Inc., Settled Alleged Violations of FHA Loan Requirements Related to Home Equity Conversion Mortgages, 09/28/2015. Questioned: $13,693,035.
2015-CF-1809	Iron Mountain Settled Allegations of Making False Disclosures and False Statements Regarding Discounts and Prices Relevant to Contracts It Had With HUD, 09/29/2015. Questioned: $202,237.
2015-CH-1801	Final Civil Action: GTL Investments, Inc., Doing Business as John Adams Mortgage Company, Settled Allegations of Failing To Comply With HUD's FHA Loan Requirements, 09/30/2015. Questioned: $4,263,931.
2015-DE-1802	Owner of HUD-Insured Multifamily Property Settled Allegations of Authorizing and Paying Out Project Funds for Unallowable Expenses, 09/30/2015. Questioned: $500,000.
2015-PH-1806	Final Civil Action, Bank of America, NA, Lender Settled Alleged Violations of Home Equity Conversion Mortgage Program, 08/26/2015. Questioned: $98,492.
2015-PH-1807	Final Civil Action, Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program, 09/16/2015. Better use: $2,500.
HOUSING	
2015-DE-1801	Opportunity in Living, Centennial, CO's Participation in the HUD Single Family Property Disposition Program, 08/25/2015.
PUBLIC AND INDIAN HOUSING	
2015-BO-1801	The Cambridge Housing Authority Appropriately Handled Exception Payments, 09/16/2015.
2015-FW-1804	The Covington Housing Authority, Covington, LA, Generally Ensured That It Followed Federal Requirements When Administering Its Section 8 Housing Choice Voucher Program, 04/08/2015.
2015-FW-1805	The Housing Authority of the City of Lockney, Lockney, TX, Did Not Operate Its Public Housing Programs in Accordance With Requirements, 04/10/2015. Questioned: $37,506. Unsupported: $17,178. Better use: $46,950.
2015-FW-1806	The Housing Authority of Bexar County, TX, Did Not Operate Its HUD Public Housing Programs in Accordance With Regulations and Other Requirements, 06/11/2015. Questioned: $583,756. Unsupported: $580,733. Better use: $2,557.

2015-FW-1807	The Hot Springs Housing Authority, Hot Springs, AR, Did Not Comply With Federal Regulations and Other Requirements When Administering Its Public Housing Programs, 08/14/2015. Questioned: $677,459. Unsupported: $662,808.
2015-FW-1808	The Duson Housing Authority, Duson, LA, Failed To Administer Its Public Housing Program in Accordance With HUD Requirements, 09/10/2015.
2015-LA-1801	The Oakland Housing Authority Complied With HUD Requirements on the Use of Housing Choice Voucher Exception Payment Standards, 04/15/2015.
2015-PH-1805	The Chicago Housing Authority, Chicago, IL, Did Not Always Make Payments for Outside Legal Services in Compliance With Requirements, 04/20/2015. Questioned: $503,744. Unsupported: $503,744.
2015-PH-1808	The Housing Authority of the City of Pittsburgh, PA, Did Not Always Make Payments for Outside Legal Services in Compliance With Applicable Requirements, 09/30/2015. Questioned: $141,164. Unsupported: $141,164.

APPENDIX 3 TABLES

TABLE A

Audit reports issued before the start of period with no management decision at 9/30/2015

*Significant audit reports described in previous semiannual reports

REPORT NUMBER & 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 10, page 53	12/16/2013
* 2014-FO-0004 HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	See chapter 10, page 54	04/15/2014
* 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	See chapter 10, page 55	06/30/2014
* 2014-KC-0002 The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems	See chapter 10, page 55	07/02/2014
* 2014-NY-1007 The Niagara Falls Housing Authority Did Not Always Administer Its HOPE VI Grant Program and Activities in Accordance With HUD Requirements	See chapter 10, page 56	07/10/2014
* 2014-LA-0005 HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	See chapter 10, page 57	08/08/2014
* 2015-FO-0002 Interim Report on HUD's Internal Controls Over Financial Reporting	See chapter 10, page 58	12/08/2014
* 2015-PH-1803 Final Civil Action Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program	See chapter 10, page 60	01/30/2015
* 2015-PH-1804 Final Civil Action Court Ordered a Former Executive Director of the Philadelphia Housing Authority To Pay Civil Penalties for Violating Federal Lobbying Disclosure Requirements and Restrictions	See chapter 10, page 60	02/19/2015
* 2015-FO-0003 Fiscal Years 2014 and 2013 Financial Statements Audit	See chapter 10, page 58	02/27/2015
* 2015-CF-1801 Group One Mortgage, Inc., Settled Allegations of Failing To Comply With Federal Housing Administration Underwriting Requirements	See chapter 10, page 61	03/27/2015
* 2015-CF-1804 Borrower Settled Allegations of Not Complying With the Primary Residence Requirement of the Federal Housing Administration Program	See chapter 10, page 62	03/27/2015
* 2015-SE-1801 Civic Construction, LLC, Settled Allegations of Making False Claims to the Seattle Housing Authority	See chapter 10, page 62	03/30/2015

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
2002-AT-1002	Housing Authority of the City of Tupelo, Housing Programs Operations, Tupelo, Mississippi	07/03/2002	10/31/2002	07/01/2016
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
2007-AT-1010	The Cathedral Foundation of Jacksonville, FL, Used More Than $2.65 Million in Project Funds for Questioned Costs	08/14/2007	12/03/2007	04/10/2017
2008-AO-1002	State of Louisiana, Road Home Program, Funded 418 Grants Coded Ineligible or Lacking an Eligibility Determination, Baton Rouge, LA	01/30/2008	05/12/2008	Note 1
2008-DP-0004	Review of Selected FHA Major Applications' Information Security Controls	06/12/2008	10/08/2008	Note 1
2009-AO-1001	State of Louisiana, Road Home Program, Did Not Ensure That Road Home Employees Were Eligible To Receive Additional Compensation Grants, Baton Rouge, LA	05/05/2009	09/16/2009	Note 1
2009-AO-1002	State of Louisiana, Road Home Program, Did Not Ensure That Multiple Disbursements to a Single Damaged Residence Address Were Eligible, Baton Rouge, LA	05/05/2009	09/16/2009	Note 1
2009-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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2009-DP-0005	Review of Implementation of Security Controls over HUD's Business Partners	06/11/2009	11/17/2009	Note 2
2009-CH-1011	The Housing Authority of the City of Terre Haute Failed To Follow Federal Requirements and Its Employment Contract Regarding Nonprofit Development Activities, Terre Haute, IN	07/31/2009	11/24/2009	10/01/2015
2009-AT-0001	HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME Funds	09/28/2009	03/18/2011	Note 2
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
2010-PH-1008	Sasha Bruce Youthwork, Incorporated, Did Not Support More Than $1.9 Million in Expenditures, Washington, DC	05/11/2010	11/03/2010	Note 2
2010-CH-1008	The DuPage Housing Authority Inappropriately Administered Its Section 8 Project-Based Voucher Program, Wheaton, IL	06/15/2010	10/08/2010	10/30/2015
2011-CH-1001	The City of Flint Lacked Adequate Controls Over Its HOME Program Regarding Community Housing Development Organizations' Home-Buyer Projects, Subrecipients' Activities, and Reporting Accomplishments in HUD's System, Flint, MI	10/13/2010	02/03/2011	Note 2
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 2
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-1003	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program and American Dream Downpayment Initiative-Funded Afford-A-Home Program, Cleveland, OH	12/27/2010	04/26/2011	03/31/2016

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2011-CH-1004	The State of Indiana's Administrator Lacked Adequate Controls Over the State's HOME Investment Partnerships Program and American Dream Downpayment Initiative-Funded First Home/PLUS Program, Indianapolis, IN	01/31/2011	05/25/2011	Note 2
2011-CH-1006	The DuPage Housing Authority Inappropriately Administered Its Section 8 Housing Choice Voucher Program, Wheaton, IL	03/23/2011	07/28/2011	10/30/2015
2011-NY-1009	The East Orange Revitalization and Development Corporation Did Not Always Comply With HOME Program Requirements and Federal Regulations, East Orange, NJ	04/07/2011	08/03/2011	Note 2
2011-AT-1006	The Municipality of Mayaguez Did Not Ensure Compliance With HOME Program Objectives, Mayaguez, PR	04/08/2011	08/05/2011	Note 1
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-FW-0002	The Office of Healthcare Programs Could Increase Its Controls To More Effectively Monitor the Section 232 Program	04/26/2011	08/17/2011	Note 2
2011-AO-0001	The Lafayette Parish Housing Authority Violated HUD Procurement Requirements and Executed Unreasonable and Unnecessary Contracts	06/22/2011	10/13/2011	05/31/2016
2011-LA-1016	The City of Compton Did Not Administer Its HOME Program in Compliance With HOME Requirements, Compton, CA	08/18/2011	12/15/2011	Note 2
2011-NY-1016	The City of Buffalo Did Not Always Disburse Homelessness Prevention and Rapid Re-Housing Program Funds in Accordance With Regulations, Buffalo, NY	09/22/2011	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 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2011-CH-1014	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program-Funded Housing Trust Fund Program Home-Buyer Activities, Cleveland, OH	09/29/2011	01/26/2012	Note 1
2011-CH-1018	The Pontiac Housing Commission Did Not Adequately Administer Its American Recovery and Reinvestment Act Capital Fund Grant, Pontiac, MI	09/30/2011	01/10/2012	03/31/2016
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-NY-1003	The City of Syracuse Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Syracuse, NY	10/25/2011	02/22/2012	Note 2
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-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2011 and 2010 Financial Statements	11/15/2011	05/10/2012	04/30/2016
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	Note 2
2012-CH-1004	The State of Indiana's Administrator Lacked Adequate Controls Over the State's HOME Investment Partnerships Program Regarding CHDOs' Activities and Income, Indianapolis, IN	02/24/2012	06/22/2012	Note 2
2012-FW-1005	The State of Texas Did Not Follow Requirements for Its Infrastructure and Revitalization Contracts Funded With CDBG Disaster Recovery Program Funds, Austin, TX	03/07/2012	07/05/2012	Note 2
2012-LA-1005	The City of Los Angeles Did Not Expend Brownfields Economic Development Initiative and Section 108 Funds for the Goodyear Industrial Tract Project in Accordance With HUD Requirements, Los Angeles, CA	03/13/2012	09/19/2012	03/31/2016

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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-LA-1008	The City of Phoenix Did Not Always Comply With Program Requirements When Administering Its NSP1 and NSP2 Grants, Phoenix, AZ	06/15/2012	10/15/2012	10/30/2015
2012-CH-1009	The Hammond Housing Authority Did Not Administer Its Recovery Act Grants in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hammond, IN	08/03/2012	11/30/2012	11/30/2015
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-1011	The Stark Metropolitan Housing Authority Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Canton, OH	09/27/2012	01/15/2013	12/31/2018
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	02/29/2016
2012-DP-0005	Review of Controls Over HUD's Mobile Devices	09/28/2012	12/18/2012	Note 2
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	10/01/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-AT-1001	The Municipality of Ponce Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Ponce, PR	11/30/2012	03/29/2013	Note 1
2013-NY-1001	The City of Albany CDBG Recovery Act Program, Albany, NY	12/06/2012	04/03/2013	Note 2
2013-PH-0002	HUD Policies Did Not Always Ensure That Borrowers Complied With Program Residency Requirements	12/20/2012	04/19/2013	Note 1
2013-SE-1001	The Idaho Housing and Finance Association Did Not Always Comply With HOME Investment Partnerships Program Match and Compliance Monitoring Requirements, Boise, ID	12/21/2012	12/21/2012	Note 1
2013-NY-1004	The City of Paterson Had Weaknesses in the Administration of Its Housing Opportunities for Persons with AIDS Program, Paterson, NJ	02/25/2013	04/15/2013	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	Note 1
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 2
2013-IE-0803	Follow-up of the Inspections and Evaluations Division on Its Inspection of the State of Louisiana's Road Home Elevation Incentive Program Homeowner Compliance (IED-09-002, March 2010)	03/29/2013	09/29/2014	Note 2
2013-FW-1004	The Housing Authority of the City of El Paso Did Not Follow Recovery Act Obligation Requirements or Procurement Policies, El Paso, TX	04/12/2013	08/27/2013	Note 2
2013-LA-1004	The City of San Bernardino Did Not Administer Its CDBG and CDBG-Recovery Act Programs in Accordance With HUD Rules and Regulations, San Bernardino, CA	04/23/2013	09/06/2013	09/30/2017

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-NY-1006	Nassau County Did Not Administer It's HOME Investment Partnerships Program in Accordance With HUD Requirements, Nassau County, NY	05/13/2013	09/06/2013	Note 1
2013-FW-1006	The Management and Board of Commissioners of the Harris County Housing Authority Mismanaged the Authority, Houston, TX	06/19/2013	02/11/2014	08/13/2016
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 2
2013-NY-0003	HUD Officials Did Not Always Monitor Grantee Compliance With the CDBG Timeliness Spending Requirement	07/19/2013	11/26/2013	Note 2
2013-AT-1006	The Puerto Rico Housing Finance Authority Did Not Always Comply With HOME Requirements, San Juan, PR	07/23/2013	11/20/2013	Note 2
2013-NY-1009	Essex County's HOME Investment Partnerships Program Was Not Always Administered in Compliance With Program Requirements and Federal Regulations, Essex County, NJ	08/09/2013	11/05/2013	Note 2
2013-LA-1008	The Lending Company, Inc., Did Not Always Comply With FHA Underwriting and Quality Control Program Requirements, Phoenix, AZ	08/20/2013	12/24/2013	12/31/2015
2013-AT-0003	Economic Development Programs Lacked Adequate Controls To Ensure Program Effectiveness	09/03/2013	02/04/2014	12/31/2015
2013-LA-0002	FHA Paid Claims for Approximately 4,457 Preforeclosure Sales That Did Not Meet Minimum Net Sales Proceeds Requirements	09/05/2013	03/31/2014	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 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-CH-1006	The State of Michigan Lacked Adequate Controls Over Its NSP Under the American Recovery and Reinvestment Act of 2009, Lansing, MI	09/15/2013	01/13/2014	Note 2
2013-CH-1008	Community Advocates Did Not Properly Administer Its Program and Recovery Act Grant Funds, Milwaukee, WI	09/17/2013	01/15/2014	Note 2
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 2
2013-LA-0803	Reviews of Six FHA Lenders Demonstrated That HUD Needs To Strengthen Its Oversight of Prohibited Restrictive Covenants	09/23/2013	03/27/2014	10/15/2015
2013-FW-1008	The City of New Orleans Did Not Have Adequate Financial and Programmatic Controls To Ensure That It Expended and Reported Funds in Accordance With Program Requirements, New Orleans, LA	09/24/2013	01/06/2014	11/10/2015
2013-FW-1805	The Malakoff Housing Authority Did Not Have Sufficient Controls Over Its Public Housing Programs, Including Its Recovery Act Funds, Malakoff, TX	09/26/2013	12/19/2013	12/01/2015
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 2
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	01/23/2016
2013-AT-1008	The City of West Palm Beach Did Not Always Properly Administer Its HOME Program, West Palm Beach, FL	09/30/2013	01/17/2014	Note 2
2013-CH-1010	The City of Toledo Did Not Always Administer Its CDBG-R Program in Accordance With HUD's and Its Own Requirements, Toledo, OH	09/30/2013	01/15/2014	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	01/23/2016
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-DP-0001	Information System Control Weaknesses Identified in the Line of Credit Control System	11/07/2013	01/30/2014	Note 2
2014-FW-1801	The Colfax Housing Authority Did Not Properly Administer Its Programs, Including Its 2009 American Recovery and Reinvestment Act Grant, Colfax, LA	11/08/2013	02/05/2014	11/15/2015
2014-CH-1001	The City of Flint Lacked Adequate Controls Over Its HOME Investment Partnerships Program, Flint, MI	11/15/2013	03/13/2014	Note 2
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program, Arecibo, PR	12/03/2013	01/24/2014	Note 2
2014-FO-0001	Government National Mortgage Association Fiscal Years 2013 and 2012 Financial Statements Audit	12/06/2013	05/02/2014	Note 2
2014-FO-0002	Federal Housing Administration Fiscal Years 2013 and 2012 Financial Statements Audit	12/13/2013	04/14/2014	Note 2
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
2014-PH-1001	The City of Norfolk Generally Failed To Justify Its CDBG Activities, Norfolk, VA	12/17/2013	04/16/2014	12/31/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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 2
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 2
2014-NY-1001	The Paterson Housing Authority Had Weaknesses in Administration of its Housing Choice Voucher Program, Paterson, NJ	01/15/2014	06/12/2014	07/01/2025
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	10/01/2016
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	Note 2
2014-LA-0001	CPD Did Not Monitor Grantees' CPD-Funded Assets Transferred by Former Redevelopment Agencies To Minimize HUD's Risk	02/28/2014	06/19/2014	10/16/2015
2014-AT-0001	Violations Increased the Cost of Housing's Administration of Its Bond Refund Program	03/14/2014	07/11/2014	Note 2
2014-AT-1801	Vieques Sports City Complex, Office of the Commissioner for Municipal Affairs, Section 108 Loan Guarantee Program, San Juan, PR	03/20/2014	07/11/2014	Note 2
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	Note 3
2014-SE-1002	The Yakama Nation Housing Authority Did Not Always Spend Its Recovery Act Funds in Accordance With Requirements, Wapato, WA	04/29/2014	08/26/2014	12/31/2015
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	02/29/2016

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-DP-0005	Fiscal Year 2013 Review of Information Systems Controls in Support of the Financial Statements Audit	04/30/2014	02/09/2015	10/31/2015
2014-PH-1004	The County of Northumberland Did Not Administer Its Homelessness Prevention and Rapid Re-Housing Program Grant According to Recovery Act Requirements, Sunbury, PA	04/30/2014	08/28/2014	Note 2
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	10/01/2016
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	12/31/2015
2014-FW-0801	Potential Antideficiency Act Violations Intergovernmental Personnel Act Agreements	05/30/2014	09/22/2014	Note 2
2014-NY-1005	Financial and Administrative Control Weaknesses Existed in Middlesex County, NJ's HOME Investment Partnerships Program, Middlesex County, NJ	06/10/2014	07/17/2014	Note 2
2014-LA-0003	HUD Adequately Implemented and Monitored the HUD-VASH Program, but Changes Are Needed To Improve Lease Rates	06/18/2014	10/08/2014	12/01/2015
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	Note 3
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 3
2014-NY-1006	Monmouth County Expended CDBG Funds for Eligible Activities, but Control Weaknesses Need To Be Strengthened, Monmouth County, NJ	07/02/2014	08/06/2014	Note 2
2014-LA-1004	The White Mountain Apache Housing Authority Did Not Always Comply With Its Indian Housing Block Grant Requirements, White River, AZ	07/08/2014	10/24/2014	10/24/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-FW-1004	The State of Texas' Contractor Did Not Perform Adequate Hurricane Dolly Damage Inspections and Failed To Meet Critical Performance Benchmarks, Austin, TX	07/15/2014	11/12/2014	11/10/2015
2014-PH-1007	The Cumberland Plateau Regional Housing Authority Did Not Procure Services in Accordance With HUD Requirements, Lebanon, VA	07/15/2014	09/05/2014	Note 2
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	11/20/2015
2014-AT-1007	The Municipality of Carolina Did Not Properly Administer Its HOME Program, Carolina, PR	08/08/2014	12/05/2014	12/31/2015
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-FW-1805	The Kenner Housing Authority Did Not Administer Its Public Housing and Recovery Act Programs in Accordance With Regulations and Guidance, Kenner, LA	08/13/2014	11/10/2014	10/27/2015
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	11/30/2015
2014-FW-1806	The South Landry Housing Authority Did Not Always Comply With Federal Procurement and Financial Requirements, Including a Procurement Using Recovery Act Funds, Grand Coteau, LA	08/19/2014	12/09/2014	12/31/2015
2014-LA-0006	HUD's ONAP Lacked Adequate Controls Over the ICDBG Closeout Process	08/19/2014	12/09/2014	12/09/2015
2014-LA-1005	The City of Richmond Did Not Administer Its NSP in Accordance With Requirements, Richmond, CA	08/22/2014	12/19/2014	12/16/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	10/10/2015
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	01/01/2016
2014-AT-1010	Miami-Dade County Did Not Always Properly Administer Its HOME Program, Miami, FL	09/11/2014	12/11/2014	12/10/2015
2014-KC-0003	HUD Did Not Always Enforce the Requirements of the Regulatory Agreements and HUD Handbooks Pertaining to Owner Advances and Distributions	09/17/2014	11/25/2014	Note 2
2014-NY-1009	The City of Jersey City's, NJ HOME Investment Partnerships Program Administration Had Financial and Administrative Controls Weaknesses, City of Jersey City, NJ	09/18/2014	01/13/2015	01/08/2016
2014-FW-1005	The Former Owner of Yale Court Apartments Used Project Funds in Violation of the Regulatory Agreement With HUD, Houston, TX	09/22/2014	02/19/2015	11/03/2015
2014-DP-0006	Information System Control Weaknesses Identified in the Program Accounting System	09/23/2014	12/01/2014	11/26/2015
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	10/01/2016
2014-KC-0004	Lenders Generated $428 Million in Gains From Modifying Defaulted FHA Loans	09/24/2014	01/22/2015	12/10/2015
2014-KC-0005	Wellston Housing Authority Improperly Administered the Community Service and Self-Sufficiency Requirement	09/24/2014	01/20/2015	12/31/2015
2014-LA-1006	The City of Pomona Did Not Administer Its NSP in Accordance With HUD Rules and Requirements, Pomona, CA	09/25/2014	01/23/2015	10/27/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-FW-1006	Cornerstone Home Lending Did Not Adequately Underwrite 16 Loans, Violated the Real Estate Settlement Procedures Act, and Did Not Implement an Adequate Quality Control Plan During Our Review Period, Houston, TX	09/26/2014	03/30/2015	02/18/2016
2014-AT-1012	EverBank Did Not Properly Determine Mortgagor Eligibility for FHA's Preforeclosure Sale Program, Jacksonville, FL	09/29/2014	01/30/2015	Note 2
2014-BO-1004	The Department of Housing and Community Development Did Not Always Operate Its Disaster Recovery Programs Effectively and Efficiently, Montpelier, VT	09/29/2014	12/12/2014	11/25/2015
2014-CH-1010	The Owner and Former Management Agents Lacked Adequate Controls Over the Operation of Lake Village of Auburn Hills, MI	09/29/2014	01/27/2015	02/24/2016
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	01/27/2016
2014-AT-1013	Peoples Home Equity, Inc., Did Not Follow HUD Requirements in Approving FHA Loans and Implementing Its Quality Control Program, Brentwood, TN	09/30/2014	02/10/2015	Note 2
2014-AT-1016	The Housing Authority of the City of Spartanburg Used HUD Program Funds for Ineligible Expenses, Spartanburg, SC	09/30/2014	01/28/2015	03/02/2016
2014-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Property-Flipping Waiver Requirements	09/30/2014	03/24/2015	12/31/2015
2014-CH-1011	The City of Chicago Lacked Adequate Controls Over Its HOME Investment Partnerships Program-Funded Rental New Construction Projects and Program Income, Chicago, IL	09/30/2014	01/28/2015	08/29/2016

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-CH-1012	The Owner and Former Management Agents Lacked Adequate Controls Over the Operation of Lake Village of Fairlane Apartments, Dearborn, MI	09/30/2014	01/28/2015	02/19/2016
2014-DE-1802	Complaint Allegations Substantiated - City of Colorado Springs' HOME and CDBG Programs, Colorado Springs, CO	09/30/2014	02/02/2015	01/29/2016
2014-FW-1007	The Jefferson Parish Department of Community Development Did Not Always Support Expenditures, Comply With Procurement Requirements, or Provide Adequate Oversight of Subrecipients, Jefferson, LA	09/30/2014	01/26/2015	10/15/2015
2014-KC-0006	The HUD Office of the Chief Financial Officer Had Not Always Implemented Its User Fee Policy	09/30/2014	01/22/2015	11/30/2016
2014-PH-0001	HUD Policies Did Not Always Ensure That HECM Borrowers Complied With Residency Requirements	09/30/2014	01/28/2015	01/26/2016
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 09/30/2015				
2015-FW-1801	The Management of the Housing Authority of the City of Taylor Did Not Exercise Adequate Oversight of Its Programs, Taylor, TX	10/02/2014	01/30/2015	01/28/2016
2015-DP-0001	Information System Control Weaknesses Identified in the Single Family Housing Enterprise Data Warehouse	10/21/2014	12/12/2014	12/01/2015
2015-FW-1802	The Rotan Housing Authority Did Not Administer Its Public Housing and Recovery Act Programs in Accordance With Regulations and Other Requirements, Rotan, TX	10/31/2014	02/20/2015	02/19/2016
2015-FO-0001	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2014 and 2013	11/14/2014	04/14/2015	10/31/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	03/18/2016
2015-NY-1002	The Freeport Housing Authority Did Not Administer Its Low-Rent Housing and Homeownership Programs in Accordance With HUD's Regulations, Freeport, NY	12/01/2014	03/19/2015	12/31/2015
2015-NY-0001	HUD Did Not Always Follow Applicable Requirements or Use Best Practices in the Procurement and Administration of Its Multifamily Servicing Contract	12/02/2014	05/19/2015	10/30/2015
2015-AT-1001	The Office of the Commissioner for Municipal Affairs Needs To Make Improvements in Administering Its Section 108 Loan Guarantee Program, San Juan, PR	12/05/2014	04/03/2015	03/31/2016
2015-FO-0002	Interim Report on HUD's Internal Controls Over Financial Reporting	12/08/2014	09/28/2015	Note 3
2015-DP-0004	Office of the Chief Financial Officer Loan Accounting System	12/09/2014	04/17/2015	11/05/2015
2015-BO-1001	Glenbrook Manor Could Not Always Show That Project Costs Were Eligible and Supported in Accordance With HUD Requirements, Stamford, CT	12/16/2014	05/21/2015	Note 2
2015-FW-0801	Intergovernmental Personnel Act Appointment Created an Inherent Conflict of Interest in the Office of Public and Indian Housing	01/20/2015	05/20/2015	01/04/2016
2015-PH-0001	HUD Lacked Adequate Oversight To Ensure That Public Housing Agencies Complied With Federal Lobbying Disclosure Requirements and Restrictions	01/30/2015	07/10/2015	10/01/2016
2015-PH-1001	The County of Beaver Did Not Always Administer Its HOME Program in Accordance With Applicable HUD and Federal Requirements, Beaver Falls, PA	01/30/2015	08/31/2015	10/30/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-BO-1002	Rhode Island Housing Did Not Always Adequately Support HOME Fund Expenditures, Providence, RI	02/04/2015	05/21/2015	02/03/2016
2015-KC-0001	HUD Subsidized More Than 106,000 Noncompliant Households	02/13/2015	06/05/2015	10/31/2016
2015-CH-1001	The Chicago Housing Authority Moving to Work Housing Choice Voucher Program, Chicago, IL	02/24/2015	06/10/2015	04/01/2018
2015-DP-0005	Fiscal Year 2014 Review of Information Systems Controls in Support of the Financial Statements Audit	02/24/2015	07/02/2015	07/02/2016
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
2015-BO-1003	The State of Rhode Island Did Not Always Operate Its NSP in Compliance With HUD Regulations, Providence, RI	03/04/2015	07/01/2015	11/01/2015
2015-KC-1001	Breakthrough Living Program Did Not Administer Its Program in Accordance With HUD Rules and Regulations, Topeka, KS	03/05/2015	05/05/2015	05/06/2016
2015-KC-1002	The City of Minot Did Not Fully Comply With Federal and Local Procurement Requirements, Minot, ND	03/13/2015	06/29/2015	06/29/2016
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	04/30/2016

AUDITS EXCLUDED:

79 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

TABLE C

Inspector General-issued reports with questioned and unsupported costs at 9/30/2015 (thousands)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
A1	For which no management decision had been made by the commencement of the reporting period	17	1,658,672	1,554,483
A2	For which litigation, legislation, or investigation was pending at the commencement of the reporting period	5	27,333	5,170
A3	For which additional costs were added to reports in beginning inventory	-	145	0
A4	For which costs were added to noncost reports	2	1,485	0
B1	Which were issued during the reporting period	69	535,639	297,401
B2	Which were reopened during the reporting period	0	0	0
SUBTOTALS (A + B)		**93**	**2,223,274**	**1,857,054**
C	For which a management decision was made during the reporting period	24[11]	1,627,505	1,553,997
	1) Dollar value of disallowed costs: Due HUD Due program participants	8[12] 16	1,570,099 35,983	1,506,341 28,157
	(2) Dollar value of costs not disallowed	4[13]	21,423	19,499
D	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	5	27,333	5,170
E	For which no management decision had been made by the end of the reporting period	64 <168> [14]	568,436 <538,054> [14]	297,887 <293,078>[14]

11 Seven audit reports also contain recommendations with funds to be put to better use.

12 Zero audit reports also contain recommendations with funds due program participants.

13 Four audit reports also contain recommendations with funds agreed to by management.

14 The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

TABLE D

Inspector General-issued reports with recommendations that funds be put to better use at 9/30/2015 (thousands)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	DOLLAR VALUE
A1	For which no management decision had been made by the commencement of the reporting period	16	2,153,719
A2	For which litigation, legislation, or investigation was pending at the commencement of the reporting period	2	1,854
A3	For which additional costs were added to reports in beginning inventory	-	79
A4	For which costs were added to noncost reports	0	0
B1	Which were issued during the reporting period	31	783,048
B2	Which were reopened during the reporting period	0	0
SUBTOTALS (A + B)		**49**	**2,938,700**
C	For which a management decision was made during the reporting period	12[15]	499,209
	(1) Dollar value of recommendations that were agreed to by management: Due HUD Due program participants	 2 9	 449,454 25,547
	(2) Dollar value of recommendations that were not agreed to by management	2[16]	24,208
D	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	2	1,854
E	For which no management decision had been made by the end of the reporting period	35 < 49 >[17]	2,437,637 <862,639>[17]

15 Six audit reports also contain recommendations with questioned costs.

16 One audit report also contains recommendations with funds agreed to by management.

17 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.

HUD OIG TELEPHONE DIRECTORY

OFFICE OF AUDIT

HEADQUARTERS OFFICE	Washington, DC	202-708-0364
REGION 1	Boston, MA	617-994-8380
	Hartford, CT	860-240-4837
REGION 2	New York, NY	212-264-4174
	Buffalo, NY	716-551-5755
	Newark, NJ	973-776-7339
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
	Jacksonville, FL	404-331-3369
	Knoxville, TN	404-331-3369
	Miami, FL	305-536-5387
	San Juan, PR	787-766-5540
REGION 5	Chicago, IL	312-353-7832
	Columbus, OH	614-280-6138
	Detroit, MI	313-226-6280
REGION 6	Fort Worth, TX	817-978-9309
	Baton Rouge, LA	225-448-3976
	Houston, TX	713-718-3199
	New Orleans, LA	504-671-3715
	Albuquerque, NM	505-346-7270
	Oklahoma City, OK	405-609-8606
	San Antonio, TX	210-475-6800

REGION 7-8-10	Kansas City, KS	913-551-5870
	St. Louis, MO	314-539-6339
	Denver, CO	303-672-5452
	Seattle, WA	206-220-5360
REGION 9	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 INVESTIGATION

HEADQUARTERS	Washington, DC	202-708-5998
REGION 1-2	New York, NY	212-264-8062
	Boston, MA	617-994-8450
	Hartford, CT	860-240-4800
	Manchester, NH	603-666-7988
	Newark, NJ	973-776-7355
REGION 3	Philadelphia, PA	215-430-6758
	Baltimore, MD	410-209-6533
	Pittsburgh, PA	412-644-6598
	Richmond, VA	804-822-4890
REGION 4	Atlanta, GA	404-331-5001
	Birmingham, AL	205-745-4314
	Columbia, SC	803-451-4318
	Greensboro, NC	336-547-4000
	Memphis, TN	901-554-3148
	Miami, FL	305-536-3087
	San Juan, PR	787-766-5868
	Tampa, FL	813-228-2026
	Jackson, MS	601-329-6924
REGION 5	Chicago, IL	312-353-4196
	Cleveland, OH	216-357-7800
	Columbus, OH	614-469-6677
	Detroit, MI	313-226-6280
	Grand Rapids, MI	313-226-6280
	Indianapolis, IN	317-957-7377
	Minneapolis-St. Paul, MN	612-370-3130

REGION 6	Fort Worth, TX	817-978-5440
	Baton Rouge, LA	225-448-3941
	Houston, TX	713-718-3227
	Little Rock, AR	501-324-5931
	New Orleans, LA	504-671-3700
	Oklahoma City, OK	405-609-8601
	San Antonio, TX	210-475-6822

REGION 7-8-10	Denver, CO	303-672-5350
	Billings, MT	406-247-4080
	Kansas City, KS	913-551-5866
	Salt Lake City, UT	801-524-6090
	St. Louis, MO	314-539-6559
	Seattle, WA	206-220-5380

REGION 9	Los Angeles, CA	213-894-0219
	Las Vegas, NV	702-366-2144
	Phoenix, AZ	602-379-7252
	Sacramento, CA	916-930-5691
	San Francisco, CA	415-489-6683

JOINT CIVIL FRAUD DIVISION

AUDIT AND INVESTIGATION	Kansas City, KS	913-551-5566

ACRONYMS LIST

ACD........Accelerated Claims Disposition Program

ARCATS........Audit Resolution and Corrective Actions Tracking System

CAIVRS........Credit Alert Verification Reporting System

CDBG........Community Development Block Grant

CDBG-DR........Community Development Block Grant Disaster Recovery

CFR........Code of Federal Regulations

CHDO........community housing development organization

CPD........Office of Community Planning and Development

CWCOT........Claims Without Conveyance of Title program

DCIA........Debt Collection Improvement Act of 1996

DHS........U.S. Department of Homeland Security

DOJ........U.S. Department of Justice

FBI........Federal Bureau of Investigation

ERM........enterprise risk management

FFMIA........Federal Financial Management Improvement Act of 1996

FHA........Federal Housing Administration

FHFA........Federal Housing Finance Agency

FHIP........Fair Housing Initiatives Program

FIFO........first-in, first-out

FIRMS........Facilities Integrated Resource Management System

FISMA........Federal Information Security Modernization Act of 2014

FMFIA........Federal Managers' Financial Integrity Act

GAO........U.S. Government Accountability Office

GFAS........Ginnie Mae Financial and Accounting System

Ginnie Mae........Government National Mortgage Association

HAMP........Home Affordable Modification Program

HECM........home equity conversion mortgage

HIFMIP........HUD's Integrated Financial Management Improvement Project

HOME........HOME Investment Partnerships Program

ACRONYMS LIST (CONCLUDED)

HPS .... HUD Procurement System
HUD .... U.S. Department of Housing and Urban Development
IDIS .... Integrated Disbursement and Information System
IPERA .... Improper Payments Elimination and Recovery Act of 2010
IT .... information technology
LOCCS .... Line of Credit Control System
MAP .... multifamily accelerated processing
NCIS .... New Core Interface Solution
OCFO .... Office of the Chief Financial Officer
OGC .... Office of General Counsel
OI .... Office of Investigation
OIG .... Office of Inspector General
OMB .... Office of Management and Budget
OPHI .... Office of Public Housing Investments
PFCRA .... Program Fraud Civil Remedies Act
PHA .... public housing agency
PIH .... Office of Public and Indian Housing
SHP .... Supportive Housing Program
SPS .... Small Purchase System
SSA .... Social Security Administration
U.S.C. .... United States Code
VA .... U.S. Department of Veterans Affairs

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.	50
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	14-49
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	53
Section 5(a)(3)-identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, Table B, 96
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	14-46
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, 71
Section 5(a)(7)-summary of each particularly significant report.	14-49
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 3, Table C, 99
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, 100
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, 81
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	62
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	64
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	66

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, 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 Web site may appear to be a real government agency, but the Web site 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, contact the hotline.

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

Sending written information to
Department of Housing and Urban Development
Inspector General Hotline (GFI)
451 7th Street, SW
Room 8254
Washington, DC 20410

Internet
http://www.hudoig.gov/hotline/index.php

ALL INFORMATION IS CONFIDENTIAL, AND YOU MAY REMAIN ANONYMOUS.

U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

Report Number 74

www.hudoig.gov