



# U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OFFICE *of* INSPECTOR GENERAL QUARTERLY RECAP

## A Message from the Inspector General



I am pleased to share the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) Quarterly Recap. In addition to our regular updates, we hope you will use this newsletter as a resource to read about our most recent work. You will find updates about HUD OIG's recently issued reports, newly announced work, featured highlights from the IG, press releases from recent investigations, and more.

We appreciate your readership as we continue to prioritize positive outcomes for HUD by doing the right work at the right time. If you have questions or want to learn more about our oversight work, contact us at [oigmediarelations@hudoig.gov](mailto:oigmediarelations@hudoig.gov).

Rae Oliver Davis | INSPECTOR GENERAL

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# HUD OIG Data Snapshot

## OPEN RECOMMENDATIONS STATUS

977

As of 11/1/22

984

As of 11/30/22

## MONETARY BENEFIT (FY TO DATE)



**\$1,880,093**

Criminal and Civil Recoveries payable to HUD or FHA



**\$47,000,000**

Funds Put to Better Use



**\$0**

Questioned Costs



**\$1,374,448**

Collections

## HUD OIG Spotlight



### [FY 2023 Top Management Challenges](#)

The Reports Consolidation Act of 2000 requires HUD OIG to issue a report summarizing what we consider to be the most serious management and performance challenges facing the Department. HUD is required to include this report in its annual agency financial report. This report represents HUD OIG's independent perspective on the top management challenges facing HUD in fiscal year 2023 and beyond.



### [Semiannual Report to Congress—April 1, 2022, through September 30, 2022](#)

The Inspector General Act of 1978 requires the Inspector General to prepare semiannual reports summarizing the activities of the Office of Inspector General for the preceding six-month period. The semiannual reports are intended to keep the Secretary and Congress fully informed of significant findings, progress the Agency has made, and recommendations for improvement.



## Recently Issued Oversight Work

### [Management Alert: Action Needed to Ensure That Assisted Property Owners, Including Public Housing Agencies, Comply With the Lead Safe Housing Rule](#)

While conducting an ongoing audit of the Philadelphia Housing Authority's (Authority) management of lead-based paint hazards in its public housing units, we identified a significant gap in HUD's program requirements related to safe work practices, which we believe requires immediate action by HUD. We identified that the Authority determined a substantial percentage of maintenance and hazard reduction work performed on surfaces with lead-based paint in its public housing units was "de minimis", or minor. The Authority's determinations exempted the work from HUD's rules requiring safe work practices. However, HUD does not require assisted property owners like public housing agencies (PHAs) to maintain evidence supporting that the work was minor. The lack of a requirement for assisted property owners to maintain such documentation impedes HUD's ability to conduct meaningful oversight of property owners' compliance with HUD's requirements for safe work practices. The lack of a requirement also limits HUD's and OIG's ability to verify that the de minimis exemption is being properly applied. While this risk became apparent during our ongoing audit of a PHA, we believe this risk extends beyond HUD's public housing program to all HUD-assisted programs where the de minimis exemption may apply. We believe HUD should take immediate steps to mitigate the risk that the exemption is being applied too broadly and thereby increasing the potential for residents and maintenance staff to be exposed to lead-based paint hazards. We recommend that HUD require assisted property owners, including PHAs, to maintain evidence to support determinations that maintenance and hazard reduction work that disturbs lead-based paint in target housing are minor such that they can be properly exempted from HUD's safe work requirements.

### [Audit of HUD's Fiscal Years 2022 and 2021 Financial Statements](#)

We contracted with CliftonLarsonAllen LLP (CLA) to audit the financial statements of HUD as of and for the fiscal years ended September 30, 2022, and 2021, and report on HUD's internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, among other matters. In its audit of HUD, CLA reported that: (1) the financial statements as of and for the fiscal years ended September 30, 2022 and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) one material weakness for fiscal year 2022 in internal control over financial reporting, based on the limited procedures performed; and (3) two reportable matters for fiscal year 2022 of noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.



### [Audit of FHA's Fiscal Years 2022 and 2021 Financial Statements](#)

We contracted with CliftonLarsonAllen LLP (CLA) to audit the financial statements of FHA as of and for the fiscal years ended September 30, 2022, and 2021, and report on FHA's internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, among other matters. In its audit of FHA, CLA reported that: (1) the financial statements as of and for the fiscal years ended September 30, 2022 and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) one material weakness for fiscal year 2022 in internal control over financial reporting, based on the limited procedures performed; and (3) two reportable matters for fiscal year 2022 of noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

### [Fair Housing and Equal Opportunity's Oversight of Fair Housing Enforcement Agencies](#)

This audit determined that Fair Housing and Equal Opportunity (FHEO) could provide more guidance related to FHEO's performance assessment process to improve its oversight of State and local fair housing enforcement agencies participating in the Fair Housing Assistance Program (FHAP). Regulations state that FHAP agencies must meet certain performance standards to maintain certification from FHEO. That certification is required for FHAP agencies to remain in the program and receive funding from FHEO to administer fair housing laws equivalent to the Fair Housing Act. The FHAP Division provided guidance; however, FHEO regional staff responsible for monitoring and overseeing FHAP agency performance (HUD reviewers), did not consistently follow it. Additionally, although all HUD reviewers work from the same performance standards, individual reviewers sometimes applied the standards differently. As a result, HUD reviewers expressed a desire for more definitive guidance regarding the level of compliance that is acceptable and concrete examples of what constitutes compliance and noncompliance. We made four recommendations to HUD.

### [Ginnie Mae Audit of Fiscal Years 2022 and 2021 Financial Statements](#)

We contracted with CliftonLarsonAllen LLP (CLA) to audit the financial statements of Ginnie Mae as of and for the fiscal years ended September 30, 2022, and 2021, and report on Ginnie Mae's internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, among other matters. In its audit of Ginnie Mae, CLA reported that: (1) Ginnie Mae's financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) No material weaknesses for fiscal year 2022 in internal control over financial reporting, based on limited procedures performed; and (3) No reportable noncompliance issues for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.



### [HUD and FHAP Agencies Can Better Document Decisions Not to Investigate Fair Housing Complaints](#)

This audit determined that HUD and Fair Housing Assistance Program (FHAP) agencies adequately documented decisions to convert inquiries to complaints in the HUD Enforcement Management System (HEMS). However, closed inquiries were not documented adequately and consistently. These conditions occurred due to inconsistent and outdated HUD policies and procedures. Further, HUD officials stated that HUD staff's ability to enter all information into HEMS was negatively impacted by the large volume of inquiries received, some of which may not have been related to fair housing issues. We also determined that FHAP agencies did not enter complaint inquiries into HEMS when they decided not to investigate the allegations. While HUD does not require agencies to enter these inquiries in HEMS, this gap renders HUD's process for overseeing allegations closed during the inquiry stage incomplete. As a result, HUD management does not have all the information it needs to ensure its FHAP agencies are performing as expected. We made two recommendations to HUD.

### [Improvements are Needed in HUD's Fraud Risk Management Program](#)

This audit determined that all four phases of HUD's fraud risk management program were in the early stages of development, or at an "ad hoc" maturity level. Although HUD has recently taken steps to mature its program, it needs to commit resources to enhancing antifraud controls and promoting a culture of fraud risk management. As a result, without improvements to its program, HUD may miss opportunities to identify and eliminate fraud vulnerabilities, leaving its funds and reputation at risk. We made five recommendations to HUD.

### [HUD Could Improve Its Tracking and Monitoring of Continuum of Care Grantee Spending Levels](#)

This audit determined that HUD generally tracked and monitored its grantees. However, it did not prioritize grantees that encountered challenges in spending their grant funds before the grants expired. This condition occurred because HUD did not have written guidance that detailed how field offices should review grantees for spending issues. While several factors outside of HUD's control contributed to the spending challenges, improved tracking and monitoring could help ensure that the grantees address those factors and mitigate their impact in a timely manner. Without proactive measures, grantee spending challenges will likely continue, leading to unused funds that could otherwise have gone toward addressing homelessness. We made two recommendations to HUD.



### Management Challenges of Federal Agencies in Preparing for and Responding to Natural Disasters

As part of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) Disaster Assistance Working Group cross-cutting initiative, this report summarized the conclusions, findings, and recommendations of 28 reports related to the Federal Government's natural disaster preparedness and response issued by 7 Offices of Inspector General (OIGs). In the 28 reports, the 7 OIGs made 89 recommendations to improve the Nation's capabilities to respond to natural disasters.



### Sale of Section 184 Properties on Tribal Trust and Other Restricted Lands

This audit determined that HUD appropriately marketed and sold Section 184 properties on restricted lands. However, its systems and controls for managing its portfolio of defaulted loan notes and Real Estate Owned (REO) Section 184 tribal trust land properties had weaknesses. This condition occurred because HUD prioritized its limited resources to focus on processing and guaranteeing new loans rather than defaulted loan notes and REO properties on trust land. As a result, HUD may continue to experience delays in selling defaulted loan notes and REO properties. These weaknesses could lead to unnecessarily vacant, abandoned, and blighted properties on trust lands, which could have a negative impact on the Loan Guarantee Fund. We made three recommendations to HUD.



### HUD Lacked Adequate Oversight of Lead-Based Paint Hazard Remediation in Public Housing

This audit determined that HUD established procedures in the Lead Safe Housing Rule in 1999 to eliminate lead-based paint hazards, as far as practicable, in public housing. However, it did not have a plan to manage lead-based paint and lead-based paint hazards in public housing. Additionally, HUD generally did not monitor whether public housing agencies had implemented lead-based paint hazard reduction and documented the activities at their public housing developments. These weaknesses occurred because HUD relied on public housing agencies to implement their own methods to achieve lead-safe housing, including implementing lead-based paint hazard reduction. Without a plan to manage lead-based paint and lead-based paint hazards in public housing and ensure that public housing agencies implemented lead-based paint hazard reduction, HUD lacked assurance that families with children under six years of age residing in public housing were not exposed to lead-based paint hazards and that its procedures for eliminating lead-based paint hazards in public housing were effective. We made six recommendations to HUD.



## Recently Announced Work

### [Assessment of Puerto Rico 2017 Community Development Block Grant Disaster Recovery \(CDBG-DR\) Program Fraud Risk Management](#)

HUD awarded Puerto Rico over \$20 billion dollars in CDBG-DR funding for the 2017 disasters. The objective of this audit is to conduct an assessment of Puerto Rico's fraud risk management practices that encompasses control activities to prevent, detect, and respond to fraud when administering programs funded by CDBG-DR grants associated with the 2017 disasters.

### [Puerto Rico Homebuyer Assistance Program \(HBA\) Program](#)

HUD awarded Puerto Rico more than \$20 billion in CDBG-DR funding to address the impact of Hurricanes Irma and Maria, of which \$295 million was budgeted to the HBA program. The objective of this audit is to determine the impact that the program had in increasing homeownership rates in Puerto Rico post Hurricanes Irma and Maria and whether it is on track in delivering the expected program outcome.

### [Timeliness of the Office of Fair Housing and Equal Opportunity \(FHEO\) Investigations for Title VIII Complaints](#)

Title VIII of the Civil Rights Act of 1968 requires that HUD complete investigations of each complaint within 100 days of the date it was filed unless it is impracticable to do so. The objective of this audit is to assess challenges faced by FHEO in meeting the 100-day investigation requirement for Title VIII complaints.

### [Attestation Engagement of HUD's Compliance With Office of National Drug Control Policies \(ONDCP\) for Fiscal Year 2022 Reporting](#)

HUD OIG is required to conduct an attestation of HUD's compliance with the ONDCP's at a minimum of every three years. The objective of this audit is to obtain limited assurance about whether any material modifications should be made to HUD's assertions on its drug control funding and accompanying fiscal year 2022 reports to comply with ONDCP's requirements.

### [Federal Housing Administration \(FHA\) Resource Center Inquiries on Discrimination](#)

The FHA Resource Center is a tool for consumers that provides answers to questions or concerns on a variety of topics, including housing discrimination. The objective of this audit is to assess whether the FHA Resource Center appropriately rerouted inquiries related to housing discrimination, including discrimination in appraisals, to HUD's Office of Fair Housing and Equal Opportunity in accordance with its standard operating procedures.



### [Audit Determining HUD's Compliance with the Payment Integrity Information Act \(PIIA\) of 2019 for FY 2022](#)

The objectives of this audit are to assess (1) whether HUD has met all requirements of PIIA and OMB Circular A-123, Appendix C-Requirements for Payment Integrity improvement and (2) HUD's efforts to prevent and reduce improper payments. We will review (1) HUD's procedures and internal controls related to the preparation of the payment integrity information, (2) risk assessments, (3) improper payment and unknown payment estimates, (4) root cause category classifications, (5) corrective action plans, (6) fiscal year 2021 Agency Financial Report (AFR) and accompanying materials, (7) recovery audits, and (8) any reporting on any high-priority programs. We will also review and collect evidence of the internal controls HUD has in place to identify, prevent, detect, and recapture improper payments, including, but not limited to, controls in place related to Single Audit Act requirements.

### [City of New Orleans Community Development Block Grant National Disaster Resilience \(CDBG-NDR\) Grant](#)

In January 2017, the City of New Orleans Office of Community Development received \$141,260,569 in a CDBG- NDR Grant under Public Law 113-2 for resilience and recovery. The grant was designed to help state and local communities recover from past disasters while improving their ability to withstand future extreme events through strategic community investments. The objective of this audit is to determine whether the City's CDBG-NDR grant projects and management were effective in assisting the City in recovering from past disaster events while improving its ability to withstand future extreme events.

### [HUD's Oversight of the Physical Conditions of Project-Based Rental Assistance \(PBRA\) and FHA-insured Project-Based Voucher \(PBV\) Units Converted Under the Rental Assistance Demonstration \(RAD\) Program](#)

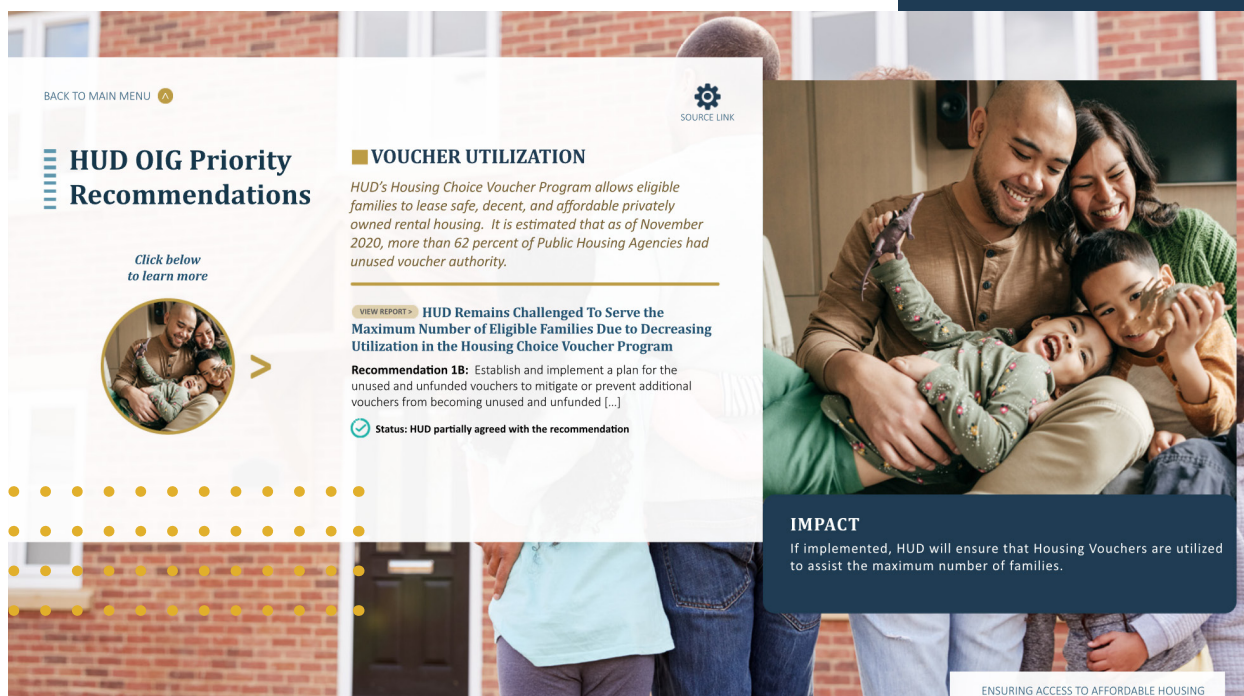
The objective of this audit is to assess the physical condition of units that converted under the first component of the RAD program. Specifically, this audit will (1) assess whether HUD has adequate oversight of the physical condition of public housing units that converted to PBRA and FHA-insured PBV under the RAD program and (2) determine if the physical conditions of the RAD units improved, remained the same, or declined.

### [Oversight of the Physical Conditions of Non-FHA Insured PBV Units Converted Under RAD](#)

The objective of this audit is to assess whether HUD and Public Housing Authorities (PHA) have adequate oversight of the physical conditions of non-FHA insured PBV units converted under RAD. Specifically, this audit will determine whether (1) non-FHA insured PBV units converted under RAD are maintained in compliance with HUD's Housing Quality Standards (HQS) and are decent, safe, and sanitary and (2) HUD and PHAs provide proper oversight of the physical conditions of non-FHA insured PBV units converted under RAD.







## HUD INSPECTOR GENERAL IN THE NEWS

### [IG Rae Oliver Davis Discusses HUD OIG's Inaugural Priority Open Recommendations Resource with Federal News Network](#)

It is the first report of its kind from the HUD OIG. IG Rae Oliver Davis spoke with Federal Drive's Tom Temin to discuss the genesis of the Priority Open Recommendations resource and what HUD OIG hopes to accomplish.

### [Reps. Cleaver, Evans Applaud HUD Efforts to Raise Awareness of Deed Fraud During Fraud Awareness Month](#)

During Fraud Awareness Month and International Fraud Awareness Week, U.S. Representatives Emanuel Cleaver, II (MO-5) and Dwight Evans (PA-3) applauded HUD OIG for releasing a [bulletin](#) to raise awareness about deed fraud. Fraud Awareness Month is a HUD-wide initiative that aims to educate and encourage communication about preventing fraud, waste, abuse and mismanagement and to highlight the many resources available to help combat fraud.



### [National Lead Poisoning Prevention Week: A Message from the Inspector General](#)

During National Lead Poisoning Prevention Week, IG Oliver Davis issued an important message urging the public to report potential lead hazards to [HUD OIG's hotline](#). This message followed the release of a new [HUD OIG Public Service Announcement](#), which provides resources about the risks and symptoms of lead exposure and the statutory lead hazard disclosures to help residents identify whether their home is at risk for lead exposure.

# HUD OIG OFFICE OF INVESTIGATION HIGHLIGHTS



- [Richmond Contractor Sentenced to over 1 Year for Violating Federal Lead Paint Laws and Obstructing Justice](#)
- [Ex-Housing Authority Official Pleads Guilty to Federal Fraud Crime](#)
- [Three Family Members of the Former Director of the St. Clair Housing Commission Plead Guilty to Conspiracy and to Defrauding HUD](#)
- [Former NHA Director of Information Technology Sentenced to Two Years in Prison for Embezzling over \\$590,000 Worth of Electronic Devices](#)
- [Former Prattsville Town Supervisor Sentenced for Grant Fraud](#)
- [Penfield Man Charged With Obstruction Of Justice And Lying Under Oath In George Moses Investigation](#)
- [Champaign Pastor Pleads Guilty to Misapplying Federal Funds and Bankruptcy Fraud](#)
- [Former Cook County Land Bank Authority Employee Charged in Scheme To Fraudulently Purchase and Resell Properties](#)
- [Former Rochester Housing Authority Chair Going To Prison For Fraud, Money Laundering And Lying To The FBI](#)
- [NYCHA Superintendents Plead Guilty To Accepting Bribes](#)
- [Former West Haven Employee and State Representative Admits Stealing COVID Relief and Other City Funds](#)
- [Salem Man Sentenced to Four Years in Prison for Decade-Long Mortgage Fraud Scheme](#)
- [Ex-Housing Authority Official Pleads Guilty to Federal Fraud Crime](#)
- [Former Islamic center director pleads guilty to embezzling funds, committing fraud](#)
- [Real Estate Agent and Her Husband Sentenced for Fraud Using Stolen Personal Identifying Information](#)
- [Canton Woman Admits Defrauding HUD Section 8 Housing Program](#)



## Contact Us

Learn more about HUD OIG and subscribe to our [mailing list](#) to receive updates about our upcoming, ongoing, and recently published oversight work.

Report fraud schemes involving public housing or other HUD-funded programs or benefits, by contacting the HUD OIG Hotline at 1-800-347-3735 or visit, <https://www.hudoig.gov/hotline>.