



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

Office of Inspector General Report to the Congress

Number 13

for the six month period
October 1, 1984 to March 31, 1985
Pursuant to Section 5(b)
of Public Law 95-452

as it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act be cited as the "Inspector General Act of 1978".

SEC. 2. In order to create independent and objective units—(1) to conduct and supervise audits and investigations relating to programs and operations of the Department of Agriculture, the Department of Commerce, the Department of Housing and Urban Development, the Department of the Interior, the Department of Labor, the Department of Transportation, the Community Services Administration, The Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans Administration; (2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and (3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action; thereby is hereby established in each of such establishments an Office of Inspector General.

SEC. 3.(a) There shall be at the head of each Office an Inspector General who shall

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Paul A. Adair
Inspector General (Designate)

Foreword

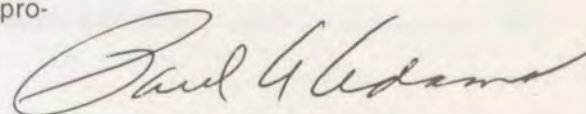
This is our thirteenth report to Congress. It summarizes our efforts during the past 6 months and highlights significant audits, investigations, and fraud control activities. During this period, over \$28 million in recoveries resulted from management's actions on audits and investigations.

This report summarizes problems in such diverse HUD programs as Single Family insured loans, Section 8 Moderate Rehabilitation, and Section 312 Rehabilitation loans. As an example, the Single Family Program has had significant new initiatives during the past few years. However, management controls to ensure program integrity do not appear to have kept pace with these changes. Some of the resultant problems have been highlighted by our Office, the General Accounting Office, Congress, and the media. In the next 6 months, we will be doing additional work to determine the extent of these pro-

blems and how to help the Department solve them.

Another area of concern is the verification of tenant eligibility. Our Office has devoted substantial resources to investigations of tenant fraud and audits of rental assistance administration. We have found that it is extremely difficult to ensure that assistance goes only to eligible families and in the correct amounts. For several years, the Department has supported passage of new legislation permitting HUD to collect and use certain data for computer matching projects to identify ineligible recipients. The Department has resubmitted the proposals with its 1986 budget. We urge Congress to pass this much needed legislation.

On February 1, 1985, Charles L. Dempsey retired from Federal service. Mr. Dempsey had been the Department's Inspector General since October 1977.



Paul A. Adams
Inspector General (Designate)

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Profile of Performance

Department of Housing and
Urban Development
Office of Inspector General

October 1, 1984
through
March 31, 1985

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Audit Activities			
■ Cash Recoveries/Savings (OIG and Non-Federal Audits)	\$27,221,777	73	
■ Questioned and Disallowed Costs Sustained (OIG and Non-Federal Audits)	\$44,570,481	73	
■ Cost Efficiencies	\$22,776,209	73	
■ Internal Audit Reports Issued (OIG)	45	83	
■ External Audit Reports Issued (OIG)	130	87	
■ Non-Federal and Other Agency Reports Accepted	1,662	—	
■ Audit Findings Issued	2,439	75	
■ Audit Findings Resolved	2,749	75	
■ Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	6	14	
Investigation Activities			
■ Cash Recoveries	\$967,963	46	
■ Total Fines Levied	\$344,054	46	
■ Investigation Cases Opened	715	43	
■ Investigation Cases Pending (3/31/85)	1,597	44	
■ Investigation Cases Referred for Prosecution	175	45	
■ Persons/Firms Indicted	226	45	
■ Persons/Firms Convicted	121	45	
■ Total Years of Prison Sentences	90	46	
■ Total Years of Suspended Sentences	81	46	
■ Total Years of Probated Sentences	333	46	
■ Debarments of Persons/Firms Doing Business with HUD (years)	84(263)	—	
■ Suspensions of Persons/Firms Doing Business with HUD (years)	39(39)	—	
■ Personnel Actions Initiated Against HUD Employees	31	53	
■ HUD Employees Indicted	2	—	
■ HUD Employees Convicted	1	—	
Fraud Control Activities			
■ Special Fraud Control Projects Undertaken in Cooperation with HUD's Committee on Fraud, Waste and Mismanagement	5	59	
■ Hotline Complaints Received	186	62	
■ Hotline Complaints Processed and Closed	171	63	
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Overview

This report contains selected operating results for the period October 1, 1984, through March 31, 1985. The report discusses significant weaknesses disclosed by audits

and investigations and fraud control activities conducted by our office, or in cooperation with others. Highlights of the report are summarized below.

Significant Problems, Abuses, Deficiencies and Recommendations

Major activities during the reporting period focused on abuses and deficiencies in various HUD program areas. These areas included: Single Family Insured Programs; Assisted Housing; Multifamily Insured Programs; Community Planning and Development; General Administration; and Government National Mortgage Association activities.

Single Family Insured Programs

■ Audits of HUD's Single Family Insured Programs disclosed significant problems in the areas of Property Disposition and Reinsurance; Fee Personnel; and Loan Origination. The efforts of a multi-agency task force of auditors and investigators also resulted in the indictments and convictions of individuals for fraudulent schemes involving over \$1.5 million worth of FHA-insured mortgages. OIG audits have also shown that mismanagement of the Bulk Sales Program may have deprived HUD of over \$5 million in sales revenues. In addition, based on OIG audits and investigations, HUD's Mortgagee Review Board took sanctions against five mortgage companies and one Title I lender for loan origination violations (see pages 10 through 16).

Assisted Housing

■ Millions of dollars have been misspent by public housing authorities (PHAs) administering the Section 8 Moderate

Rehabilitation Program because of inflated rents and ineligible units. HUD did not effectively guide or monitor PHAs (see pages 17 through 19).

■ The Philadelphia Housing Authority (PHA), Philadelphia, Pennsylvania, did not follow HUD regulations and requirements in administering the Section 8 Existing Housing Program. As a result, over \$3.9 million in budget authority should be recaptured by HUD, and an estimated \$1.6 million may be due tenants (see page 20).

■ Public housing authority (PHA) misstatements of utility expense and target investment income and Field Office processing errors in the Fort Worth Region resulted in PHAs' receiving about \$2.1 million in subsidy overpayments. Another \$893,000 in payments may be unwarranted (see page 20).

■ Public housing authorities not participating in group insurance programs or not using self-funded plans could be unnecessarily spending from \$14 to \$22 million annually for insurance and bonding coverage (see page 21).

■ HUD Field Offices did not effectively monitor public housing authorities' procurement and contracting activities. These activities resulted in questionable expenditures of \$2.8 million (see page 22).

Multifamily Insured Programs

■ Owners and management agents at five multifamily projects have improperly disbursed over \$2 million of HUD-insured project funds for ineligible and unsupported costs (see page 26).

■ The mortgagor and contractor's cost certifications for Mariner's Cove, San Diego, California, claimed \$3.7 million in unallowable development costs, resulting in a recommended mortgage reduction of at least \$3 million (see page 28).

■ Owners and management agents did not pursue reductions in property taxes on HUD-subsidized projects in the Seattle Region. This could be costing HUD and low-income tenants as much as \$1.1 million annually (see page 29).

■ First Columbia Management, Inc., Seattle, Washington, did not invest \$3.5 million of reserve funds and residual receipts (see page 30).

Community Planning and Development

■ Millions of dollars in HUD funds were placed at risk, and borrowers were harmed financially because of weaknesses in HUD's loan underwriting, performance monitoring, and loan servicing in the Section 312 Program (see page 31).

■ HUD's Chicago Region did not effectively administer the Urban Homesteading Program (see page 33).

■ Audits of five grantees identified \$11.4 million in Community Development Block Grant

funds that were used for ineligible or questionable purposes (see pages 34 through 36).

■ The States of Nebraska and Missouri need improvements in the areas of monitoring, audit requirements, and fund distribution in managing the Small Cities Program (see page 36).

General Administration

■ Because of deficient accounting practices in the Boston and Fort Worth Regions, over \$6 million in excess Section 202 fund reservations were not recaptured. The Boston Region disbursed nearly \$30 million in Section 202 funds before properly obligating or documenting the transactions. In addition, Section 8 obligations may be understated by over \$29 million in the Boston Region (see page 37).

■ Comprehensive Marketing Systems, Inc., inappropriately accumulated and retained for its own use about \$450,000 in foreclosure advances. The status of another \$443,000 paid to subcontractors could not be confirmed (see page 39).

■ Poor internal control practices resulted in the Office of Finance and Accounting's making duplicate and incorrect payments exceeding \$2 million (see page 40).

Government National Mortgage Association

■ The Government National Mortgage Association exercised insufficient control over the sale of defaulted mortgage portfolio servicing rights worth millions of dollars (see page 41).

Investigation Activities

Investigation activities included criminal matters resulting in prosecutions and convictions and investigations of violations of Departmental regulations and policies. Highlights include:

■ 715 new investigation cases were opened involving HUD personnel and/or persons or firms doing business with HUD. Approximately 60 percent of these cases involved false statement allegations in HUD housing programs (see page 43).

■ 655 investigation cases were closed. Approximately 23 percent of these cases involved

landlord/tenant fraud in the rental assistance program. 15 percent related to the Title I housing program (see page 44).

■ 175 investigation cases were referred for prosecutive consideration (see page 45).

■ 226 indictments and 121 convictions of persons or firms having business with HUD resulted from investigations (see pages 45 through 46).

■ Administrative actions were initiated against 31 HUD employees following investigations (see page 53).

Fraud Control Activities

The HUD Secretary, Principal Staff, and the Office of Inspector General continued to work together in an effort to curb fraud, waste, and mismanagement. An ongoing initiative in our fraud control program has been our efforts to address the problems of tenant fraud and mismanagement of rental assistance programs.

Tenant Fraud/Rental Assistance Administration

■ Office of Inspector General audits and investigations and other studies have shown that there is a significant problem with HUD's ability to assure that rental assistance is targeted only to eligible families and in the correct amounts. Progress in finding ways to address these problems has been slow (see pages 56 through 58).

Computer Matching

■ Several successful computer matches were conducted comparing information supplied by

applicants for HUD's assistance programs with State income/benefit sources (see page 58).

Committee on Fraud, Waste, and Mismanagement

■ The Committee issued a report to the Secretary making recommendations for improving the Department's servicing of multifamily project mortgages (see page 59).

■ The Committee coordinated with the Public Housing Authorities Directors Association in an effort to identify deterrents to sound management of the Public Housing Program by local administrators and HUD (see page 59).

■ In response to a request from the Office of Management and Budget, the Committee assessed HUD's Fraud Prevention Program against the President's Council on Integrity and Efficiency's Model Prevention Plan (see page 60).

■ The Committee issued a report to the Secretary proposing modifications to the Housing Assistance Payment (HAP) contract and other HAP documents (see page 60).

Fraud Awareness Program

■ We began a comprehensive program to inform program

participants of how and why fraud and abuse occur and to stress the need for joint prevention efforts (see page 61).

Hotline Activities

■ Our office received and processed 186 hotline complaints and closed 171 complaints (see page 62).

Cooperative Efforts

We participated in several special cooperative efforts. Highlights include:

President's Council on Integrity and Efficiency

■ The Prevention Committee is conducting a follow-up evaluation to determine progress made in implementing the Model Prevention Plan (see page 65).

■ The Communications and Awareness Committee collected information on projects and publications used by Offices of Inspector General to disseminate fraud awareness information to program participants and agency employees (see page 65).

■ The Prevention Committee and representatives from private industry produced a video cassette on "Integrity in Government Contracting" which is aimed primarily at middle and senior level managers in firms doing contract work for the Federal Government (see page 66).

■ The Prevention Committee prepared a catalog of front-end

eligibility verification applications (see page 66).

Intradepartmental Projects

■ We provided technical assistance to HUD's Office of Administration in implementing OMB Circular A-123, "Internal Control Systems," and the Federal Managers' Financial Integrity Act of 1982 (see page 66).

■ We assisted the Office of Administration in developing a policy directive on implementing OMB Circular A-127, "Financial Management Systems" (see page 67).

Interagency Projects

■ Our Office of Audit and the General Accounting Office performed a joint review of the Department's second year implementation of OMB Circular A-123, "Internal Control Systems," and the Federal Managers' Financial Integrity Act of 1982 (see page 67).

Review of Legislation and Regulations

Some of the more significant legislative proposals, regulations, and other issuances with which we expressed our concerns are described as follows:

■ H.R. 1, Housing Bill for 1985, provides additional housing assistance for the homeless and for persons of low and moderate income. We believe that parts of the Bill would further complicate the administration of the Low-Rent Housing Program in general and the Performance Funding System (PFS) in particular (see page 68).

■ The proposed Homeless Assistance Act of 1985 provides assistance to the homeless through emergency food and shelter. We expressed our concerns over the clarity of delineation of responsibilities of HUD and the Federal Emergency Management Agency (see page 69).

■ We nonconcurrent in the proposed Final Rule which

establishes new conditions under which a public housing authority (PHA) may use a projected occupancy percentage of less than 97 percent in computing its per-unit operating expense level under the Performance Funding System (see page 69).

■ We nonconcurrent in the issuance of the HUD Directives System Handbook because it does not require OIG participation in the clearance of all new or revised directives (see page 70).

■ We nonconcurrent in the HUD Notice on the Government Travel and Transportation Expense Payment System because we believe voucher processing and payment time in the Department may not assure that employees will not have to use personal funds to pay credit card bills (see page 70).

Audit Resolution

OIG and non-Federal audits were the basis for recovering and reprogramming significant amounts of improperly used funds. In addition, our efforts continued in following up on OIG audit reports where HUD officials did not act promptly on sustained audit findings, as well as unresolved OIG and GAO audits over 6 months old.

■ Cash recoveries resulting from OIG and non-Federal audits amounted to \$27.2 million; questioned/disallowed costs sustained by HUD management amounted to \$44.5 million; cost efficiencies totaled

\$22.7 million; the value of unresolved audit findings was \$75.8 million (see page 73).

■ In some cases, HUD officials did not act promptly on sustained audit findings, thus diminishing the possibility of collection (see pages 74 through 75).

■ At the end of the reporting period, there were 57 audit reports that were discussed in previous Semiannual Reports for which findings are either unresolved or corrective actions have not yet been completed (see pages 75 through 79).

Chapter 1

Significant Problems, Abuses, Deficiencies, and Recommendations

This chapter details the significant problems, abuses, and deficiencies, along with the required recommendations for corrective action, relating to the Department's operations and programs for the current period. The chapter is divided into six

areas: Single Family Insured Programs; Assisted Housing; Multifamily Insured Programs; Community Planning and Development; General Administration; and Government National Mortgage Association.

Single Family Insured Programs

HUD's best known program is FHA mortgage insurance for single family homes, Section 203. Mortgages are insured by HUD through approved mortgagees (lenders) who originate and submit applications to HUD. Under the Single Family Direct Endorsement Program, approved lenders assume the responsibility for originating and closing loans without prior HUD review. As of December 31, 1984, there were 3.8 million FHA mortgages in force for a total of \$95 billion.

Other major Single Family Programs include Graduated Payment Mortgages (Section 245), Homeownership Assistance (Section 235), Temporary Mortgage Assistance, Coinsurance, and Title I Home Improvement/Manufactured Home Loans. As of December 31, 1984, there were 34 million Title I loans insured for a total of \$38.4 billion.

Single Family Insured Loan Program Needs Improved Management Controls

HUD has significantly changed its approach to single family insured loans and has developed many new initiatives during the past few years. HUD's Office of Housing emphasized the implementation of these new initiatives without assuring that management controls for program integrity kept pace with these changes. Consequently, audits by the Office of Inspector

General and the General Accounting Office cited numerous control weaknesses. Congressional and media attention focused on significant problems in Camden, New Jersey, and Milwaukee, Wisconsin, which may be symptomatic of program-wide vulnerabilities. Investigative efforts during this reporting period resulted in indictments and convictions that illustrate how programs without adequate management controls are abused.

Our Office prepared a report to highlight top management's need to focus on long-range improvements. The summary was forwarded to the Assistant Secretary for Housing-Federal Housing Commissioner in December 1984. We recommended that a comprehensive plan be developed and implemented to: (1) upgrade current regulations and instructions; (2) implement the concept of accountability monitoring; and (3) refine manual and automated quality control techniques.

The Office of Housing's response outlined a number of actions either implemented or under development designed to improve management controls. These include: (1) enhancements to automated systems to better identify program participants where monitoring resources would best be utilized; (2) increased Field Office training; (3) revised underwriting instruc-

tions; and (4) revised quality control techniques to help identify incidents of fraud.

There are three areas of the Single Family Insured Program where we found significant problems: Property Disposition and Reinsurance; Fee Personnel; and Loan Origination.

1. Single Family Property Disposition and Reinsurance

When a borrower defaults on an FHA-insured loan, HUD often acquires the property. The local Field Office is then required to dispose of the property in such a manner as to ensure the maximum return to HUD while preserving and maintaining the residential community. Millions of dollars were lost by the Department in disposing of HUD-acquired properties. These losses are compounded when HUD reinsures a mortgage on the same property and later pays a second or third insurance claim. Our audits and investigations show that reinsured properties are highly vulnerable to fraud and abuse.

The situations in Camden, New Jersey, Flint, Michigan, and Milwaukee, Wisconsin, and our audit of the Bulk Sales Program illustrate many property disposition and reinsurance problems:

■ Camden, New Jersey. A task force of investigators and auditors from the HUD and Veterans Administration (VA) Offices of Inspector General and the FBI determined that certain speculators in Camden purchased properties from HUD and from private citizens for nominal amounts. HUD-insured mortgages were then obtained at substantially greater value than the purchase prices. This was

fraudulently done by creating strawbuyers, supplying false information, inflating VA Certificates of Reasonable Value, and inflating home repair costs. Applicants were advised to use false Social Security numbers on their mortgage applications so that bad credit information about them would not be reported by credit bureaus. Many buyers were not qualified for their loans, and the loans went into default.

On January 28, 1985, two real estate company officials were convicted on 15 counts of making false statements, conspiracy, and mail fraud. The officials were involved in a scheme in which over \$1.5 million worth of FHA-insured mortgages were fraudulently obtained for individuals buying homes in Camden. Over 50 instances were cited in which false documents, such as agreements of sale, applications for mortgages, and settlement statements, were created. These two individuals (and a third broker who pled guilty in June 1984) were sentenced in March 1985. Two of the individuals received 5 years in prison; the third received a 3-year prison term. A mortgagor has also been charged with making false statements and has pled guilty. Sentencing in this case is pending.

On February 14, 1985, a Federal Grand Jury indicted a VA Fee Appraiser (who is also a former Commissioner of the New Jersey Real Estate Commission) on nine counts of making false statements to HUD and one count of conspiracy. He allegedly accepted cash payments from sellers to inflate property appraisals on at least

nine properties. The estimated loss to HUD is \$225,000.

Further investigations in New Jersey continue involving additional real estate brokers, mortgage company officials, mortgagors, and others.

■ **Bulk Sales.** A nationwide review of the Single Family Bulk Sales Program began in February 1984 based primarily on problems noted in Camden, New Jersey. The nationwide review was conducted at six Field Offices within four Regions. We found that: (1) inadequate pricing and disposition procedures used by Field Offices may have deprived the Department of over \$5 million in additional sales revenue; (2) sales commissions of \$1.8 million authorized and paid to brokers on bulk sales appeared unwarranted; (3) HUD took unnecessary risks in reinsuring properties previously sold by HUD in bulk packages; and (4) HUD controls over the approval, collection, and accounting for bulk sales Purchase Money Mortgage (PMM) payments were inadequate.

Our recommendations were to: (1) reemphasize the objectives of maximizing the return to HUD and advertising all properties individually to first demonstrate that they are hard-to-sell prior to resorting to bulk sales; (2) discontinue the payment of sales commissions on bulk sales and seek recovery of all unallowable sales commissions nationwide; (3) require Office of Housing staff to perform a 100 percent review of all bulk sales reinsured cases; (4) determine why credit risks on reinsured properties exceed other insured mortgages and establish special mortgage credit procedures for

review of these cases; and (5) coordinate efforts with the Assistant Secretary for Administration to ensure that bulk sales PMM payments are properly accounted for and deposited.

We received Housing's response to the report on February 15, 1985. They agreed to implement recommendations 2 and 5. We are working with them on the other recommendations.

■ **Flint, Michigan.** During the nationwide review of bulk sales, we noted problems at the Department's Flint, Michigan Office, and performed a separate review. We found that the Flint Office reduced minimum sales prices on properties without adequate justification. This resulted in at least a \$158,000 loss to HUD. Credit examiners did not thoroughly review homebuyers' applications, and HUD insured mortgages for borrowers with poor credit and unstable employment histories. Two-thirds of the mortgages we reviewed were in financial difficulty, and HUD may have to pay approximately \$232,000 in mortgage insurance claims. The Flint Office also did not adequately: detect identity-of-interest relationships between investors and real estate brokers before paying sales commissions to the brokers; evaluate investor creditworthiness on bulk sales packages financed directly by HUD loans; initiate collection action against investors in default on these loans; and ensure that investors escrowed sufficient funds with HUD to pay real estate taxes.

We recommended that the Flint Office: (1) aggressively market acquired properties on an individual basis before reducing

prices or resorting to bulk sales disposition methods; (2) instruct credit examiners to exercise greater care in analyzing buyers' creditworthiness for insured mortgages; (3) improve controls over loans made to investors; and (4) increase the monitoring of bulk sales. The report was issued on February 26, 1985. A response is due by April 26, 1985.

■ **Milwaukee, Wisconsin.** A study done in August 1984 by the City of Milwaukee was critical of HUD's single family programs. Subsequently, a task force of auditors and investigators from the Office of Inspector General and the FBI, working with the Office of the U.S. Attorney in Milwaukee, began an inquiry into the program and various real estate investors and lenders in Milwaukee. To date, an audit of HUD's Milwaukee Office has been issued, three audits of mortgagees are in process, and a Grand Jury has been impaneled.

Our Milwaukee Field Office audit showed the sale prices and methods used to dispose of HUD-acquired properties were not reasonable, supportable, and in the best interest of HUD. The sales approaches used were not based on accurate and complete information and were not evaluated to analyze their effect on neighborhoods. The Office placed too much emphasis on selling properties quickly and too much reliance on the market to assure reasonable sales practices.

Property appraisals were not reasonable, supportable, and competently performed. The Field Office did not have adequate controls to assure that

fee appraisers and mortgage company personnel performed competently. In addition, the Field Office's poor underwriting practices resulted in the approval of mortgage insurance for applicants likely to default on their mortgages and may have contributed to poor loan origination practices by mortgagees.

We recommended that the Milwaukee Office Manager: establish procedures to assure that property disposition sales prices are properly supported and that appraisals are competently performed; revise sales advertising procedures; and provide instruction to credit examiners, mortgagees, and HUD employees on reviewing mortgage insurance applications. This report was issued on March 27, 1985. A response is due by May 28, 1985.

2. Use of Fee Personnel

Fee personnel are non-governmental employees appointed by HUD to perform certain underwriting functions. These include appraisals, credit examinations, and construction inspections. HUD Field Offices are required to: recruit qualified panelists; select the best applicants; assign work on an equitable basis; and review their work.

We reviewed the fee personnel practices in HUD's San Francisco Region and found significant weaknesses in all four of these responsibilities. Recruiting efforts were inadequate. The Region relied mainly on former employees, relatives, and personal referrals. Many did not even meet the minimum experience qualifications. The Region also gave (or appeared

to give) preferential treatment when appointing appraisers and inspectors. Of 20 new appraisers, 12 were former employees, two were personal referrals, and one was the daughter of a HUD deputy director.

The Region also appeared to favor certain persons in the assignment of work. Former HUD employees or relatives of HUD employees received the largest share of fee examiner work. The wife of a HUD employee received 40 percent of all assignments in Los Angeles. A former HUD employee received over one-third of all the work in Phoenix, although he was active for only 1 month.

The Region did not adequately monitor the quality of work done by fee personnel. No in-depth reviews of the work of examiners and inspectors were performed, and less than 5 percent of all property appraisal cases were reviewed.

Our 1978 nationwide audit on fee appraisers noted the same kinds of problems in six Regions (including San Francisco). We believe that nationwide problems still exist and that action is needed at the national level. We recommended that HUD provide all Field Offices with new written policies for recruitment and selection. Appointment authority should be more strictly controlled. Procedures for making assignments should be changed to require complete documentation.

This audit report was issued to the General Deputy Assistant Secretary for Housing-Federal Housing Commissioner on February 21, 1985. Housing has made several changes to the

policies governing fee personnel which they believe will address our concerns.

3. Loan Origination

During the reporting period, we performed several audits questioning HUD and mortgage company practices and procedures. In Las Vegas, Nevada, we reviewed the origination of shared equity loans. We concluded that HUD policies and procedures for implementing, administering, and managing shared equity loans were inadequate. Loans were not meeting their intended objectives. Builders, sellers, investors, and lenders were abusing the shared equity loan process. As a result, we noted that 15 percent of the 425 shared equity loans we identified were in default and HUD could lose millions of dollars when insurance claims are paid.

Among our recommended actions were that: (a) HUD ensure that partnership agreements between buyers and investors meet HUD requirements; (b) investor participation be at least 20 percent; (c) usable listings be provided to Field Offices to identify buyers who have previously defaulted on HUD-insured mortgages; and (d) HUD implement an automated system to identify and track shared equity loans.

HUD's Mortgagee Review Board took action against five companies for single family loan origination violations. The specifics of these actions are as follows:

■ Ryan Mortgage Company, Wichita Falls, Texas. We audited Ryan Mortgage Company and found certain

violations in the origination of HUD-insured mortgages. These violations included: (a) overstating mortgagor income and other assets; (b) understating mortgagor liabilities; (c) providing misleading letters about gifts; (d) providing false verifications of employment; and (e) permitting verifications of employment and deposit to be mishandled and signed while still blank. The mortgagee also failed to implement an effective Quality Control Plan to ensure that its loan origination and servicing practices conformed to HUD requirements.

The Mortgagee Review Board placed Ryan Mortgage Company on probation for 1 year. In addition, Ryan Mortgage Company reimbursed HUD \$331,000 for loans which they improperly originated.

■ **WestAmerica Mortgage Company**, Denver, Colorado. Our audit disclosed that certain loans originated by WestAmerica Mortgage Company were not in accordance with HUD regulations. Irregularities included: failing to conduct face-to-face interviews with homebuyers; overstating a mortgagor's assets; understating a mortgagor's liabilities; and having applicants sign blank verifications of downpayment and employment.

The Board entered into a settlement agreement with WestAmerica in lieu of taking administrative sanctions against the company. The settlement agreement will include: (a) indemnification by WestAmerica to HUD for claim losses on four loans cited in the audit report; (b) continued implementation of the company's Quality Control Plan; and (c) a review by an In-

dependent Public Accountant (IPA) of the company's compliance with its Quality Control Plan at the end of a 1-year period.

■ **All Valley Mortgage Company**, Fresno, California. Our audit of All Valley Mortgage (formerly Seneker-Grove Mortgage) Company disclosed violations on 14 loans including: failing to conduct face-to-face interviews; permitting prospective borrowers and interested third parties to handle mortgage credit documents resulting in false or inaccurate information being provided to HUD; overstating mortgagor assets and income; submitting false verification of employment forms to HUD; and failing to develop and implement an adequate Quality Control Plan.

The Mortgagee Review Board placed All Valley Mortgage Company on probation for 1 year. The major conditions of the probation involve a new Quality Control Plan; a review by an IPA of the company's compliance with the plan; and certification of proper processing of each mortgage insurance claim submitted to HUD for payment.

■ **House of Holmes, Inc.**, Carson, California. We audited the House of Holmes (doing business as All Cities Mortgage Company) and found numerous violations of HUD regulations. These included paying kickbacks to brokers, permitting borrowers to sign blank loan documents, and understating borrowers' liabilities on loan applications.

The Mortgagee Review Board entered into a settlement agreement with the House of Holmes.

The mortgage company must make compensation for any loss suffered by HUD on two questionable loans and must implement a Quality Control Plan which is acceptable to the Board. The Board also sent a letter to the California Real Estate Board to inform them of the activities of the brokers cited in the audit report.

■ **Paine Webber Mortgage Finance, Inc.,** Towson, Maryland. We investigated the placement of certain HUD-insured mortgages originated by the Towson, Maryland branch office of Paine Webber Mortgage Finance, Inc., (formerly Rouse Real Estate Finance, Inc.). We found that Paine Webber violated HUD requirements by submitting for insurance endorsement 39 mortgages for which secondary financing was provided to the purchasers by a nongovernmental entity. Two of these mortgages have resulted in insurance claims.

The Board placed the Towson Branch Office of Paine Webber on probation for 1 year. Paine Webber has appealed the Board's decision.

Kansas City Lenders Violate Title I Requirements

Problem

Three banks in Kansas City, Missouri, did not provide adequate control over dealers originating Title I home improvement loans. The banks cannot ensure that program abuses have not resulted in excess or unfair profits for the dealers at the expense of increased costs to borrowers and/or increased insurance claims to HUD.

Discussion

In the Title I Property Improvement/Manufactured Home Loan Program, HUD insures loans made by lending institutions to borrowers to finance the repair and improvement of existing structures and the building of new manufactured housing. A loan may be originated through an intermediary called a dealer who brings the two parties together and who has a financial interest in the contract. The lender is responsible for administering its Title I Program properly, including monitoring its dealers to ensure program compliance.

Our audit disclosed serious violations of HUD requirements by three banks in the Kansas City, Missouri area in their administration of the Title I Program. One lender, Commerce Bank, failed to adequately supervise many of the dealers who originated Title I loans. Commerce Bank also failed to comply with HUD regulations regarding property inspections and borrower interviews for loans originated by its three largest dealers. This resulted in: (1) Title I loans processed by unapproved dealers; (2) loans made for ineligible properties; (3) liens improperly notarized; (4) blank loan documents signed by applicants; (5) incomplete or unacceptable work; and (6) questionable business practices.

The other two banks also failed to follow proper control procedures for approving and monitoring their dealers to prevent unethical dealer practices such as overpricing and shoddy repair work. In many instances,

the banks did not interview borrowers, inspect properties, or visit dealers.

We recommended that the Mortgagee Review Board take appropriate sanctions against all three banks.

Status

The Mortgagee Review Board placed Commerce Bank on probation for a period of 1 year. As a condition of probation, the Board required that Commerce Bank implement an acceptable Quality Control Plan for its Title I loan origination and servicing activities and that it provide an independent certification as to

its compliance with the Quality Control Plan. The Board further determined that Commerce Bank must: (1) repurchase two Title I loans on which HUD has paid claims and agree to a cancellation of insurance on 14 additional loans; and (2) reprocess 25 additional Title I loans on which claims have been paid by HUD to determine whether indemnification to HUD for claim losses is required.

The Board notified the other two banks in March 1985 that it is considering taking sanctions against them. The banks have been offered an opportunity to respond to this notice.

Assisted Housing

HUD has programs for providing rental units or rent subsidies to low- and moderate-income families. These include the development and management of Conventional Public Housing and the Lower Income Rental Assistance Program (Section 8).

In the Conventional Public Housing Program, there are about 1.2 million units receiving annual contributions of approximately \$1.8 billion; operating subsidies in excess of \$1 billion; and modernization funding in excess of \$1.5 billion.

Assistance payment outlays for the 1.1 million Section 8 Existing units exceed \$2.6 billion annually. This does not include annual funding of more than \$190 million for the Section 8 Moderate Rehabilitation Program which has approximately 54,000 units.

Additional Administrative Weaknesses Found in the Section 8 Moderate Rehabilitation Program

Problem

Millions of dollars are misspent in the Section 8 Moderate Rehabilitation Program because rents are inflated and ineligible units are funded. HUD has not effectively guided or monitored public housing authorities (PHAs).

Discussion

The Section 8 Moderate Rehabilitation Program (MRP) was established to upgrade substandard rental housing and to provide rental subsidies for lower income families. To achieve this purpose, HUD enters into Annual Contributions Contracts (ACCs) with PHAs to administer the MRP. The PHA solicits applications from owners or developers and then determines whether units are eligible for inclusion in the MRP.

After units are determined eligible, the PHA and the owner sign an Agreement to Enter into a

Housing Assistance Payment (HAP) Contract. After the rehabilitation work has been accepted, the HAP contract is executed for 15 years and stipulates the rent to be received by the owner.

Since October 1983, we have performed reviews of MRPs administered by 29 PHAs. Six of these reviews were discussed in our prior Semiannual Report. During this reporting period, we completed six more PHA audits and issued an internal audit report in the Philadelphia Region concerning selected aspects of HUD's management of the program. Highlights of the most significant audits completed during the reporting period are:

■ An internal audit of HUD's Philadelphia, Pennsylvania and Charleston, West Virginia Offices showed that these offices inadequately monitored the performance of PHAs participating in the Section 8 MRP. Monitoring reviews were either not performed or were not timely, and completed reviews were inadequately documented. In some instances, reviews were performed by telephone instead of site visits. The Field Offices received and accepted from PHAs Section 8 MRP financial forms that were either incomplete, or included obvious deficiencies and errors. Examples of the more serious deficiencies include: the obligation of units after the ACC expiration date; the acceptance of infeasible projects in the program; excessive delays in leasing authorized units; the acceptance of units which did not meet program eligibility requirements; excessive and unsupported costs; and inadequate repairs or required repairs not done.

The audit report, "Region III's Monitoring of the Section 8 Moderate Rehabilitation Program," was issued to the Regional Administrator-Regional Housing Commissioner on December 18, 1984.

On March 22, 1985, we agreed to the resolution of a portion of the report. We are continuing to work on resolution of the remaining matters.

■ At the New Jersey Department of Community Affairs in Trenton, New Jersey, weaknesses in the processing of contract rents allowed owners to qualify for over \$750,000 in excess HAPs over the 15-year terms of their contracts. The Department of Community Affairs did not verify financing data; obtain acceptable documentation for capital expenditures and owner contributions; or exclude ineligible work items from rehabilitation costs in computing contract rents.

The audit report, "New Jersey Department of Community Affairs, Section 8 Moderate Rehabilitation Program," was issued to the Newark Office Manager on January 17, 1985. As of April 15, we had not yet received the response.

■ The Contra Costa, California Housing Authority lacked satisfactory procedures for processing owners' proposals, including verification of information and the computation of base and contract rents in accordance with Section 8 MRP requirements. This could allow the owners of 105 of the 135 units under HAP contract to qualify for at least \$2.5 million in excess rents over the 15-year terms of their contracts.

The audit report, "Housing Authority of the County of Contra Costa, Section 8 Moderate Rehabilitation Program," was issued to the Acting Regional Administrator-Regional Housing Commissioner on November 8, 1984. The finding has been closed based on promised corrective action.

■ The Boston Housing Authority did not compute base and contract rents according to program requirements, made erroneous assumptions that rehabilitation costs would fully support the maximum rents, and included ineligible and unsupported costs in rent computations. Over the 15-year terms of the three contracts reviewed, incorrect rents could result in excess HAPs of at least \$1.4 million.

The audit report, "Boston Housing Authority, Section 8 Moderate Rehabilitation Program," was issued to the Regional Administrator-Regional Housing Commissioner on February 15, 1985. As of April 15, we had not yet received the response.

■ The Community Development Commission of the County of Los Angeles, California, generally complied with requirements in administering its Section 8 MRP. However, deficiencies in calculating contract rents and reviewing owners' proposals could result in overpayments of contract rents to property owners of at least \$1.3 million over the 15-year terms of the contracts. Also, the use of an obsolete schedule of utility allowances resulted in overpayment of rents by tenants.

The audit report, "Community Development Commission, County of Los Angeles, Cali-

fornia, Section 8 Moderate Rehabilitation Program," was issued to the Manager of the Los Angeles Office on March 11, 1985. A response is due by May 13, 1985.

In August 1983, we issued a national survey report on the Section 8 MRP. We reported that PHAs generally lacked the expertise to properly carry out the MRP and needed greater HUD guidance and policy clarifications. The report disclosed:

■ Owner/developer cost data was inadequate to support Section 8 contract rents.

■ Owners/developers used identity-of-interest transactions to inflate the real estate costs used in calculating contract rents.

■ Ineligible units were allowed into the MRP.

At that time, we estimated that as much as \$870 million could be misspent on the 77,000 units authorized. As noted during our current efforts, problems still exist and can only be corrected through more careful adherence to and implementation of program requirements by PHAs and adequate monitoring of PHA activities by HUD.

HUD's Committee on Fraud, Waste, and Mismanagement recently completed a project that proposed modifications to certain contracts used in the Section 8 MRP. These changes would clarify HUD's right to adjust contract rents that were miscalculated. The Committee's report was sent to the Secretary for consideration. Additional detail on this issue is contained in Chapter 3, Fraud Control Activities.

\$3.9 Million in Budget Authority Should Be Recaptured From the Philadelphia Housing Authority

Problem

The Philadelphia Housing Authority (PHA), Philadelphia, Pennsylvania, did not follow HUD regulations and requirements in administering the Section 8 Existing Housing Program. As a result, over \$3.9 million in budget authority should be recaptured by HUD, and an estimated \$1.6 million may be due tenants.

Discussion

The Section 8 Existing Housing Program was designed to enable public housing authorities to offer expanded opportunities for rental assistance to lower-income families, while providing a means to avoid concentration of assisted housing. A family makes its own selection from existing units in the local housing market which must fall within the applicable fair market rent limitations and meet the program's housing quality standards. The authority then enters into a Housing Assistance Payments contract with the owner of the unit to make up the difference between what the family can afford to pay and the total contract rent.

The PHA did not monitor the status of issued Certificates of Family Participation (certificates) and provided little or no assistance to certificate holders in locating eligible units. As a result, 56 of the 157 units funded in July 1983 were not leased within the required 12-month period. The budget authority for the 56 units was \$3.9 million.

The PHA also may owe its tenants over \$1.6 million. The utility allowances have not been periodically reviewed and adjusted, as required by HUD, resulting in an understatement of \$1,092,000 in utility allowances. Also, the PHA withheld \$531,000 owed to those tenants where the monthly allowance for utilities and services exceeds their rent payment contributions.

We recommended that the \$3.9 million in budget authority be recaptured. In addition, the PHA should be required to submit a plan to the HUD Philadelphia Office outlining ways to identify those tenants who were adversely affected by the failure to properly increase utility allowances and make the required monthly payments to those tenants whose monthly utility allowance exceeded their monthly gross family contribution.

Status

The audit report, "Section 8 Existing Housing Program, Philadelphia Housing Authority, Philadelphia, Pennsylvania," was issued to the Regional Administrator-Regional Housing Commissioner on February 8, 1985. A response was due by April 9, 1985. As of April 15, we had not yet received the response.

Over \$2 Million in Operating Subsidy Overpayments Made in Fort Worth Region

Problem

Three Field Offices in the Fort Worth Region did not assure that public housing authorities (PHAs) correctly computed allowable utility expense and

target investment income subsidies under the Performance Funding System (PFS). As a result of PHA misstatements and Field Office processing errors, PHAs received about \$2.1 million in subsidy overpayments and payments of about \$893,000 may be unwarranted.

Discussion

In addition to HUD's annual contributions for debt service, subsidy payments under the PFS are made to assist PHAs in meeting certain deficits in their operations. Essentially, the amounts of these payments are the difference between the projected (allowable) expenses and projected operating income of the PHA.

We reviewed operations at the San Antonio, Little Rock, and Fort Worth Field Offices, and at nine PHAs under their jurisdiction. The Field Offices had not implemented procedures to verify that PHAs had correctly computed allowable utility expense levels. Coupled with adjustment errors pertaining to three PHAs made by the San Antonio Office, five of the nine PHAs received utility subsidy overpayments of approximately \$1.9 million during the audit period.

The Field Offices also lacked procedures to verify PHAs' computation of target investment income. Eight of the nine PHAs had received operating subsidy overpayments of \$174,720 and additional payments of \$591,880 may have been unwarranted because PHAs understated target investment income. In addition, errors made by Field Office staff in their processing of PHAs' submissions resulted in net operating subsidy over-

payments of \$34,705 and questionable payments of \$300,985.

We recommended that HUD: (1) implement controls to ensure that PHAs comply with HUD requirements for the computation of income and expense levels under the PFS; (2) correct the errors made by the PHAs; and (3) initiate actions to preclude future recurrences of PHA errors.

Status

The audit report, "Computation of Target Investment Income and Allowable Utility Expense Under the Performance Funding System," was issued on March 1, 1985, to the Acting Regional Administrator-Regional Housing Commissioner. A response is due by May 1, 1985. We are continuing our review in other Regions.

PHAs Could Save Millions in Procuring Insurance and Bonding Coverage

Problem

Only a small percentage of public housing authorities (PHAs) nationwide have obtained insurance coverage from group programs or have used self-funded plans. Those PHAs not participating in group plans could be unnecessarily spending from \$14 to \$22 million annually for insurance and bonding coverage.

Discussion

Annual Contributions Contracts between HUD and PHAs require that PHAs procure adequate insurance coverage. The purpose of the insurance requirement is to provide for a program of basic insurance against proper-

ty and casualty losses which would jeopardize the financial stability of PHAs and protect HUD's financial interest in public housing properties. Group insurance and bonding policies allow premium reductions to occur through the concept of group buying power. Self-funding of insurance allows cost savings through the elimination of insurer profits, agent commissions, and premium taxes for that portion of coverage which is self-funded. In 1982, PHAs spent about \$55 million for various insurance costs with significant increases occurring each year since 1977.

The national aggregate cost of insuring and bonding PHAs could be reduced significantly if more PHAs participated in group-procured or self-funded insurance programs. Approximately 4 percent of the PHAs have obtained insurance coverage from group programs while less than 1 percent use self-funded plans. These participating PHAs have experienced significant reductions in their annual insurance and bonding costs. Using the data from some of the PHAs participating in group plans, we estimate that nonparticipating PHAs may be unnecessarily spending from \$14 to \$22 million annually for insurance and bonding coverage.

The lack of PHA participation in group and self-funded insurance plans can be attributed in part to the limited level of technical assistance being provided by the Department. Some PHAs have reduced their insurance costs by participating in the Consolidated Supply Program, which provides public official liability insurance. A more intensive effort, however, is needed by the Department to increase

the level of PHA participation in group and self-funded programs.

We recommended that HUD: (1) determine if it is more economical for a commercial source to conduct some or all of the Department's insurance activities; (2) establish a target date for the Field Offices to identify existing group and self-funding insurance programs in their jurisdiction and disseminate the information to the PHAs; and (3) evaluate each major type of insurance program to determine which can be included in the Consolidated Supply Program.

Status

The audit report, "Procurement of Insurance and Bonding Coverage by Public Housing Agencies," was issued to the Assistant Secretary for Public and Indian Housing on February 7, 1985. A response was due by April 8, 1985. As of April 15, we had not yet received a response.

Monitoring of PHA Procurement and Contracting Activities Needs Improvement

Problem

HUD Field Offices did not effectively monitor public housing authorities' (PHAs) procurement and contracting activities, resulting in questionable expenditures of \$2.8 million.

Discussion

HUD pays PHAs more than \$1 billion annually in operating subsidies. PHAs are obligated to operate projects in such a manner as to promote serviceability, efficiency, economy, and stability. Purchases of

maintenance materials, capital equipment, supplies and services account for a significant portion of PHA expenditures.

We reviewed HUD Field Offices and PHAs in Denver, Colorado; Cincinnati, Ohio; Minneapolis, Minnesota; Birmingham, Alabama; and Nashville, Tennessee. HUD Field Offices have generally not performed effective monitoring of PHAs' procurement and contracting activities for a variety of reasons ranging from lack of staff, inexperienced personnel, untrained reviewers, and assignment of low priority by management to the procurement function because of limited resources.

While procurement policies that complied with HUD requirements had been established by most PHAs, these policies were often ignored and even circumvented by PHA officials. At the Denver Housing Authority, circumvention of established internal controls over procurement resulted in questionable procurements of \$380,465. Additional procurements totaling \$250,341 were questionable because the PHA did not follow contracting procedures.

In one \$17 million procurement using HUD-provided Comprehensive Improvement Assistance Program funds, the Housing Authority for the Birmingham District executed a separate agreement with a contractor whereby a bulk supply of the PHA's purchase orders was furnished to the contractor for use in the procurement of materials and supplies to avoid sales tax on the items. However, when paying the contractor for the materials, the PHA included sales tax of \$322,418. As a result, the contractor was over-

paid by that amount. In other procurements, competitive procurements were either not made or not documented for expenditures totaling \$210,812 during the audit period. The PHA also unnecessarily spent about \$150,000 because of a misinterpretation of HUD's Consolidated Supply Program.

The Cincinnati Metropolitan Housing Authority did not always follow competitive bidding requirements in its purchasing activities. Of 78 purchases we tested, 64 totaling \$248,722 were made without competitive bidding contrary to HUD requirements, or the PHA's approved procurement policy. Eleven additional architectural and public relations contracts totaling \$1.1 million were awarded based on noncompetitive conditions. No documentation was available to show that negotiations with particular contractors were conducted to establish reasonable and fair compensation for services provided.

The Metropolitan Development and Housing Agency of Nashville did not solicit bids for \$176,183 of expenditures. In addition, a review of 50 purchases made under single purchase orders at the Minneapolis Community Development Agency showed that in only one instance did the PHA advertise for bids as required.

In addition to these 5 PHAs, we issued a report on April 2, 1984, summarizing our audits of 16 financially troubled PHAs. Eight of these 16 audit reports contained procurement-related findings.

We recommended that priorities be established for the PHAs

which Field Offices are to monitor based on the dollars at risk as determined by financial reports and analyses as well as input from Field Offices. We also recommended that target dates be established for the completion of revisions to the HUD handbook on Field Office monitoring of PHA activities.

Status

The audit report, "Procurement and Contracting Activities by Public Housing Agencies," was issued to the Assistant Secretary for Public and Indian Housing on December 11, 1984. Based on responses from the Assistant Secretary, the findings were resolved on February 26, 1985.

Ineffective Procedures Hamper Success of Homeownership Opportunities Program

Problem

Three Field Offices in the Chicago Region did not adequately monitor public housing authorities (PHAs) administering the Turnkey III Homeownership Opportunities Program. These PHAs did not diligently pursue sales of units to lower-income families. As a result, the program is not meeting its objectives.

Discussion

Under the Turnkey III Homeownership Opportunities Program, PHAs develop projects for eventual sale to lower-income families with homeownership potential. Tenants/homebuyers take occupancy under lease-purchase agreements (homebuyer agreements), which provide for an initial period of tenancy with

an opportunity to build equity credits toward purchase after a number of years. The homebuyer agreement specifies a sales price and requires the tenant to purchase the unit when financially able to do so.

PHAs have not aggressively pursued sales of Turnkey units. Specifically, the PHAs have not: required financially able tenants to purchase their units; evicted unqualified tenants; and properly screened tenants for homeownership potential. The PHAs did not pursue sales of units because they lacked incentive to do so. Both the PHAs and the Field Offices considered program implementation a low priority, and PHAs were unfamiliar with program requirements. The HUD Regional and Field Offices had no system to effectively monitor the program. As a result, only 8 percent (341 of 4,277) of the program units in the Chicago Region have been sold since the inception of the program in 1968. Also, the program incurred unnecessary costs which either reduced available funds to pay for needed repairs or increased the subsidies paid by HUD.

We recommended that: training be provided for the Field Offices and PHA staffs; an information system be established to accumulate program data for monitoring purposes; and a program be implemented to encourage sales. Further, we recommended that PHAs be required to: evict tenants who can afford to purchase their units but refuse to do so; evict unqualified tenants who have lost homeownership potential; establish reasonable sales prices when units are vacated; and establish realistic estimates for reserves.

Status

The audit report, "Turnkey III Homeownership Opportunities Program, Chicago Regional Office," was issued to the Acting Regional Administrator-Regional Housing Commissioner on November 28, 1984. All audit findings have been resolved and corrective actions have been taken.

Millions of Dollars in Indian Housing Development Funds Continue to Be Mismanaged

Problem

HUD officials did not adequately oversee the development of Indian housing in the Denver Region which resulted in costly construction delays and the waste and misuse of funds by Indian Housing Authorities (IHAs).

Discussion

Although it was established in 1975, Denver's Office of Indian Programs (OIP) has not implemented a system to properly monitor and evaluate the development of Indian housing. Progress is slow on many of the 78 projects in the development pipeline at December 31, 1983, and some projects are stagnated. Development programs had not been approved for 22 projects over 3 years old, and construction had not started on 5 projects even though their development programs had been approved for over 3 years. These 27 projects consisted of 911 units and funding of over \$65 million.

Many of the projects in the development stage incurred contract and budget overruns. In

some cases, the overruns existed for several years without explanation. In one project, \$1.2 million were spent but no housing was constructed. Nearly \$1.8 million in excess financing were paid to IHAs, but only \$290,000 were being actively collected by the Denver Office.

Improved monitoring and coordination of Indian Housing development was recommended in our 1981 audit report on the Denver OIP. While some efforts were made to correct problems noted, serious problems remain.

In our current report, we recommended that the OIP be required to establish adequate systems of internal control; set up necessary procedures to assure that IHAs comply with HUD requirements for control over development costs; and cancel those development projects over 1 year old which fail to progress within the specified time limit.

Status

The audit report, "Development of Indian Housing, Office of Indian Programs, Region VIII," was issued to the Regional Administrator-Regional Housing Commissioner on March 4, 1985. We are working with the Regional Administrator-Regional Housing Commissioner to resolve the matters reported.

Following our briefing of the Assistant Secretary for Public and Indian Housing, the Assistant Secretary sent instructions on March 18, 1985, to all Directors of Offices of Indian Programs establishing guidelines for terminating development projects not progressing satisfactorily.

Multifamily Insured Programs

HUD administers several programs that provide mortgage insurance for financing the construction or rehabilitation of multifamily projects. There are approximately 19,000 multifamily projects with \$47 billion in mortgages which are insured or held by HUD. Fifteen hundred of these mortgages, valued at nearly \$3 billion, have been assigned to HUD by private mortgagees because of financial defaults. Another \$5 billion represent direct loans made by HUD through the Section 202 program which provides rental housing for the elderly and handicapped. In addition, the Department directly owns or operates some 175 multifamily projects acquired through its insurance and loan programs.

Under the multifamily housing programs, HUD also subsidizes the rents for eligible low-income households through Section 8, Section 236, Section 221(d)(3), Rent Supplement and Rental Assistance Payments. These subsidy programs provide about \$4 billion of subsidy assistance to about 1.4 million units in privately owned housing.

\$2 Million Misspent at Five Multifamily Projects

Problem

Owners and management agents at five multifamily projects have improperly disbursed over \$2 million of HUD-insured project funds for ineligible and unsupported costs.

Discussion

As a condition of providing mortgage insurance on

multifamily projects, owners sign a Regulatory Agreement with HUD. If approved by HUD, the owners may delegate authority for operating the project to a management agent for which the terms of the Regulatory Agreement remain binding. Provisions in the Regulatory Agreement specify that expenditures must be reasonable and necessary to the project, and limit the circumstances and manner under which cash may be taken out of a project by the owner.

Audits have disclosed that some owners or management agents for multifamily projects have disregarded the provisions of the Regulatory Agreement, resulting in the improper spending of over \$2 million. Examples include: Cedar Square West Apartments, Minneapolis, Minnesota; Metro Interfaith Services, Inc., Metro Plaza Apartments, and Lincoln Court Apartments, Binghamton, New York; and Yellowbird Limited, Xenia, Ohio.

The owner of Cedar Square West Apartments used \$1.2 million in project operating funds to pay for unnecessary and unsupported project expenditures. The owner also failed to remit rent payments to the project, rented space to an identity-of-interest firm at nearly half the market rate, and failed to fully fund tenant security deposits.

The owner of Yellowbird Limited disbursed over \$255,000 in project funds for ineligible and questionable expenditures, in-

cluding personal and management-related expenses, withdrawals and construction costs; excessive management fees and prohibited management salaries; and ineligible or unsupported maintenance, materials, or other services expenses. We reported similar findings in our November 1982 audit report in which we questioned nearly \$400,000 in improperly spent project funds.

Metro Interfaith Management Corporation served as management agent for three HUD-insured projects (Metro Interfaith Services, Inc., Metro Plaza Apartments, and Lincoln Court Apartments) as well as the Section 312 Rehabilitation Loan Program for the City of Binghamton, New York. It was also the recipient of Community Development Block Grant (CDBG) funds used to rehabilitate units at Metro Interfaith Services, Inc. The management agent violated its agreement with HUD through fraudulent activities, deficient financial management and nonexistent or inadequate controls, and failure to ensure that costs were eligible and reasonable prior to their incurrence. Our audit disclosed that some of the schemes used by the Corporation included forgery, alteration of vouchers and invoices, collusion with contractors by obtaining blank invoices, and recording falsified information on the books of accounts. Documentation supporting the projects' costs was either not authentic or had been altered by management agent officials to avoid detection of the improper expenditures. We disallowed \$238,339 and questioned \$380,356.

Recommendations in the audit reports were to seek reimbursement of all funds spent im-

properly, obtain supporting documentation for questionable disbursements, and require compliance with the Regulatory Agreement.

Status

The audit report, "Multifamily Mortgage Insurance Program, Sections 220 and 236, Cedar Square West Apartments, Minneapolis, Minnesota," was issued to the Acting Regional Administrator-Regional Housing Commissioner and the Manager of the Minneapolis/St. Paul Office on February 28, 1985. A response is due by April 28, 1985.

The audit report, "Yellowbird Limited, Xenia, Ohio," was issued to the Acting Regional Administrator-Regional Housing Commissioner on January 18, 1985. A response was due by March 19, 1985. As of April 15, we had not yet received a response. Both the current report and the 1982 report are being reviewed by HUD's Office of General Counsel.

The audit report, "Metro Interfaith Management Corporation, Management Agent, Binghamton, New York," was issued to the Buffalo Office Manager on October 23, 1984. HUD management agreed with \$352,943 of our questioned/disallowed costs. The findings were closed on February 6, 1985.

In June 1984, the Assistant to the Executive Director of Metro Interfaith Management Corporation pled guilty to embezzling at least \$50,000 and on August 30, 1984, was sentenced to 1 year in a local jail, to be served on weekends, and ordered to make restitution of \$9,267. On August 28, 1984, the Executive

Director pled guilty to a second degree felony grand larceny charge in the embezzlement of at least \$100,000. He was sentenced on October 3, 1984, to 1 to 5 years in State prison.

Mortgagor Claims \$3.7 Million in Unallowable Costs - Mortgage Reduction Recommended

Problem

The mortgagor and contractor's cost certifications for Mariner's Cove, San Diego, California, claimed \$3.7 million in unallowable development costs, resulting in a recommended mortgage reduction of at least \$3 million.

Discussion

When HUD provides multifamily mortgage insurance for a project, mortgagors must abide by HUD program requirements. Unpaid or unsupported costs are not allowed, and HUD can require a mortgage reduction or prepayment to recover such amounts.

An audit of Mariner's Cove was initiated at the request of the OIG Office of Investigation which received a complaint from an employee of a subcontractor.

The audit of Mariner's Cove, a 500-unit project in San Diego, California, disclosed that \$3.7 million of the \$18.7 million in actual development costs claimed on the mortgagor and contractor's cost certifications were not allowable for inclusion in the HUD-insured mortgage. As a result, a mortgage reduction of at least \$3 million was recommended.

Of the \$5.9 million in certified mortgagor costs, exclusive of

construction contract charges, we disallowed or questioned \$2 million based on, among other things: (1) a questionable donation to the City of San Diego; (2) excessive financing charges; (3) excessive and unsupported legal fees; (4) duplicate tax payments; (5) excessive builder and sponsor's profit and risk allowance; and (6) ineligible operating expense items for depreciation, insurance premiums, and a political contribution.

Of the \$12.8 million in certified contractor costs, we disallowed and questioned nearly \$1.7 million for unapproved and unsupported change orders; overstated general requirements including payroll and office expenses; subcontractor payments for terminated contracts; labor standards violations pertaining to prevailing wage requirements; and overstated purchase orders.

Before HUD issued the maximum insurable mortgage on the project, we provided the Los Angeles Office with our preliminary disallowed and questioned costs. The HUD Office staff sustained nearly \$1 million of our disallowances and computed a reduced insured mortgage of \$15.8 million. The maximum insurable mortgage was conditioned, requiring the mortgagor to establish an escrow with the mortgagee pending resolution of the remaining audit findings. The escrow will be used to repay the mortgage principal for any additional sustained disallowed and questioned costs.

We recommended that the Los Angeles Office Manager sustain additional disallowed and questioned mortgagor/contractor costs of \$2.7 million, and require the mortgagor to prepay

the mortgage principal by the statutory percentage amount of additional sustained disallowed and questioned costs.

Status

The audit report, "Mariner's Cove, San Diego, California," was issued to the Los Angeles Office Manager on January 31, 1985. HUD management has agreed to \$1,013,385 of our findings. An analysis of over \$1 million in change orders which we questioned and disallowed has not yet been completed.

The OIG investigations, which were conducted as a result of the wage underpayments, resulted in the indictment and conviction of four individuals and/or firms who subcontracted for work on this project. Information on three of the individuals and/or firms was contained in our last Semiannual Report. See Chapter 2, Investigation Activities, for additional details on the investigation of the fourth individual.

Property Taxes Paid on HUD-Subsidized Projects in Seattle Region Are Excessive

Problem

Owners and management agents did not diligently pursue reductions in property taxes on HUD-subsidized projects in the Seattle Region, or take advantage of available exemptions.

Discussion

Property taxes are one of the major expenses incurred by HUD projects. Any increase or decrease in property taxes affects the amount of subsidy paid by HUD on certain subsidized projects, since HUD

pays the difference between what the tenant pays and what the unit rents for. Owners and management agents can reduce property taxes through an appeal process.

Property taxes on subsidized projects insured under Sections 221(d)(3) and 236 in the Seattle Region are generally excessive. A review of 30 projects, which were assessed at \$49.5 million, showed that the projects may have been over-assessed by as much as \$15.3 million, or 31 percent, resulting in excessive taxes of about \$189,000. If all of the 306 subsidized projects in the Region that paid taxes in 1983 were over-assessed to the same extent, the \$3.7 million of property taxes paid by them may be excessive by \$1.1 million.

The overassessments occurred primarily because some assessors did not consider the nature of HUD-subsidized projects and tended to treat them the same as conventional projects. Loan Management staff in the Seattle and Portland Offices have not diligently compared assessed values of similar projects, suggested appeals when necessary, or provided assistance to owners in making appeals. Owners, on the other hand, have not aggressively pursued the reduction of property taxes through the appeal process. In many cases, owners have little incentive to reduce taxes because increased expenses can be taken care of by increasing rents.

The Seattle and Portland Offices have not taken action to ensure that all projects that may be eligible for exemptions have obtained them. We found that: (1) seven Washington State

projects are currently paying property taxes when they could be partially or totally exempt. Unnecessary property tax payments of about \$421,000 have been made, of which the last 3 years' payments (about \$123,000) can be recovered; (2) seven projects in Washington State received exemptions between 1978 and 1981, but only after having unnecessarily paid about \$399,000 in property taxes; and (3) there is a possibility that eight Oregon State projects, which are currently paying \$380,000 per year in property taxes, could obtain exemptions.

We recommended that: (1) prescribed procedures for reviewing property taxes be followed by Loan Management Branches; (2) HUD urge owners to contract with professionals to review and appeal property taxes and that owners included in the audit sample provide evidence that they have made reasonable efforts to reduce property taxes on their projects; and (3) the owners of projects in question apply for total or partial tax exempt status and that other eligible projects in the Seattle Region be notified that they should obtain exemptions.

Status

The audit report, "Property Taxes on Multifamily Projects, Region X," was issued to the Director, Office of Regional Housing, Seattle Regional Office, on December 24, 1984. On February 26, 1985, the Seattle Region advised us that they agreed with the audit findings and that the Field Offices intend to implement our recommendations. However, the findings remain open pending

receipt of additional information and target dates.

Improvements Needed in Management Agent's Investment and Reporting Practices

Problem

First Columbia Management, Inc., a HUD-approved management agent in Seattle, Washington, did not invest \$3.5 million of reserve funds and residual receipts. In addition, they did not properly prepare excess income reports.

Discussion

Management agents who manage HUD-insured properties sign a Regulatory Agreement with HUD which provides for the establishment of a reserve fund (for replacement of structural components and mechanical equipment) and a residual receipts account (for income which exceeds expenses). Management agents should invest these funds to generate more program income. They must also submit monthly reports of Section 236 excess rental income and remit any excess to HUD.

First Columbia Management, Inc., managed 163 HUD multifamily projects in 32 states and the District of Columbia. At the end of 1983, they had accumulated \$5.6 million of replacement reserve and residual receipt funds. However, approximately \$3.5 million were not earning interest, because First Columbia placed a low priority on the investment of these funds. As a result, approximately \$320,000 of project income were lost annually. This loss affects the amount of HUD

subsidy and the need for future rent increases and further jeopardizes those projects in financial difficulty.

First Columbia also did not prepare its excess income report accurately. We identified errors amounting to \$406,000 which occurred because report preparers did not always understand the effects of unusual transactions or adjustments, and supervisors did not adequately review the reports. As a result, HUD cannot be assured that the amounts currently due from First Columbia and future excess income payments actually owed are correct.

We recommended that First Columbia invest residual receipt

funds and replacement reserves and develop investment procedures. First Columbia should also perform a comprehensive review of its excess income reports, provide evidence that reports have been corrected, and develop procedures for accurate and timely report preparation.

Status

The audit report, "Multifamily Project Management Agent, First Columbia Management, Inc., Seattle, Washington," was issued to the General Deputy Assistant Secretary for Housing-Federal Housing Commissioner on February 21, 1985. A response is due by April 22, 1985.

Community Planning and Development

The Housing and Community Development Act of 1974, as amended, authorizes the Secretary to make grants to units of general local government and to States for the funding of local community development programs. In Fiscal Year 1985, approximately \$2.4 billion were budgeted for assistance to 814 entitlement communities. Approximately \$1 billion were budgeted for the State Small Cities Program which serves 47 States and Puerto Rico. Urban Development Action Grants, which assist severely distressed cities in the revitalization of deteriorated neighborhoods, are budgeted for another \$440 million. Section 312 rehabilitation loans are funded from repayments of loans from prior years. Approximately \$125 million are available for new loans in Fiscal Year 1985.

Section 312 Program Mismanaged

Problem

HUD does not have effective internal controls to govern the Section 312 Rehabilitation Loan Program. Weaknesses exist in loan underwriting, performance monitoring, and loan servicing. Millions of dollars in HUD funds have been placed at risk, and borrowers have been harmed financially.

Discussion

Under the Section 312 Program, HUD makes loans for the rehabilitation of single family and multifamily residential and nonresidential properties. Local public agencies (LPAs) administer the program for HUD. LPAs are responsible for maintaining accounting records,

disbursing funds, and monitoring individual projects. HUD Field Offices are responsible for monitoring the LPAs' performance.

We found that loan processing by LPAs and loan approval by HUD Field Offices were deficient. Documents on which to base underwriting decisions were missing, yet approvals were granted. Borrowers' credit histories were ignored. Judgments were based on whether a property's potential income would cover the mortgage payment. Interest calculations were inaccurate, causing the loss of substantial amounts of interest income. Thus HUD had little assurance that borrowers were eligible, that rehabilitation costs were reasonable, or that loans would be repaid.

We also found that Field Office monitoring of LPA performance receives insufficient attention and emphasis. Field Offices have not used onsite or remote monitoring tools effectively. Independent audits of LPA loan programs have not been obtained. Those LPAs allowed to approve loan applications have not been evaluated by Field Offices to determine their loan processing proficiency. LPAs are mismanaging the program, yet Field Office personnel have not detected or corrected the problems.

We also found significant deficiencies in loan servicing. Field Offices have not used effective techniques to ensure that rehabilitation work is done on time or that loans are closed and settled properly. Field Offices cannot be sure that loan status reports are accurate. In many cases, the data provided on escrow balances, unpaid

balances, and other pertinent loan information was incorrect. Although improvements have been made, the Department needs to study loan servicing problems in depth.

We recommended that the Department consider three possible options. The first option is to discontinue the program until there is reasonable assurance that these problems can be overcome. Without such assurance, the program should be terminated. The second option is to identify those LPAs throughout the country that can manage the program and seek a statutory change that would allow funding to only the identified LPAs, so that the program could be administered on a centralized basis. The third option is to reorder priorities and devote sufficient attention and resources to the program so that major improvements can be made, as follows: (a) issue updated regulations, handbooks, and policy guidance; (b) establish systems and techniques to evaluate and monitor LPAs and HUD Field Offices; (c) transfer responsibility or otherwise ensure that multifamily loan underwriting is handled by capable personnel; (d) establish methods to ensure that fund assignments are made timely so that year-end spending does not drive underwriting decisions; and (e) establish a task force to study servicing problems.

Status

The audit report, "Section 312 Rehabilitation Loan Program," was issued to the Assistant Secretary for Community Planning and Development on March 28, 1985. Management generally agreed with our findings and recommendations.

A formal response to the report containing deadlines for implementing corrective actions is due by May 28, 1985.

Chicago Urban Homesteading Program Not Administered Effectively

Problem

HUD's Chicago Region did not effectively administer the Urban Homesteading Program. The Region did not adequately control or account for funds; provide technical assistance to communities; monitor their activities; or provide evidence that transferred properties had marketable title.

Discussion

The Urban Homesteading Program authorizes the transfer of unoccupied 1- to 4-family properties owned by HUD, the Veterans Administration (VA), and the Farmers Home Administration (FmHA) at no cost to communities with HUD-approved homesteading programs. Homesteading funds are used to reimburse VA, FmHA, or HUD for the fair market value of residential properties transferred to local governments. Local urban homesteading agencies (LUHAs), in turn, offer the properties at nominal or no cost to homesteaders.

In Fiscal Year 1984, the Chicago Region received 48 percent of all Urban Homesteading funds. However, the Region has not properly implemented the fund control procedures established by the Assistant Secretary for Community Planning and Development in 1983. We reviewed 140 property transfers and found 71 were not properly accounted for or controlled. We

found that: funds were not always obligated or expended for properties transferred to LUHAs; funds were expended in excess of obligated amounts; fund expenditures were incorrectly computed; and fund accounting entries were inaccurate.

HUD staff members were either not aware or did not have a clear understanding of the required processing procedures. Coordination between HUD and organizational elements was weak. As a result, HUD lacked accurate information on the funds available for use by LUHAs, the FHA mortgage insurance fund did not receive at least \$368,000 it should have, and HUD risked overobligation of appropriated funds.

In addition, HUD staff did not provide adequate technical assistance to local governments or perform thorough reviews during their monitoring visits. Specifically, HUD staff did not ensure that local governments implemented statutory requirements or that local governments were aware of the availability of VA or FmHA properties for their programs. They did not consistently cite local governments for noncompliance with program regulations and provide local governments with adequate recommendations to correct program problems they did cite. The Chicago Region also failed to provide LUHAs with evidence of marketable title when properties were transferred. This caused delays in the LUHAs' programs.

We recommended that HUD provide training to Regional staff involved in the Urban Homesteading Program to

familiarize them with proper accounting and fund control procedures. The Regional Administrator-Regional Housing Commissioner should emphasize the need for quality technical assistance and monitoring reviews, and instruct all Field Offices to provide evidence of marketable title at the time homestead properties are transferred to the LUHAs.

Status

The audit report, "Effectiveness of Urban Homesteading Program, Region V," was issued to the Acting Regional Administrator-Regional Housing Commissioner on October 25, 1984. The Acting Regional Administrator agreed with our findings and plans to implement the recommendations.

Grantees Misspend Millions in CDBG Funds

Problem

Audits of five grantees have identified \$11.4 million in Community Development Block Grant (CDBG) funds that were used for ineligible or questionable purposes.

Discussion

The CDBG Program is designed to create viable communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income. CDBG funds are awarded to local governments to help them solve their community development needs and problems. These funds must be used to achieve specific CDBG objectives.

Our audits of five grantees found that they were using CDBG funds for ineligible or questionable activities. These expenditures did not meet the objectives of the CDBG Program and should not be paid with Federal funds. The following are highlights of the five reviews:

■ The Municipality of San Juan, Puerto Rico (grantee), charged the CDBG Program for ineligible salaries, administrative costs, interest expenses, and office rents totaling over \$3 million. An additional \$3.9 million in program costs were questionable. Included in the ineligible costs was \$2.4 million for administrative expenses of their Planning and Budget Office. The grantee was aware that these costs were not reasonable, because the charging of similar costs was brought to their attention in a 1979 Office of Inspector General audit report. Other questionable grantee activities included: (1) \$1 million paid over and above the necessary purchase price of park land; (2) \$1.2 million used to buy several parcels of land not included in the approved CDBG application; (3) \$655,000 spent for management services to improve the overall productivity of the Public Works Department (which is a general government cost and therefore not eligible); and (4) \$217,000 spent for consulting services (such as arranging meetings and providing reports) not specifically benefiting the CDBG Program.

■ The County of Palm Beach, Florida, spent \$2.3 million for housing, land, and related expenses contrary to CDBG regulations. Of this total, \$1.8 million were used to build 46

new houses, which regulations (with limited exceptions) prohibit. This new construction did not qualify as an exception. The County also spent \$291,000 for the purchase of undeveloped agricultural land, which is of questionable benefit to low- and moderate-income persons.

■ The City of Charleston, West Virginia, spent over \$1 million of CDBG funds for questionable activities. This included \$785,000 for bridge repairs. Such an activity may qualify for Federal assistance if an urgent need exists and other funding is not available. However, this problem was first identified in 1969 and other municipal reserves were available to pay for the repairs. The City also spent \$286,000 of CDBG funds to increase police protection in the shopping districts. We questioned how this would meet the City's stated community development objective of increasing public housing police protection.

■ The City of Providence, Rhode Island, spent over \$750,000 on questionable or ineligible activities. Although HUD cautioned the City about the ineligibility of certain items in its CDBG application, the City substituted \$646,000 of CDBG funds for City funds to buy or lease police cars, fire engines, and other related equipment. These are general operating expenses of the City and not CDBG-eligible activities. The City also incurred excessive costs of \$115,000 for consulting and other professional services by awarding contracts without open competition; preparing contracts for unnecessary work; failing to ensure work was carried out on time; and making

payments without evidence of satisfactory performance.

■ The City of Bridgeport, Connecticut, did not effectively plan or administer its CDBG Program. As a result, \$488,000 of CDBG funds were spent on questionable activities. Of this, \$284,000 were spent between 1977 and 1982 to purchase three parcels of land for CDBG activities. To date, none of these properties has been developed. A State grant of \$495,000 has lapsed because of this delay. Approximately \$1.3 million in CDBG funds have been encumbered and cannot be used for other purposes, although current cost figures have made the project infeasible.

In each audit report, we recommended that the appropriate HUD official review the grantee expenditures that we identified as ineligible, and seek reimbursement to the CDBG Program for those activities not meeting the intent of the CDBG statutes.

Status

The audit report, "Community Development Block Grant Program, Municipality of San Juan, Puerto Rico," was issued to the Manager of the Caribbean Office on October 26, 1984. The Manager responded to our report on February 22, 1985. A total of \$1.7 million have been agreed to by HUD management, and \$4 million remain unresolved. The Municipality of San Juan is currently developing a response to resolve the remaining findings.

The audit report, "Community Development Block Grant Program, Palm Beach County, Divi-

sion of Housing and Community Development, West Palm Beach, Florida," was issued to the Manager of the Jacksonville, Florida Office on November 29, 1984. The Jacksonville Office agreed with our findings and will take corrective action.

The audit report, "City of Charleston, West Virginia, Community Development Block Grant Program," was issued on January 25, 1985, to the Manager of the Pittsburgh Office. The Pittsburgh Office officially transmitted the report to the City of Charleston on March 12, 1985, requiring compliance with the recommendations.

The audit report, "City of Providence, Rhode Island, Community Development Block Grant Program," was issued to the Regional Administrator-Regional Housing Commissioner on March 4, 1985. A response is due by May 6, 1985.

The audit report, "City of Bridgeport, Connecticut, Community Development Block Grant Programs," was issued to the Regional Administrator-Regional Housing Commissioner on March 25, 1985. A response is due by May 27, 1985.

States Administering Small Cities CDBG Programs Need to Improve Their Management Systems

Problem

Although the States of Nebraska and Missouri have generally developed effective control systems for managing the Small Cities Program, certain improvements are needed in the areas of monitoring, audit requirements, and fund distribution.

Discussion

Since 1974, the Small Cities Program has been HUD's principal resource for helping non-entitlement cities meet their community development needs. In 1982, States were given the option of administering their own Small Cities Programs. All but three States subsequently chose to do so. Each State administering the program must develop a final statement of community development objectives and its proposed method of fund distribution. In its final statement and certification, a State establishes its method for fund distribution and agrees to review and audit grantees and to ensure compliance with applicable Federal, State, and local laws and regulations.

We performed reviews in Nebraska and Missouri to determine whether their controls were effective in meeting the program's statutory objectives. We found that their management systems needed enhancements to ensure full compliance with current requirements. Monitoring procedures in both States were not sufficient to determine whether grant recipients were carrying out activities on time or to ensure that management deficiencies identified during monitoring visits were corrected by the recipients. Similarly, neither State had established controls to ensure that audit reports were received on time and that audit findings were resolved adequately.

In the area of fund distribution, we noted situations wherein funded applications were questionable. The State of Nebraska awarded grants to cities which

then awarded \$748,000 in capacity building grants to regional Councils of Government (COGs). Activities of the COGs were not clearly documented as meeting the objectives of the Small Cities Program. The State of Missouri awarded grants to two recipients although, under their ranking system, they were rated lower than others that did not receive grants. Documentation for these decisions was missing.

We recommended that the State of Nebraska reimburse the \$748,000 or provide evidence as to how it met the program objectives. The State of Missouri should improve its fund distribution procedures by documenting each review phase. HUD should

assist both States in enhancing their monitoring systems and improving their audits management systems.

Status

The audit report, "State Administration of CDBG Small Cities Program," was issued on February 1, 1985, to the Regional Administrator-Regional Housing Commissioner. The findings pertaining to the State of Missouri have been agreed to by management, and corrective actions are in process. The findings pertaining to the State of Nebraska remain open. A response is due by May 1, 1985. We are currently performing reviews of the Small Cities Program in six other States.

General Administration

General administration consists of support functions that are necessary to carry out HUD's programs responsibly and effectively. These functions include: contracting; accounting; information management; budgeting; personnel management; training; and general building and office services. HUD has budgeted about \$200 million for these functions in Fiscal Year 1985.

Deficient Accounting Practices Disclosed in Boston and Fort Worth Regions

Problem

Because of deficient accounting practices in the Boston and Fort Worth Regions, over \$6 million in excess Section 202 fund reservations were not recaptured. The Boston Region disbursed nearly \$30 million in Section 202 funds before properly obligating or documenting the

transactions. In addition, Section 8 obligations may be understated by over \$29 million in the Boston Region.

Discussion

The Regional Accounting Division (RAD) maintains accounting records and controls for administrative and program funds, and examines and processes documents for disbursement of these funds. The RAD monitors, advises and assists Field Offices with respect to fiscal matters, including the reporting of obligations, control of funds, and validity of obligations. Field Offices are responsible for processing and forwarding to the RAD documents supporting the obligation, recapture, disbursement, and deobligation of funds.

Field Office Multifamily Housing Representatives in Boston and Fort Worth did not process and

forward to the RAD the documentation required to record needed fund reductions. Project reservations exceeding permitted levels by \$4.4 million in Boston and \$1.7 million in Fort Worth were not recaptured and made available for use for other projects.

In addition, the Boston RAD disbursed \$11.6 million for Section 202 projects without recording an obligation for the funds. Such actions distort HUD's financial statements and could lead to unauthorized payments. The RAD also disbursed \$17.8 million for 23 projects without having on file an executed Building Loan Agreement. Disbursing funds without an agreement could lead to loans being made without a written agreement governing the terms of the loan.

The Boston RAD failed to update the Assisted Housing Accounting System to reflect all renewals of Section 8 contract and budget authority. As a result, year-end financial statements, the general ledger and the Accounting System have understated obligations by over \$29 million. Because of inadequate internal controls over renewal of Annual Contributions Contracts for the Section 8 Existing Housing Program in the Fort Worth Region, funds were disbursed for three Section 8 projects for which these contracts had expired.

The Boston RAD did not perform adequate periodic reviews of unliquidated obligations of inactive projects to assure that unneeded obligations were deobligated. The failure to perform these reviews provides little assurance that obligations

are properly stated and that reservations are needed.

We recommended that the Boston Regional Administrator-Regional Housing Commissioner instruct: (1) Field Offices to review Section 202 fund reservations and reduce reservations for those projects with excess reservations of \$100,000 or more; (2) the RAD to review all Section 202 projects and assure that proper obligation documents are on file and that an obligation has been recorded on all projects; (3) Multifamily Housing Representatives to forward to the RAD fully executed copies of all necessary documents; and (4) the RAD to perform detailed semiannual reviews of unliquidated obligations, in compliance with outstanding instructions.

We recommended that the Fort Worth Acting Regional Administrator-Regional Housing Commissioner: (1) request clarification from Headquarters on whether excess Section 202 reservations should be reduced; (2) instruct Field Offices to review Section 202 reservations and reduce reservations for those projects with excess reservations of \$100,000 or more; and (3) require that amended Annual Contributions Contracts retroactive to the dates they expired be obtained for the three Section 8 projects in question.

Status

The audit report, "Regional Accounting Division Operations and Related Programmatic Practices," was issued to the Boston Regional Administrator-Regional Housing Commissioner on November 29, 1984. The

Regional Administrator agreed with our recommendations and the findings were closed on March 7, 1985.

The audit report, "Regional Accounting Branch Operations and Related Programmatic Practices," was issued to the Fort Worth Acting Regional Administrator-Regional Housing Commissioner on November 8, 1984. The Regional Administrator agreed with our recommendations and the findings were closed on April 12, 1985.

Contractor Claims Excess Costs of Over \$600,000

Problem

Comprehensive Marketing Systems, Inc. (CMS), Washington, D.C., inappropriately accumulated and retained for its own use about \$450,000 in foreclosure advances. The status of another \$443,000 paid to subcontractors could not be confirmed. Also, CMS overbilled HUD by \$189,000 by billing at HUD-approved provisional rates which were higher than actual recorded expenses.

Discussion

CMS is a real estate and policy planning corporation whose services include: (1) housing and economic development consulting; (2) loan servicing and portfolio management; (3) construction management; (4) real estate analysis and project implementation; and (5) international development. In June 1982, HUD awarded CMS a \$300,000 cost reimbursable contract through Section 8(a) of the Small Business Act to assist in the resolution and servicing of Section 312 delinquent loans

returned by Federal National Mortgage Association servicers. As of August 31, 1984, HUD had amended the contract 11 times to: (1) increase the contract amount to \$7.3 million; and (2) increase the scope of work to include single and multifamily loan accounting, automated loan processing and the servicing of new Section 312 loans.

Our audit noted that CMS billed HUD for about \$1.2 million representing advances to subcontractors for foreclosure actions. We could not determine the allowability of about \$443,000 of this amount because the subcontractor's records were inadequate. In addition, CMS was holding about \$450,000 that should have been refunded to HUD. This amount represented refunds from subcontractors or payments from HUD prior to the need for the funds. CMS commingled \$368,000 of the \$450,000 with their operating accounts and used this money for their business purposes.

CMS also billed HUD for indirect costs at the HUD-approved provisional rate which exceeded their actual costs. Moreover, some billings were for amounts that exceeded the amounts actually shown in their accounting records. The total cost under these two categories was \$189,000.

We recommended that monitoring of foreclosure advances be performed by a Government Technical Representative or Monitor on a regular basis to ensure compliance. We also recommended that CMS perform a case-by-case review of outstanding foreclosure advances to determine their status, return to HUD any ad-

vances not used by foreclosure agents, and perform monitoring on a regular basis to ensure that these funds are properly controlled.

Status

The audit report, "Advisory Report on Interim Costs Submitted by: Comprehensive Marketing Systems, Inc.," was issued to the Director, Office of Procurement and Contracts, on January 8, 1985.

Of the amount questioned, \$445,292 were recovered by a contract amendment which offset this amount against three of the contractor's unpaid vouchers. According to HUD's Office of Procurement and Contracts, the remainder of the costs will be resolved by June 28, 1985.

Duplicate and Incorrect Payments Made by Office of Finance and Accounting

Problem

Poor internal control practices resulted in the Office of Finance and Accounting's making duplicate and incorrect payments exceeding \$2 million. Although employees knew that incorrect payments were being made, corrective actions were not made timely.

Discussion

The Office of Finance and Accounting (OFA) processes disbursements for many of HUD's functions, including single family mortgage insurance claims and salaries and expenses. During Fiscal Year 1984, single family claim disbursements totaled \$1.6 billion. Payments of \$137.7

million were also made to vendors for administrative matters in Fiscal Year 1984.

During Fiscal Year 1984, mortgagees returned at least \$1.4 million in duplicate payments to OFA's Single Family Mortgage Insurance Claims Branch. These payments occurred because an effective edit check was not in the automated payment system and other internal control procedures were not always followed. We also found that the retention of computer-produced reports and computer-readable files was inconsistent so that a computer search for other duplicate payments was severely limited. Another \$2 million in payments were returned because payments had been made to the wrong mortgagees or mortgagees thought payments had been incorrectly made. OFA officials advised us that about \$500,000 of these payments were made to the wrong mortgagees because employees entered incorrect codes into the computer system. Other checks were returned because of Treasury Department mailing procedures or poor recordkeeping by mortgagees.

In September 1983, OFA's Administrative Accounting Branch issued duplicate checks totaling over \$175,000 to various vendors for administrative services. The Branch did not collect over \$157,000 of this amount for 10 months or more, giving vendors free use of this money during that time period. This occurred because existing internal control procedures, including supervisory review, were not followed. During our review, OFA instituted improved procedures to prevent and detect improper payments.

We recommended that existing reports be reviewed to ensure that there is a reduction in duplicate payments and payments made to the wrong mortgagees and that supervisory review over all internal control procedures for payments be provided.

Status

The audit report, "Review of Duplicate Payments in the Ad-

ministrative Accounting Branch and Single Family Mortgage Insurance Claims Branch, Office of Finance and Accounting," was issued to the Assistant Secretary for Administration on March 12, 1985. A response is due by May 13, 1985.

Government National Mortgage Association

The Government National Mortgage Association (GNMA) is a government corporation within HUD which administers mortgage support programs. The best known of these is the Mortgage-Backed Securities (MBS) Program. In this program, GNMA guarantees to investors the timely payment of principal and interest on MBS securities. These securities are issued by private lending institutions (issuers) and backed by pools of Federally underwritten mortgages. The program attracts investors into the residential mortgage market by offering them a high yield, government-guaranteed security. There are over 96,000 mortgage pools representing MBS securities worth more than \$200 billion.

GNMA Process for Selling Mortgage Servicing Rights Needs Improvement

Problem

The Government National Mortgage Association (GNMA) exercised insufficient control over the sale of defaulted mortgage portfolio servicing rights worth

millions of dollars, thereby increasing the risk of selecting substandard issuers and receiving less than the fair market value.

Discussion

When a Mortgage-Backed Securities (MBS) issuer defaults under the terms of the guaranty agreement with GNMA, the issuer's authority to administer the mortgage pools is terminated. GNMA then selects a substitute issuer which purchases the right to continue servicing the mortgages. Since October 1979, GNMA has selected 13 substitute issuers, selling 776 pools for approximately \$4 million.

We evaluated the selection of six substitute issuers and related sales of mortgage servicing rights. In three of these cases, we found that the selected issuers did not meet the financial and performance criteria GNMA established to ensure the mortgage pools were properly serviced. The entire process for selling defaulted mortgage portfolios was highly

susceptible to abuse because GNMA did not: (1) document the negotiation process; (2) provide evidence of a thorough review of potential substitute issuers' qualifications; and (3) document that at least six bids were obtained as required by GNMA guidelines. These deficiencies created unnecessary financial risks for GNMA and provided little assurance that the mortgage portfolios were sold for a fair and reasonable price.

We recommended that GNMA: (1) determine the discounted present value of the servicing rights using a valuation model generally accepted in the mortgage industry; (2) maintain

records of the negotiation process and reasons for deviating from the calculated value of the mortgage portfolio; (3) adhere to its program requirements and guidelines; and (4) document its substitute issuer selection process.

Status

The audit report, "GNMA's Procedures for Selecting and Monitoring Substitute Issuers," was issued on March 19, 1985, to the Executive Vice President of GNMA. On April 5, 1985, the Executive Vice President advised us that actions were being taken to implement all of our recommendations.

Chapter 2

Investigation Activities

The following is a summary of investigative activities during the period October 1, 1984, through March 31, 1985. These include criminal matters in-

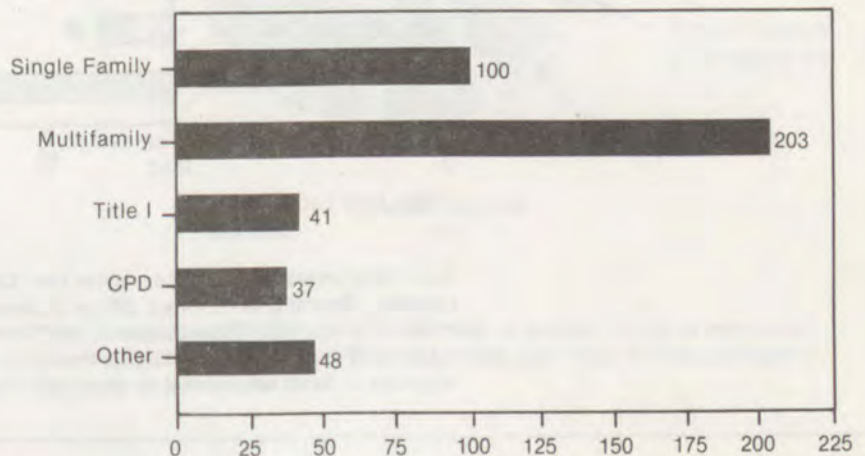
vestigated which resulted in prosecutions, convictions, and civil actions as well as investigations of violations of Departmental regulations and policies.

Investigation Cases Opened

We opened 715 new investigation cases involving HUD personnel and/or persons or firms doing business with HUD. The

majority of case openings are False Statement cases (429). The table below is a breakdown of these cases.

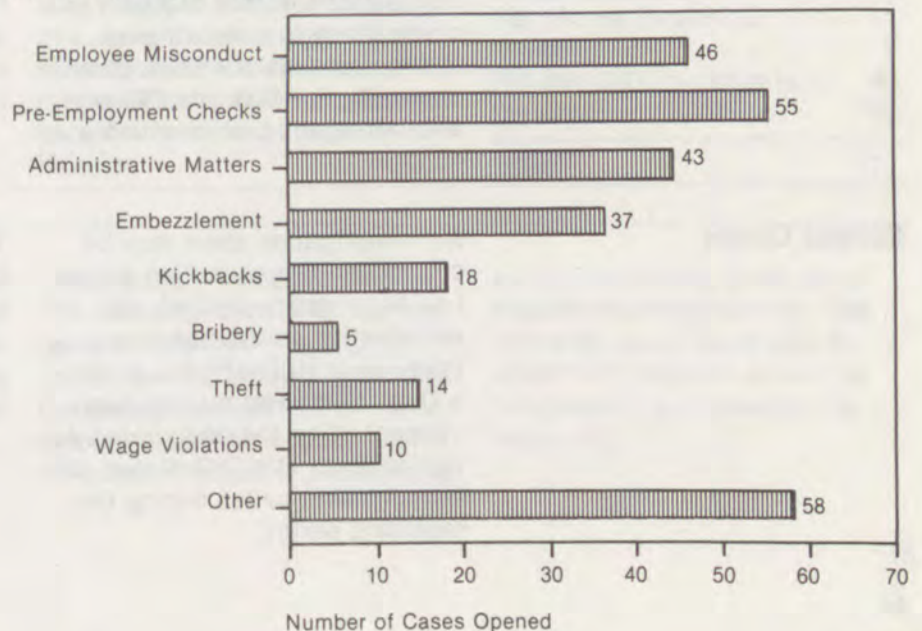
Investigation Cases Opened Concerning False Statements
October 1, 1984 through March 31, 1985



The cases opened in the multifamily area include investigations of individual tenants in HUD's rental assistance programs.

The remaining 286 case openings are in categories displayed in the following table.

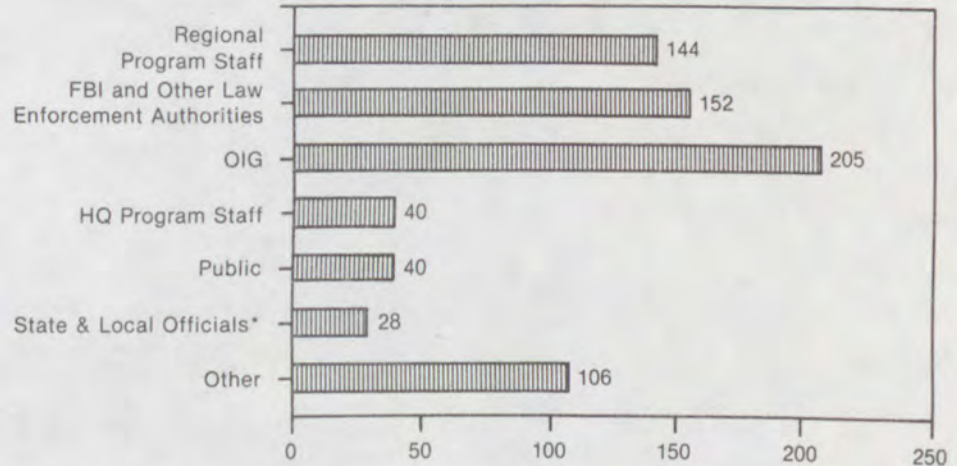
Other Categories of Investigation
October 1, 1984 through March 31, 1985



Investigation cases which are opened by the HUD-OIG originate from various sources. The graph below depicts the

origin of the 715 case openings in the OIG during the semi-annual reporting period.

Sources of Investigative Cases
October 1, 1984 through March 31, 1985



*Not Law Enforcement Officials

Sources of investigative cases under the "OIG" category include audit referrals, Operational Surveys, Office of Investigation initiated cases and Hotline complaints. Those cases in the "Other" category include matters referred by other Federal officials, including Members of Congress, and reported by HUD employees in other than their official capacity.

Pending Cases

A pending case refers to the status of an investigation during that period between the opening of the case and dissemination of the investigation report(s) to a HUD official for action. Investigations in this category include those in which the investigation has not been completed by the OIG, the FBI or another agency, or in which a

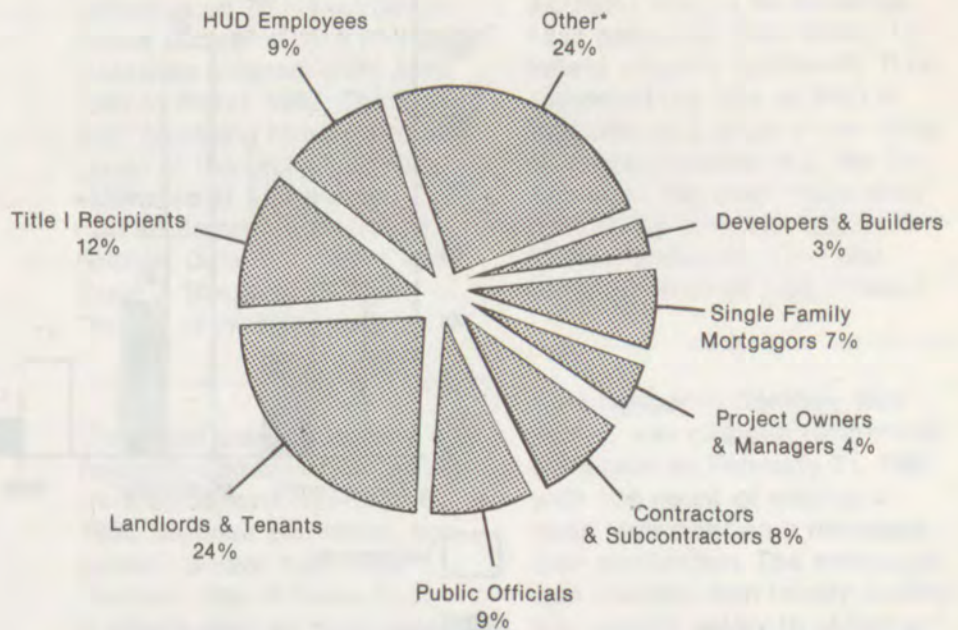
completed investigation is pending with a prosecutive official. At March 31, 1985, we had 1,597 investigation cases either in process or awaiting investigation. Of these cases, 617 were FBI/other cases, 689 were cases of the OIG, and 291 were OIG-completed cases pending with the U.S. Attorney.

Closed Cases

An investigation case may be closed when prosecutive action has been accomplished, administrative action has been taken by a HUD official, and/or a Disposition Report has been completed by the designated action official. The OIG closed 655 investigation cases during the reporting period.

The 655 cases closed involved 827 individuals and firms who were the subjects of the investigations. The following graph represents a breakdown of the subjects:

Distribution of Subjects of Investigation by Category
 October 1, 1984 through March 31, 1985



*The "Other" group includes a wide diversity of subjects such as architects, Area Management Brokers, and Title I dealers/lenders. Each of these comprises 3 percent or less of the total.

Investigation Cases Referred for Prosecution

Although the FBI is not a prosecutive authority, referrals to it may result in the presentation of a case for prosecutive consideration. The OIG referred 175 investigation cases for prosecutive consideration as follows:

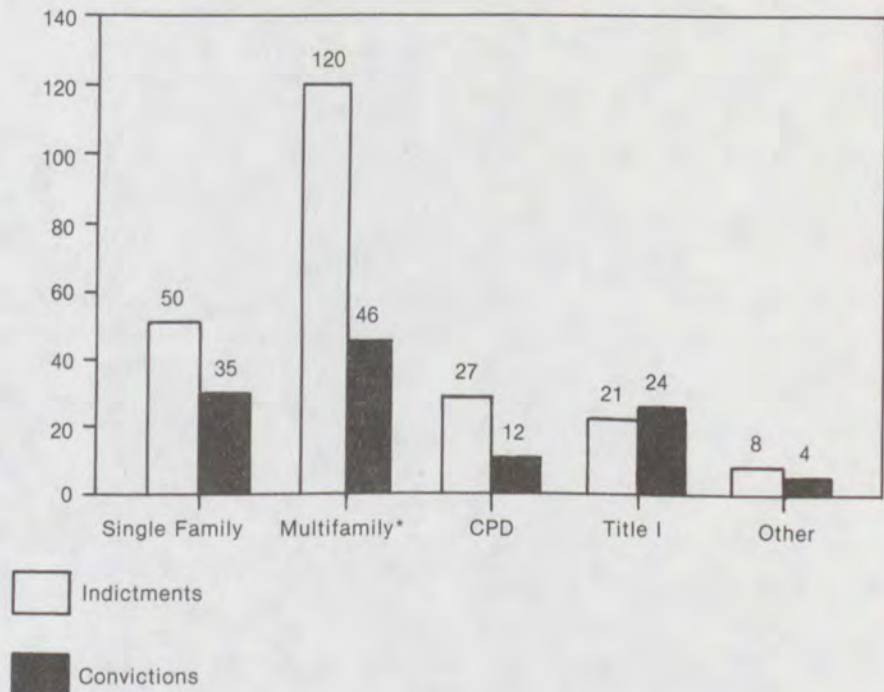
Referred by OIG to:	No. of Cases
FBI (Prima Facie-OIG Investigation)	9
FBI (No OIG Investigation)	43
Department of Justice	123
Total	175

Prosecutions and Convictions

Investigation cases resulted in 226 indictments and 121 convictions of employees and persons/firms having business with the Department. Some of the indictments and convictions were on cases referred to prosecutive

authorities during prior semi-annual reporting periods. The following table illustrates in what HUD program areas the indictments and convictions occurred.

Indictments and Convictions
October 1, 1984 through March 31, 1985



*The prosecutions shown for the multifamily area include indictments and convictions of individual tenants who participate in HUD's rental assistance programs.

The 121 persons/firms convicted received a total of 90 years imprisonment, 333 years probation, suspended sentences of 81 years, and fines amounting to \$344,054. Monetary recoveries resulting from investigations from October 1, 1984, through March 31, 1985, totalled \$967,963. This figure includes

court-ordered restitution and recoveries resulting from administrative actions. Of the 655 cases closed by the OIG during the semiannual reporting period, 13 percent resulted in prosecutive action being taken, and 60 percent resulted in some administrative action being taken.

Description of Selected Prosecutive Actions

Below is a brief description of selected indictments, convictions, and civil actions which occurred during the reporting period. The cases are listed by HUD program area. Some of these indictments and/or convictions resulted from investigations referred to prosecutive authorities prior to October 1, 1984.

■ Single Family Housing

Three Marysville, Washington homebuilders pled guilty on March 22, 1985, to submitting false statements to HUD. The individuals were family members and partners in three homebuilding companies. The three were charged with reporting downpayments of 15 to 20

percent as required for non-occupant, HUD-insured investor loans, when in fact, they made no downpayments. They defaulted on 76 loans they obtained through HUD's mortgage insurance program from April 1980 to March 1982. The loss to HUD following foreclosure and resale of the properties was estimated at \$1.4 million. (United States vs. Merton H. Gribble, Dale M. Gribble, and Craig J. Shepard, Western District of Washington.)

Three real estate company officials in Camden, New Jersey, were sentenced on March 8, 1985, on false statement, conspiracy, and/or mail fraud charges. One of these individuals pled guilty in June 1984, and the other two were found guilty by a jury on January 28, 1985. The individuals were engaged in the creation of false documents for borrowers to obtain over \$1.5 million in fraudulently originated mortgages insured by HUD. Two of the individuals received 5 years in prison, and the other was given a 3-year prison sentence. All three individuals have been suspended from doing business with HUD. See Chapter 1 under Single Family Insured Programs for additional details. (United States vs. Doris Rahn, Francis Heck, William Luciani, District of New Jersey.)

A Veterans Administration fee appraiser in Camden, New Jersey, who is also a former Commissioner, New Jersey Real Estate Commission, was indicted by a Federal Grand Jury on February 14, 1985. He was

charged with nine counts of making false statements to HUD and one count of conspiracy to defraud the government. The indictment alleged he accepted cash payments from sellers to inflate property appraisals. It is estimated the loss to HUD is \$225,000 as a result of the alleged misrepresentations. The Fee Appraiser has been suspended from doing business with HUD. (United States vs. Alvin Matthews, District of New Jersey.)

A mortgagor in Camden, New Jersey, was charged by criminal complaint on February 21, 1985, with one count of making a false statement on a mortgage loan application. The mortgagor was charged with falsely stating his monthly salary to obtain an FHA-mortgage loan which later went into default. (United States vs. DeWitt Wilson, District of New Jersey.)

A husband and wife, owners of a Lombard, Illinois real estate firm, were sentenced on March 26, 1985, for submitting ten false mortgage loan applications to HUD totaling \$638,000; submitting two false statements to the Veterans Administration on loan applications totaling \$166,000; filing an inaccurate income tax return; and obstructing justice. The husband was sentenced to 2 years in prison, plus 5 years probation, and the wife was sentenced to 5 years probation. In an October 1984 indictment, a Grand Jury alleged that the husband and wife had intentionally falsified the incomes of potential homebuyers in 1982 to enable them to qualify for Federal mortgage in-

surance. Both individuals have been suspended from participating in HUD programs. (United States vs. Roger and Shirley Wozniak, Northern District of Illinois.)

A fee appraiser in Washington, D.C., was charged with and pled guilty on November 20, 1984, to two counts of embezzlement of government property. The appraiser was paid by HUD for conducting field review appraisals between April and August 1983, but many of the reviews had not been done. The appraiser was sentenced to 5 years probation, 100 hours of community service, and ordered to make restitution of \$13,700 to the government. The appraiser was suspended from participation in HUD programs. (United States vs. John W. Borhman, District Court for the District of Columbia.)

On March 8, 1985, a builder/mortgagor/closing attorney entered into an agreement with a United States Attorney's Office in Memphis, Tennessee, to repay HUD \$34,277. The amount represents almost three times the loss HUD suffered as a result of his defaulting on four FHA-insured loans in 1982. The agreement was made in place of criminal prosecution and administrative action by HUD. The builder closed four FHA-insured loans in his name and continued to rent the properties after foreclosure. Subsequent sale of the four properties by HUD resulted in a loss of \$11,427. (United States vs. William Dunlap Cannon, III, Western District of Tennessee.)

■ Title I

A borrower and his business partner were sentenced in Pittsburgh, Pennsylvania, on November 21, 1984, and January 23, 1985, respectively, for making false statements to obtain seven Title I home improvement loans from different financial institutions. Between June and December 1979, the two individuals received approximately \$48,000 in HUD-insured loans on a series of seven false credit applications. Each application reflected that repairs would be made to the same property and that the borrowers had no outstanding Title I-insured loans. HUD paid claims in excess of \$36,000 on all of the loans which went into default in 1982 and 1983. The borrower was sentenced to 1 year imprisonment (suspended), 1 year probation, and ordered to make restitution of \$15,000. The business partner was sentenced to 2 years imprisonment (suspended), 5 years probation, and ordered to make restitution of \$15,000. (United States vs. Thomas Oakes and Leonard Vannucci, Western District of Pennsylvania.)

A borrower in San Antonio, Texas, was sentenced on October 25, 1984, to 2 years in prison and ordered to pay restitution of \$13,992 for submitting false statements to HUD. The borrower intentionally omitted liabilities on three property improvement loan applications between June 1981 and June 1982. He defaulted on all three loans and HUD reimbursed the lenders \$14,908. (United States vs. George L. Rodriguez, Western District of Texas.)

and Thomas Electric, Southern District of California.)

A former owner of a mobile home dealership in Spokane, Washington, pled guilty and was sentenced on January 7, 1985, on two counts of submitting false statements to HUD. The false statements pertained to the amount of cash downpayment, accessories furnished, and the placement of mobile homes sold under Title I programs in 1978 and 1980. The former owner was sentenced to 5 years in prison (suspended), 5 years probation, and fined \$2,000. (United States vs. Raymond Allen Carbone, Eastern District of Washington.)

■ Multifamily Housing

A subcontractor who performed work on the Mariner's Cove project in San Diego, California, was indicted on February 4, 1985, and pled guilty on February 25, 1985, to submitting false statements about the proper payment of wages to workers. The subcontractor was one of five companies, owners, and/or personnel, who performed work on three HUD projects in San Diego, and who were indicted on false statement charges for failure to pay prevailing wage rates. The charges involved \$97,935 in underpaid wages to 39 employees. The indictments were the culmination of a joint investigative effort by HUD and the Department of Labor. HUD is negotiating with the various subcontractors to ensure that the employees who were underpaid are fully compensated for work performed. See Chapter 1 under Multifamily Insured Programs for additional details. (United States vs. Henry B. Rock, William L. Baker, Glenn S. Thomas, United Constructors,

A civil suit was filed by the United States on November 26, 1984, in U.S. District Court against a realty corporation, the managing general partner of a HUD-insured multifamily project in Water Gap, Pennsylvania, and an individual co-partner. They were charged with conversion of funds, unjust enrichment, breach of contract, and submission of false and fictitious reports. During the period August 1979 through 1983, the multifamily project was in default on mortgage payments even though the project was occupied and rent payments would have been sufficient to pay the mortgage. The five-count civil suit has a potential recovery value in excess of \$3 million when all penalties, double damages, and interest payments are included. (United States vs. DHC Realty Corporation and Arthur J. Sabatino, Eastern District of Pennsylvania.)

The former resident manager of a subsidized multifamily housing project in Aberdeen, Maryland, pled guilty on January 3, 1985, to one count of theft. Between 1980 and 1982, the former manager deposited tenants' monthly rental payments in his personal bank account. He was sentenced to confinement for 4 weekends in a detention center, 5 years probation, and ordered to make restitution of \$34,143 to HUD or the housing project. He has also been debarred from participating in HUD programs until July 1987. (State of Maryland vs. Mack C. Haynes, Jr.)

■ Public Housing

On March 4, 1985, an Edwardsville, Illinois general contractor pled guilty to a one-count charge of conspiracy to defraud the government. The contractor had been charged with conspiring with an architect, a subcontractor, and an official of the East St. Louis, Illinois Housing Authority. The individuals caused the Housing Authority to disburse about \$1.4 million in HUD monies when only about \$150,000 worth of work was actually performed. Trial is pending against other defendants in the case. The individuals have been suspended from participating in HUD programs. (United States vs. Robert F. Jacox, Southern District of Illinois.)

A former accountant for a housing authority in Hamilton, Ohio, was sentenced to 2 years in prison on March 25, 1985, for embezzling over \$42,000 in rental income monies. She received rent checks from tenants, but did not deposit them in the authority's bank account during the period July 1981 to May 1983. She has been suspended from participating in HUD programs. Restitution is being pursued with the bonding company of the housing authority. (State of Ohio vs. Dorothy Neal Moon.)

The general manager of a Milwaukee, Wisconsin contracting firm pled guilty on November 19, 1984, to two counts of submitting false statements to HUD. In 1981 and 1982, the manager misrepresented the payment of

minimum wages to employees and falsely reported that all bills for labor totaling \$40,000 had been paid in accordance with the terms and conditions of a housing authority contract. He was sentenced to 1 year probation and 200 hours of community service. He has also been denied participation in HUD programs for 1 year. (United States vs. Raymond Houston, Eastern District of Wisconsin.)

The former Executive Director of an Indian Housing Authority (IHA) in Tama, Iowa, pled guilty on January 14, 1985, to embezzling monies belonging to an Indian tribal organization. He was placed on 5 years probation and ordered to make full restitution to the IHA. The former Executive Director improperly issued 44 checks totaling \$10,445 to himself by forging the signature of the IHA's Chairman. He also illegally used an IHA credit card to pay for personal expenses totaling \$827. The former Executive Director has been suspended from further participation in HUD programs. (United States vs. Robert J. Benson, Northern District of Iowa.)

A former housing authority employee in St. Louis, Missouri, was indicted by a Federal Grand Jury on January 31, 1985. The former employee wrote checks on housing authority accounts for consultation services and diverted the money, totaling \$12,415, to her own use. The former employee pled guilty on February 15, 1985. (United States vs. Dorothy Harrison, Eastern District of Missouri.)

The former manager of a low-income housing project in Jackson, Michigan, was sentenced on December 5, 1984, to 2 years in prison (suspended), 3 years probation, and 600 hours of community service for submitting a false statement to HUD. The former manager caused a housing commission accountant to falsify a 1983 annual report to HUD by misrepresenting tenant cash collections. She prepared tenant accounts receivable reports disclosing that rents of \$41,938 had been deposited, when the money actually had not been deposited. The former manager kept the money for her own personal use. This caused the accountant, who relied on the accuracy of information provided by the former manager, to falsify the 1983 annual report. A claim for the missing funds is pending with the bonding company for the housing authority. The former manager has been suspended from future participation in HUD programs. (United States vs. Kay W. Penson, Eastern District of Michigan.)

■ Community Development Block Grant

On March 3, 1985, a former Acquisition Specialist with the East St. Louis, Illinois Department of Community Development was sentenced on one count of forging checks and other documents. Between October 1982 and August 1983, he converted approximately \$11,775 of HUD Community Development Block Grant monies to his own use. He entered a guilty plea and was sentenced to 3 years in prison and ordered to

make full restitution. (United States vs. Leroy Boyd, Southern District of Illinois.)

A project manager of a general contractor in Atlanta, Georgia, was sentenced on March 28, 1985. He had been indicted and had subsequently pled guilty to one count of conspiracy to submit false information and conceal the true nature and extent of Minority Business Enterprise (MBE) participation in an Atlanta Industrial Park project. The project was funded by HUD and the Economic Development Administration and administered by the City of Atlanta. The project's goal was that 20-25 percent of the funds be under MBE contracts. The contractor required a minority subcontractor to kick back \$322,000 to obtain a contract. The project manager was sentenced as follows: \$2,500 fine, 3 years (suspended) in prison, and 3 years probation. The project manager was the fourth of seven individuals indicted in this case to plead guilty. Trial is pending on the remaining three. (United States vs. George King, Globel Mattingly, Johnnie Glenn, William Forts, Robert K. See, Walter D. Johnson, and Philip Orr, Northern District of Georgia.)

■ Rental Assistance

Investigations are conducted of violations of the provisions of various HUD programs that provide housing for low- and moderate-income families. Most of these cases concern recipients' falsifying their eligibility so that they receive assistance when they are not eligible or receive assistance in excess of

that to which they are entitled. While the majority of these cases relate to tenant recipient fraud, many cases involve investigations of landlords, management agents, and project owners who administer or are otherwise involved in rental assistance programs. We completed 252 housing assistance type cases during the reporting period. An additional 248 cases were opened during the same period. The following actions were taken during the period:

- Individuals Indicted	114
- Individuals Convicted	36
- Monetary Recoveries	\$305,522
- Total Fines	\$20,375

Frequently, it is discovered that if tenants are making false statements in HUD programs to obtain rental assistance, they are also defrauding other government assistance programs, such as Aid to Families with Dependent Children (AFDC), Food Stamps, and Medicare. These issues are referred to the Inspector General of the responsible departments or agencies when they are discovered.

A Federal Grand Jury in Baltimore, Maryland, returned 15 indictments on February 21 and 28, 1985, charging 21 tenants with multiple counts of furnishing false information on certifications and recertifications of tenant eligibility documents at Pleasant Homes Apartments, Seat Pleasant, Maryland. The tenants were charged with making false statements to underreport their family income in 1982 and 1983 to receive rental assistance. The former Assistant Resident Manager, Pleasant Homes Apartments, a former

maintenance employee, and two others were also charged with conspiracy to defraud the government in a scheme involving applicants for the assisted units. The Assistant Resident Manager leased apartments to the applicants and allegedly assisted some of them in falsifying required documents, thus allowing them to receive rental assistance to which they were not entitled.

A Federal Grand Jury for the Northern District of Indiana in South Bend returned indictments on March 6, 1985, charging seven individuals with the submission of false statements to HUD from 1980 to 1984 to obtain excessive housing allowance benefits. The indictments contained a total of 25 counts and charged that the beneficiaries of the program had misrepresented their family income on benefit recertification documents causing a direct assistance overpayment of \$27,259.

A former tenant of the Atlanta, Georgia Housing Authority was sentenced on January 15, 1985, for submitting false employment verifications to HUD to obtain unauthorized rental assistance totaling \$10,485. She was placed on probation for 5 years and ordered to make full restitution to the Housing Authority.

A New York City policeman was indicted by a Federal Grand Jury on January 3, 1985, on 26 counts of grand larceny, criminal possession of a forged instrument, and falsification of business records in connection

with his receipt of nearly \$9,500 in rental assistance. The individual's annual income verification forms, which understated his income, were allegedly signed by non-existent persons or persons not employed by the New York City Police Department.

A tenant, who also was employed by the San Francisco Housing Authority, was indicted by a Federal Grand Jury on January 10, 1985, for submitting false statements to HUD to receive subsidy payments. The two-count indictment charged that the tenant failed to disclose his true employment and income, resulting in a loss to the government of \$8,789.

A tenant in San Francisco, California, was charged by a Federal Grand Jury on February 21, 1985, on four counts of submitting false statements to HUD to obtain rental assistance. From May 1978 to May 1984, the tenant allegedly failed to disclose her true income and family composition, resulting in an overpayment of \$13,087.

A tenant in Brockton, Massachusetts, was indicted on March 27, 1985, on three counts of theft of government property and false statements. The tenant misrepresented her household income on rental assistance certification forms from December 1975 to December 1982, resulting in overpayments in rental assistance totaling \$20,582.

These examples of rental assistance violations further reflect the importance and need for statutory authority to obtain Social Security numbers and have access to State unemployment wage data files. This statutory authority would enable us to do computer matching and enhance quality control in the rental assistance programs. In addition, these violations show the need for a strong quality control system for tenant eligibility. These items are discussed in more detail in Chapter 3, Fraud Control Activities.

Administrative Actions Against HUD Employees

The Senate Committee on Appropriations has indicated in the past that if fraud within government is to be contained and curtailed, then appropriate administrative action must be taken in cases where employees have been found to have acted improperly.

Examples of the 31 administrative actions taken against HUD employees during the semianual reporting period, in connection with investigations, are shown below.

■ A Computer Specialist was suspended for 3 days for engaging in private business-related activities during regular HUD duty hours, creating an appearance of using his HUD office for private gain. The Computer Specialist headed a company which was engaged in presenting training seminars on computer-related procurements. The employee used HUD office facilities to further his private business.

■ A Loan Specialist (Realty) was suspended for 10 days. Investigation disclosed that the employee owned more than six investment properties in violation of HUD Standards of Conduct. The employee also did not seek HUD approval when he obtained a property improvement grant through a City Community Development Block Grant at a time when he had an official business relationship with the City.

■ A Sales and Closing Clerk was terminated from HUD employment after being convicted of public assistance and food stamp fraud. The employee failed to disclose earnings from employment with HUD when obtaining public assistance and food stamps.

■ A Supply Clerk and Secretary (husband and wife) were each suspended for 5 days for falsifying their application for rental benefits. They reported a household income based solely on the husband's employment at HUD. Their participation in the rental assistance program was also terminated.

■ An Attorney-Advisor was determined to have violated the HUD Standards of Conduct in the ownership of rental properties. Investigation disclosed that the Attorney-Advisor owned 22 dwelling units. All but two of the properties were purchased after the employee came to work at HUD. The Attorney-Advisor resigned from Federal employment in lieu of divestiture of the properties.

■ A Secretary resigned her employment at HUD after she pled guilty in Federal Court to

two counts of embezzlement of government funds totaling \$2,869. She was placed on 2 years probation and ordered to make full restitution. She altered copies of travel orders and applications for advance of funds to illegally obtain money from an imprest fund.

■ A Secretary resigned following an investigation which revealed she altered her time and attendance records to collect \$488 in unauthorized overtime and annual leave. She made full restitution upon resigning her employment.

■ An Assignment Clerk was suspended for 2 weeks following an OIG investigation which disclosed that she typed appraisal reports for three fee appraisers for personal compensation. The practice is in violation of HUD Standards of Conduct and had continued after the Clerk was warned that a legal opinion from Regional Counsel should be obtained.

■ An Attorney-Advisor resigned from HUD employment after it was discovered during an investigation that he was not a member of a State Bar Association and, therefore, not qualified to hold his position with the Department.

■ A Multifamily Housing Representative resigned from HUD employment after pleading guilty to a State misdemeanor theft charge. Investigation disclosed that the employee received \$2,050 in Section 8 housing assistance payments to which she was not entitled. Monetary restitution has been ordered by the court.

■ An Equal Opportunity Specialist was suspended for 5 days for misuse of a government vehicle. The employee used a government vehicle on a Saturday and was involved in an accident. Following an OIG investigation, a Federal Magistrate ruled that the

employee used the car outside the scope of his employment and would not be defended by the Federal Government in a lawsuit brought against him. The employee became personally liable for damages caused by the accident.

Chapter 3

Fraud Control Activities

This chapter highlights activities we have undertaken to reduce and prevent fraud. The Secretary and the Principal Staff continue to maintain a high interest in

obtaining the involvement of all Departmental managers and employees in minimizing fraud and abuse.

Tenant Fraud/Rental Assistance Administration

The Office of Inspector General has devoted many of its resources to investigations of tenant fraud and audits of rental assistance administration during the past several years. Our work and other studies have shown that there is a significant problem with HUD's ability to assure that assistance is targeted only to eligible families and in the correct amounts. We estimate that about \$200 million are spent annually on tenants who falsify their eligibility.

Our Office has worked with the Department to find new ways to address these problems. However, progress has been slow. Several projects that were started to address these issues are stalled. Four issues discussed below are interrelated with the problems of verifying eligibility. Most of these have been discussed in previous semiannual reports.

■ **Fraud Reform Legislation.** Since Fiscal Year 1983, we have recommended that new laws be passed that would strengthen HUD's ability to identify and prevent fraud and abuse in rental assistance programs. Our recommendations have been aimed at eliminating legal obstacles to developing and conducting computer matching projects which would detect program participant fraud. Generally, the legislative proposals would require program participants to provide Social Security numbers or employer identification numbers, as well

as to sign consent forms allowing their eligibility for HUD programs to be verified with government agencies or private sources. The legislation also proposes authorizing State unemployment agencies to release certain income information to HUD.

In November 1983, the House Subcommittee on Housing and Community Development held a hearing on "Public Housing Income Verification" (Report Serial No. 98-56). Since then, the Department has resubmitted the proposals in its 1986 budget. These proposals are contained in S. 667 and H.R. 1870, introduced in March and April 1985, respectively. We believe passage of these proposals is critical to any systematic approach to stopping tenant fraud. Chapter 2, Investigation Activities, and this chapter contain examples of tenant fraud discovered during this reporting period. This chapter also discusses the results of some computer matches that were possible because of the voluntary assistance of some States and agencies.

■ **Quality Control System for Tenant Eligibility.** In addition to fraud, rental assistance programs are prone to administrative errors. In 1983, HUD's Committee on Fraud, Waste, and Mismanagement found that HUD's present monitoring of tenant eligibility is conducted in a non-scientific manner. Consequently, there is no reliable

statistical data being collected in HUD reviews; no regional or national data on error rates; and no systematic way for determining what area of program administrators' performance should be examined or focused on for improvements.

HUD's Committee on Fraud, Waste, and Mismanagement found a need for an improved method of evaluating the quality of tenant eligibility determinations being made in HUD's Assisted Housing Program. The Committee recommended that a quality control system be developed to monitor program administrators' compliance with HUD regulations.

On February 16, 1984, the HUD Secretary approved the Committee's recommendation. A task force was established, under the leadership of the then Under Secretary, to assess various options for the system's implementation. The task force completed a draft report in November 1984 that included recommendations for the design features of the proposed system. The then Under Secretary did not act on the report before he left the Department. The issue will be raised with the Under Secretary-Designate.

■ **Automated Data Base.** HUD does not have an automated data base of tenant characteristics. For computer matching and quality control to be possible (in addition to other statutory and administrative requirements, such as racial discrimination monitoring and program analysis and management), HUD needs to receive data from the forms completed by tenants. The Department has

had problems in designing the automated system and supporting its development. The Offices of Administration and Housing have recently led efforts of a Departmental task force which call for the development and orderly phase-in of operations. An automated system is another important element in a systematic approach to program and payment integrity. We have supported this task force and encourage the Department to assure that proper resources are allocated to this system.

■ **Ineligible Aliens.** In 1981, Congress enacted a law that prohibited HUD from providing housing assistance to certain aliens. The Secretary placed a high priority on developing implementing regulations. In October 1982, final regulations were published but did not contain an effective date. No date had been published by November 1983, when Congress passed the Housing and Urban Recovery Act of 1983, which ordered the Secretary not to implement the 1981 law until January 1985. That date has passed and the Department has not yet published the effective date for the regulations. Our surveys and discussions with the Immigration and Naturalization Service lead us to conclude that a significant amount of HUD subsidies are going to illegal aliens. Without an effective date for the regulations, illegal aliens are eligible for HUD housing assistance. We have continued to encourage HUD's Office of General Counsel to implement these regulations because of their potential impact on the availability of units for needy and eligible recipients.

The Department's managers and Members of Congress can help eliminate abuse in housing assistance programs by supporting these legislative and administrative efforts. Other departments with needs-based

programs have long benefitted from these types of initiatives. We will continue to encourage HUD to modernize its requirements and systems to address these issues.

Computer Matching

Computer matching is the automated comparison of information from two or more data sources. Discrepancies which are found are examined to determine the cause.

In many of HUD's assistance programs, applicants supply information, such as income and family composition, which is used to determine the amount of assistance they receive. If they underreport or do not report income or other benefits they are receiving (such as food stamps, welfare, or Medicare), they may receive assistance to which they are not entitled. In the past, it was difficult to determine which individuals supplied false information. It was time-consuming and seldom cost-effective to spot check hundreds or thousands of applicants. However, computer matching makes it feasible to compare applicants' information with State wage data, unemployment compensation figures, food stamp benefits, and other income/benefit sources. The following are some examples of successful computer matching.

■ At a Memphis, Tennessee housing project, we compared the income that tenants reported to the management agent with unemployment wage data files from the State of Tennessee. This match identified 29 tenants who appeared to have provided false information about their family income. The ex-

cessive housing assistance they received was estimated to be \$71,000. These cases have been referred to investigative authorities for further action.

■ We performed a computer match of records maintained by the Athens, Georgia Public Housing Authority with wage and unemployment compensation data from the State of Georgia. We identified 57 tenants who did not report all their income. As a result, these tenants had received over \$145,000 in excess housing assistance. These cases have been referred to investigative authorities for further action.

■ A similar wage comparison in Kansas City, Kansas, and Kansas City, Missouri, identified 22 tenants who received excessive housing assistance totalling about \$48,000. Two of these tenants were Federal employees, and four were Federal retirees. These cases have also been referred to investigative authorities. The Department of Agriculture, which assisted us in obtaining the data, also did a computer match to determine if recipients were receiving excess food stamps.

■ We assisted the Department in developing a computer match to identify Federal employees and retirees who had not repaid their Title I property improvement/manufactured home loans.

HUD files were matched against Office of Personnel Management records. This showed that over 1,100 active and retired civilian employees had defaulted on their Title I loans. Many of these debtors had not

established repayment schedules. HUD is notifying them that their salaries or annuities will be offset to repay the loans. In the Washington, D.C. area alone, 120 individuals owe nearly \$400,000.

Committee on Fraud, Waste, and Mismanagement

The Committee on Fraud, Waste, and Mismanagement (CFWM) was established in 1978 to coordinate the Department's efforts to minimize fraud, waste, and mismanagement in HUD programs. The Committee serves as a policy advisor to the Secretary on matters relating to improving the quality and effectiveness of all HUD programs and activities. The Committee consists of HUD officials designated by Principal Staff and is chaired by the Inspector General. The following are some of the CFWM's projects:

1. Multifamily Loan Management

This project was undertaken to address concerns about the Department's servicing of multifamily project mortgages. The Committee researched past audits and other studies of the loan management program and found that many of the problems previously cited still apply to multifamily loan management today. The Committee made these recommendations for improving loan management:

- Adjust or reduce the workload of loan servicers and provide adequate clerical and technical support and better automated systems.

- Provide loan servicers with guidance on the goals and objectives of multifamily loan management as well as up-to-date procedural instructions and streamlined work methods.

- Provide loan servicers with specialized training in the transfer of physical assets and in general financial analysis.

- Establish a uniform method of approving management agents and evaluating their performance.

- Improve the servicing of HUD-held projects.

- Ensure management support of Field Office decisions to impose sanctions on mortgagors and agents.

The Committee suggested that a written plan of action be developed to implement these recommendations and that corrective actions be reflected in the Department's Management Plan. On April 9, 1985, the report was sent to the Secretary for his consideration.

2. Deterrents to Sound Management of the Public Housing Program

This project was designed to identify deterrents to sound management of the Public Housing Program by local administrators and HUD and was completed during this reporting period.

We coordinated with the Public Housing Authorities Directors Association who developed and sent a questionnaire to their members. The questionnaire was sent to 640 public housing

authorities (PHAs) and to HUD field staff. We asked recipients to rate 20 issues according to how each affected public housing management. Recipients were asked to identify possible causes of the most important problems and to provide recommendations to correct them. The issues ranked highest were: (a) restrictions and requirements regarding evictions; (b) lack of incentives to reduce operating costs; (c) inadequacy of modernization funding; and (d) inadequate policies and procedures.

Legislative proposals for the 1986 budget may address some of these issues. After Congress has acted on HUD's budget, we will reexamine the feasibility of additional work on these issues. The Assistant Secretary for Public and Indian Housing was briefed on the results of this study in January 1985.

3. Model Prevention Plan

In November 1983, the President's Council on Integrity and Efficiency (PCIE) issued a Model Prevention Plan to be used by agency management as a guide for assessing fraud prevention activities and for determining where improvements can be made. In response to a request from the Office of Management and Budget, the CFWM undertook a project to assess HUD's Fraud Prevention Program against the PCIE Model Prevention Plan and to recommend any needed enhancements.

The Committee found that HUD's Fraud Prevention Program compared very favorably with the requirements of the Model Prevention Plan. However, it also identified improvements which could be

made to enhance the program. These improvements included implementing a quality control system for tenant eligibility, pursuing legislation to facilitate computer matching, issuing new regulations on administrative sanctions, and making changes to HUD's Fraud Vulnerability Assessment System. Our office is assisting the Office of Management and Budget in a governmentwide review of the Plan's implementation. See Chapter 4, Cooperative Efforts, for additional details.

4. Review of Contract Revisions in the Section 8 Moderate Rehabilitation Program

At the request of the Headquarters Committee, the Seattle Regional CFWM undertook this project to propose modifications to the Housing Assistance Payments (HAP) contract and other HAP documents. These modifications would allow adjustments to contract rents that were originally miscalculated. After reviewing recent audits, the Seattle CFWM made the following recommendations:

- Change the HAP Contract to: (a) provide clear authority to adjust contract rents or terminate the HAP contract; (b) provide clear guidance for those situations where units are found to be ineligible; and (c) allow for retroactive adjustments in contract rents.

- Change the HAP Agreement and Annual Contributions Contract (ACC) so they are consistent with the HAP Contract.

- Amend the ACC between HUD and the public housing authority (PHA) to provide for a specific condition of default due

to the failure of a PHA to enforce directives from HUD concerning contract adjustments.

■ Develop a policy for appropriately adjusting contract rents for projects that are audited under the existing contract language.

The report was forwarded to the Secretary in January 1985. Since that time, the Office of General Counsel (OGC) has issued a legal opinion which indicated that HUD has the authority to retroactively adjust miscalculated contract rents at one project in Winston-Salem, North Carolina. Three other opinions are pending on similar cases. The Committee believes that future contracts should be amended to avoid case-by-case determinations and will meet with OGC to discuss the report recommendations. There are approximately 30,000 units in the program that still could be affected by changes in the contract language.

5. Report History System

The objective of this project was to design and implement an automated data base to iden-

tify previous Departmental studies and reports done by HUD and outside organizations. Past efforts to identify potential projects have not made full use of previously completed work in the Department, because there was no central point for listing completed work such as audits, management reviews, special studies, internal control reviews, and GAO reports. Research groups such as the Committee often have to do extensive and time-consuming background work in order to find the work already conducted on a specific topic. The data base for the Report History System will provide readily accessible information on any previous research on the topic. Data elements of the system will enable a user to identify reports for a specific program area, issue date, source, and geographic location, as well as identify key words in individual reports. The system was designed and backloaded by the Committee. The OIG will keep the system current and provide access to HUD reviewers.

Fraud Awareness Program

During the past six months, we began a comprehensive program to make participants aware of fraud and abuse in HUD programs. Our goals are to inform program participants of how and why fraud and abuse occur and to stress the need for joint prevention efforts.

We have identified seven major organizations that represent many of HUD's program par-

ticipants and are arranging to meet with them. We have discussed this project with executives of the National Leased Housing Association, the National Association of Housing and Redevelopment Officials, and the Institute of Real Estate Management. We recently addressed members of the National Leased Housing Association at their Fifth Annual Assisted Housing Management

Institutes in St. Louis and New York. We will develop a series of newsletter articles, training materials, speeches and

workshops with the information tailored to the specific needs and interests of each organization's members.

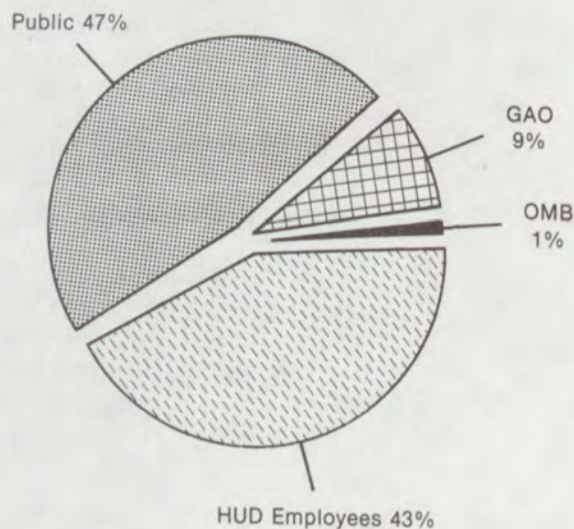
Hotline Activities

HUD hotline complaints originate either from HUD employees or the general public. Complaints are also referred to the Office of Inspector General by the General Accounting Office and the Office of Manage-

ment and Budget. We received 186 complaints during the reporting period.

The following chart breaks down the origin of the 186 complaints.

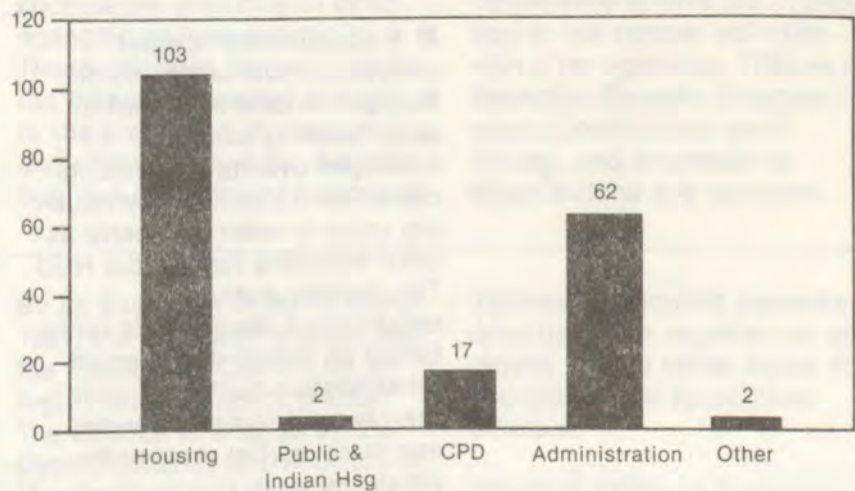
Sources of Hotline Complaints
October 1, 1984 through March 31, 1985



Complaints concern various HUD programs and activities and are reviewed either by the OIG or HUD program staff. The

following chart shows the areas affected and the offices assigned to review and resolve the complaints.

Distribution of Hotline Complaints
October 1, 1984 through March 31, 1985



110 Complaints Reviewed by OIG
76 Complaints Reviewed by Program Staff
186 Total

During this reporting period, 171 hotline complaints were closed. Of these, 52 (30 percent) were valid and resulted in corrective actions. Corrective actions may include imprisonment, fines, recovery of funds, termination of assistance, suspension and debarment from participation in HUD programs, or administrative actions against HUD staff. The following synopses illustrate hotline complaints substantiated during this reporting period:

■ A complainant alleged that the owner of a general contracting firm inflated labor charges on a HUD contract for renovating an apartment complex. An investigation disclosed that the contractor inflated construction costs by falsifying labor charges, padded the

number of employees and hours actually worked for payroll reporting purposes, and altered or forged lien waivers which enabled the contractor to retain money owed to various subcontractors. The contractor pled guilty to submitting false statements to HUD. He was sentenced to 30 days in a work release program, placed on 5 years probation, and debarred from further participation in HUD programs for 3 years.

■ A complainant alleged that a contractor received payment for incomplete work on her home. An investigation disclosed that a contractor submitted false statements on Progress Payment Certifications in order to be paid for work never completed on the complainant's home. The contractor

reimbursed the city \$8,550 and the city escrowed \$34,000 to complete the repair work.

■ A complainant alleged misuse of HUD funds. An investigation disclosed that a local housing authority employee overstated costs incurred for 11 multifamily housing units in order to receive excess matching funds from HUD. The housing authority recalculated the contract rents based on actual documented rehabilitation costs, adjusted the contract rents downward, and removed the responsible employee.

■ A complainant alleged unresponsiveness by a HUD office when they refused to honor a written agreement with her to repair and/or replace certain items in her home purchased from HUD. A review substantiated the allegation and disclosed the purchaser had the repairs made at her own expense. The purchaser will be credited the amount of her expenditures on her closing statement.

■ The following typify the complaints we receive on a recurring basis concerning ineligible tenants' residing in subsidized housing or making false statements to obtain Section 8 housing assistance payments:

- A tenant failed to report total household income resulting in overpayments in the amount of \$6,751. The tenant will make restitution to HUD for that amount.

- An investigation disclosed that a tenant was ineligible for Section 8 subsidy based on total household income and composition. The tenant falsified her ap-

plication for Section 8 housing assistance by failing to declare the income of two adults who were residing in the unit. The subsidy recipient was terminated from the Section 8 Program and claims collection action has been initiated to collect the overpayment of \$2,360.

- An investigation determined that a Section 8 tenant submitted a false statement to HUD relative to her family composition in order to qualify for housing assistance. The Section 8 tenant vacated the apartment and has agreed to reimburse HUD \$2,729 in overpaid assistance.

■ Complaints are received concerning employees who may have violated HUD Standards of Conduct. Some examples of valid complaints are:

- Several allegations have been substantiated regarding misuse of a government telephone, i.e., using the telephone to make personal calls. As a result, employees have received verbal or written reprimands and been required to reimburse the Department for the cost of the telephone calls.

- A complainant alleged abuse of time and attendance procedures. An investigation disclosed that an employee failed to make up compensatory time taken off for religious holidays. The employee was charged annual leave for the days in question.

- A HUD employee received a reprimand for accepting wedding gifts from individuals doing business with HUD and for abusing time and attendance procedures.

Chapter 4

Cooperative Efforts

We participated in several cooperative efforts with other agencies and organizations. These activities, as required by the Inspector General Act, relate to the promotion of economy and efficiency and the prevention and detection of fraud and

program abuse. These cooperative efforts are in addition to our regular activities with other agencies, Offices of Inspector General, Congressional Committees, audit forums, and professional organizations and societies.

President's Council on Integrity and Efficiency

By an Executive Order in March 1981, the President established the President's Council on Integrity and Efficiency (PCIE). The Council is chaired by the Deputy Director of the Office of Management and Budget and consists of the Deputy Attorney General, the Director of the Office of Personnel Management, the Executive Assistant Director of Investigations of the FBI, all statutory Inspectors General, and other key officials. The PCIE was established as an integral part of a broad plan to attack fraud, waste, and inefficiency in Federal programs. The following are some of the PCIE projects in which our office participated during the 6-month reporting period:

1. Model Prevention Plan Follow-Up

The PCIE Prevention Committee is conducting a follow-up evaluation to determine the progress made in implementing the PCIE's Model Prevention Plan. Last year, the Office of Management and Budget (OMB) sent the plan to departments and agencies and requested they use it as a model for developing their own comprehensive strategy for prevention activities.

The plan is designed to: (a) reduce fragmentation and duplication of existing prevention activities; (b) increase the effectiveness of individual in-

itiatives by allowing agencies to draw upon the experiences of others; and (c) better focus accountability on appropriate officials.

The HUD Office of Inspector General is leading a work group to evaluate whether each agency has: (a) inventoried its existing prevention efforts; (b) adopted a prevention plan; (c) placed responsibility for carrying out the plan at a senior staff level; and (d) begun to implement the program with the support of the agency head. The work group has asked agencies to submit documentation supporting their efforts and will assess the extent to which the four criteria have been met. For additional details see Chapter 3, Fraud Control Activities.

2. Communications and Awareness

The PCIE Communications and Awareness Committee, during the HUD Inspector General's tenure as Chairman of the Committee, collected information from the PCIE membership on projects and publications used by the Offices of Inspector General to disseminate fraud awareness information to program participants and to agency employees. This information was summarized and distributed to facilitate the exchange of information within the IG community. During this reporting period, the Committee worked

with the Federal Bureau of Investigation to present a session on Media Relations at the PCIE conference. Our office also coordinated the preparation of the PCIE's Semiannual Report to the President and assisted OMB in preparing a summary report on the PCIE's efforts and accomplishments during the last 4 years.

3. Cooperative Efforts with Federal Contractors

The purpose of this project is to identify joint efforts that can be undertaken by Federal contractors and Inspectors General to prevent and detect fraud by contractor employees. Members of the Prevention Committee and representatives from private industry produced a video cassette on "Integrity in Government Contracting" which is aimed primarily at middle and senior level managers in firms doing contract work for the Federal Government. The group also prepared an accompanying pamphlet. These materials can be used at the option of PCIE

members to help private industry develop their own fraud awareness programs.

4. Front-End Eligibility Verification

This project is designed to help prevent erroneous benefit payments by encouraging all States to exchange information about automated verification systems. A multi-agency group surveyed the States regarding prepayment automated techniques they use to verify eligibility for four major benefit programs: Aid to Families with Dependent Children; Food Stamps; Medicaid; and Unemployment Insurance. From this survey, a draft catalog of front-end eligibility verification applications was completed. It includes data about the kinds of front-end techniques in all 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. The catalog will help States comply with the forthcoming income and eligibility verification regulations of the Deficit Reduction Act.

Intradepartmental Projects

1. OMB Circular A-123 and the FMFIA

The Assistant Secretary for Administration is responsible for HUD's implementation of OMB Circular A-123, "Internal Control Systems," and the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The Office of Inspector General has provided technical advice and consultation to the Office of Administration to carry out these responsibilities.

During the first half of Fiscal Year 1985, we provided technical assistance to the Of-

fice of Administration in: (a) preparing the annual report to the President and the Congress as required by the FMFIA; (b) revising the preliminary review guide; (c) updating the assessable unit inventory; (d) commenting on the newly developed quality review process; (e) reviewing selected aspects of about 100 preliminary reviews; and (f) initiating a process to conduct internal control reviews of major highly vulnerable programs.

Our Office conducted a joint review with the General Accounting Office to validate the

results of the processes established by HUD last fiscal year. See "Interagency Projects" in this chapter for more details.

2. OMB Circular A-127, Financial Management Systems

The Assistant Secretary for Administration is also responsible for HUD's implementation of

OMB Circular A-127, "Financial Management Systems." In addition to providing technical advice and consultation, the Office of Inspector General helped the Office of Administration develop the initial policy directive that was sent to the Office of Management and Budget in March 1985.

Interagency Projects

1. Joint Review with the General Accounting Office

Our Office of Audit and the General Accounting Office (GAO) performed a joint review of the Department's second year implementation of OMB Circular A-123, "Internal Control Systems," and the Federal Managers' Financial Integrity Act of 1982. The Circular and the Act require an annual assessment of internal control systems throughout the Federal Government.

The joint review for Fiscal Year 1984 was conducted to enable the OIG and the GAO to carry out similar audit assignments, while avoiding a duplication of effort. Our review was required for the Secretary's use in preparing his annual statement to the President and the Congress on the adequacy of HUD's internal control systems. The GAO effort was required as part of a governmentwide review of the implementation of the Act covering 23 Federal agencies. The joint review was performed in three major organizational areas within HUD: Housing; Community Planning and Development; and Administration. The review was conducted

in Headquarters and the Atlanta, Chicago, and Seattle Regions.

In our November 19, 1984 report to the Secretary, we advised that HUD had not completed its internal control evaluation process and could not provide the assurances required by the Circular and the Act. We found that: (a) vulnerability assessments were inadequately documented because Field Office preparers did not receive sufficient training and guidance; (b) HUD managers did not have internal control responsibilities in their performance standards; and (c) HUD's internal tracking and follow-up system for corrective actions lacked independent verification.

We recommended that the Department take a number of actions designed to strengthen its internal control process, including: (a)²implementing quality control procedures; (b) reassessing training courses; (c) requiring adequate documentation for preliminary reviews; (d) ensuring that HUD managers are knowledgeable of and responsible for internal controls; and (e) implementing a system to follow up on corrective actions.

Chapter 5

Review of Legislation and Regulations

We reviewed legislative proposals, regulations, and other issuances relating to the economy and efficiency of programs and operations and the prevention and detection of fraud and abuse.

Some of the more significant legislative proposals, regulations, and other issuances with which we are concerned are described as follows:

Legislation

H.R. 1, Housing Bill for 1985, reaffirms the principle that decent and affordable shelter is a basic necessity and provides additional housing assistance for the homeless and for persons of low and moderate income who lack affordable, decent, safe, and sanitary housing.

Overall, we feel that parts of the Bill would further complicate the administration of the Low-Rent Housing Program in general and the Performance Funding System (PFS) in particular. Considering recent Departmental staffing reductions and the complexities of the Low-Rent Program, we feel both the Department and Congress should examine ways to simplify the program. Our comments are based on our recent audits of the PFS and 16 financially troubled public housing authorities (PHAs).

Our concerns are:

- Requiring the submission of each notice or handbook to one or two committees prior to issuance seems unnecessary and cumbersome. Such a requirement would be burdensome to the Department and add to issuance processing time.

- If income referred to includes interest income generated from sources other than tenant contributions, modernization and subsidy funding included in the PHA's cash account would have to be excluded in determining

interest income. These funds should be included in subsidy computations because of the large amounts of money involved and the fact that they are obtained from HUD.

- Reference to costs beyond control should be deleted from the current legislation. This provision would only contribute to waste and mismanagement because there is no clear definition of the term.

- While PHAs should not be paid for extended vacancies, the PFS should include an allowance for normal turnaround time when a tenant vacates a unit.

- The Bill should include a provision that would authorize the Secretary to require Social Security numbers as a condition of initial or continuing eligibility for HUD assistance. Also, a provision should be added which would permit State unemployment agencies to disclose income information to the Secretary or PHAs to verify eligibility or level of benefits. These two provisions were the subject of a subcommittee hearing on November 16, 1983 (Serial No. 98-56), and were legislatively enacted for both the Food Stamp and Aid to Families with Dependent Children Programs. They were also recommended by the HUD Office of Inspector General, the General Accounting Office, and the Grace Commission.

The proposed Homeless Assistance Act of 1985 provides assistance to the homeless through emergency food and shelter, renovation and conversion of facilities for use as shelters, and the provision of housing and services in the transition to independent living. We had the following comments:

■ To allow for a smooth transition from the Federal Emergency Management Agency (FEMA) to HUD, a representative from HUD should be included on the national board prior to HUD's taking over on or before March 30, 1986. The Act should

state that the board shall consist of eight members, including a representative from the Department of Housing and Urban Development.

■ It is unclear whether FEMA, HUD, or both would be responsible for conducting an audit of program funds awarded to the national board.

■ The limit of 2 percent for administrative costs appears to be overly restrictive. The limit should be raised, especially in the start-up years. More importantly, a definition of "administrative costs" should be included.

Regulations

Proposed Final Rule 24 CFR Part 990 establishes new conditions under which a public housing authority (PHA) may use a projected occupancy percentage of less than 97 percent in computing its per-unit operating expense level under the Performance Funding System (PFS). These changes enable a PHA to maximize its total income by reducing its vacancies. Although certain provisions in the existing rule which created disincentives for reducing vacancy rates are eliminated, we nonconcurred in the proposed Final Rule for the following reasons:

■ The Rule makes the PFS even more detailed and complex under the guise of providing PHAs with an incentive for reducing vacancies. We believe the best incentive is not to pay a PHA subsidies for vacant units rather than establishing a list of exceptions under which the PHAs should receive sub-

sidies for vacant units. The Rule also introduces confusing new calculations and terminology such as projected occupancy percentage, high occupancy PHAs, low occupancy PHAs, high occupancy PHAs but for on-schedule modernization, reasons beyond control (as distinguished from costs beyond control), allowable vacancy rate, and comprehensive vacancy plan.

■ Our audits have shown that PHAs have great difficulty in implementing the PFS as it is currently structured and may not be able to handle the complexities of this Final Rule. In addition to the problems PHAs have in implementing the current PFS, HUD has provided little related assistance and has performed practically no monitoring of the PFS to assure that it is being implemented properly. With the recent passage of the Single Audit Act, HUD cannot dictate the extent of an In-

dependent Public Accountant's coverage of the PFS during a PHA audit. We believe that the proposed Final Rule gives poor-

ly managed PHAs a greater opportunity to take advantage of the PFS to the detriment of well-run PHAs.

Other Issuances

HUD Handbook 000.2 REV-1, HUD Directives System, governs requirements for publishing, maintaining, and cancelling HUD handbooks, notices, and special directives. The Directives System Handbook outlines the official means of issuing policies, requirements, procedures, and guidance on HUD programs. We nonconcur in the issuance of this Handbook because it does not require OIG participation in the clearance of all new or revised directives. The Inspector General Act of 1978 requires that we perform this function.

The HUD Notice on the Government Travel and Transportation Expense Payment System implements the Federal Property Management Regulations, Temporary Regulation A-25. The General Services Administration developed the Travel and Transportation Expense Payment System to reduce administrative costs, simplify payment methods, and improve service for Federal employees who travel on official business. This system is comprised of credit cards and Government Travel System (GTS) accounts.

We nonconcur in the Notice because we believe voucher processing and payment time in the Department may not assure that employees will not have to use personal funds to pay credit card bills.

We suggested that the Department specifically provide that employees who file vouchers

promptly (within 5 days) will not have to pay for reimbursable charges from their own funds. To accomplish this, travel vouchers must be paid within 15 calendar days and, if not, a procedure should be established to: (1) advance the employee the amount of the outstanding unpaid voucher; or (2) permit the employee additional time to pay credit card bills without any adverse action being taken against the employee.

HUD Handbook 2361.22, Simplified Procurement System (SPS) ADP Terminal Operators Handbook, contains operating instructions for SPS processing under a demand full-screen, on-line interactive terminal entry system.

Although we had major reservations with the issuance of this Handbook, we concurred with the following comments:

- The new General Administrative Accounting System and the SPS duplicate each other in some areas. The Office of Administration should develop a single integrated procurement and accounting system to meet the needs of both the Offices of Procurement and Contracts (OPC) and Finance and Accounting.

- The Handbook should describe segregation of ordering and receiving functions, the authorization for entry of receiving data by OPC, and the role of the end users in acceptance of goods and services delivered.

This is especially important because the OPC staff may be able to initiate purchase orders and receive goods or services. These functions should be separated, thereby precluding an internal control deficiency.

■ A separate document containing only the limited information needed by dock personnel would in itself be a control in preventing unauthorized system access.

■ Cash converted receivables from 1992 to 1993. This figure reflects \$1 million in receivables in 1992 and \$1 million in 1993.

■ Cash converted receivables from 1993 to 1994. This figure reflects \$1 million in receivables in 1993 and \$1 million in 1994.

■ Journalizing will be used to create an audit trail, but the Handbook does not discuss how and when this data will be used. We suggested that this Handbook assign responsibility for use of this data. Detailed procedures on how and when the data will be used should be described in a separate document made available only to the person(s) who use the automated journal.

■ Cash converted receivables from 1994 to 1995. This figure reflects \$1 million in receivables in 1994 and \$1 million in 1995.

■ Cash converted receivables from 1995 to 1996. This figure reflects \$1 million in receivables in 1995 and \$1 million in 1996.

Follow-Up On Audit Findings

We reviewed the internal control findings listed in the 1992-1993 audit report. The findings were categorized into three groups: (1) findings that were corrected, (2) findings that were not corrected, and (3) findings that were not corrected but were being corrected. We found that the findings that were corrected were corrected by the time of the 1993-1994 audit. The findings that were not corrected but were being corrected were corrected by the time of the 1994-1995 audit.

The findings of the 1992-1993 audit were corrected by the time of the 1993-1994 audit. The findings that were not corrected but were being corrected were corrected by the time of the 1994-1995 audit.

We recommended that the findings that were not corrected but were being corrected be corrected by the time of the 1995-1996 audit. We also recommended that the findings that were not corrected but were being corrected be corrected by the time of the 1996-1997 audit.

Chapter 6

Requests for Information or Assistance

As required to be reported by law, the following describes any instances in which information or assistance requested by the Inspector General was

unreasonably refused or not provided. It also includes cases during the reporting period in which we exercised subpoena authority.

1. Unreasonable Refusal or Non-Provision of Requested Information or Assistance. No instances were reported to the HUD Secretary during the semiannual reporting period.

Three of the subpoenas were issued with respect to investigations, and one was issued in connection with audits.

2. Subpoenas Issued. During the reporting period, we found it necessary to exercise our subpoena authority four times.

Since the passage of the IG Act, we have, to date, issued a total of 96 subpoenas. It has been necessary to seek enforcement in District Courts 11 times.

Chapter 7

Audit Resolution

The Inspector General Act requires the reporting of all significant recommendations described in previous Semianual Reports to Congress which remain unresolved and for which corrective action has not been completed.

The Supplemental Appropriations and Rescission Act of 1980 and the Appropriations Act of 1981 require that any audits involving questioned costs be resolved within 6 months.

Cash Recoveries

Office of Inspector General and non-Federal audits of HUD program participants were instrumental in recovering and reprogramming significant amounts of improperly used funds and identifying possible waste, noncompliance, and program abuse. Highlights for the 6-month period are as follows:

- Cash recoveries resulting from audits - \$27.2 million. This figure includes \$1 million not recorded in prior periods.

- Questioned/disallowed costs

sustained by HUD management - \$44.5 million. This figure includes \$2.6 million not recorded in prior periods.

- Cost Efficiencies - \$22.7 million. A cost efficiency is an action by management in response to the Inspector General's recommendations to prevent improper obligation or expenditure of funds or to avoid further unnecessary expenditures.

- Value of unresolved audit findings - \$75.8 million.

Follow-Up On Audit Findings

We reviewed monetary audit findings agreed to by HUD program officials to determine whether HUD program management complied with the Department's procedures for collecting sustained costs. Our review determined that HUD had not pursued implementation of corrective action on monetary audit findings. We found that: (1) Field Office staff did not take adequate follow-up actions on 107 findings with a total dollar value of about \$40.9 million; (2) Headquarters staff did not take adequate follow-up actions on 12 of 64 findings referred to Headquarters valued at \$2.9 million; (3) \$5.1 million in recoveries, write-offs, or other disposition actions relating to sustained monetary audit findings had not been reported to

the Office of Inspector General (OIG); and (4) Headquarters staff could not locate several claims resulting from audit findings referred by Field Offices for further collection activities.

We recommended that: (1) a system be designed and implemented for tracking collections of all amounts sustained as a result of audit findings; (2) the appropriate HUD handbook be revised to provide instructions on the system; (3) internal controls over referral of audits to Headquarters be improved; (4) the current method of notifying the OIG of recoveries be either reevaluated or reemphasized to HUD staff; and (5) recoveries or other disposition of sustained costs be reported promptly to the OIG.

The following synopses highlight the amounts of claims outstanding, the last actions taken by management prior to this current review, and the action official currently responsible for assuring that collection actions are taken. We determin-

ed that timely and effective actions to collect these outstanding claims had not been taken during the current reporting period. These claims were also identified in the last reporting period as having inadequate follow-up actions.

**Audit Report
Title and Number**

Synopsis

Jen-Kel, Incorporated
Management Agent
Brooklyn, New York
Audit Period: 5/29/79-11/22/81
83-NY-215-1026 Issued 4/29/83
Responsible RA:
Joseph D. Monticciolo

Claims due HUD of \$107,431 (questioned) were agreed to by management in June 1983. No action has been taken since August 1983, and the claims remain outstanding.

Philadelphia Housing Authority
Philadelphia, Pennsylvania
Audit Period: 10/1/74-3/31/79
80-PH-201-2028 Issued 12/28/79
Responsible RA:
Kenneth J. Finlayson

Claims of \$26,960,548 were agreed to by management in September 1981. In December 1981, \$287,977 were recovered. In May 1982, an additional \$81,500 were sustained. The Authority paid \$71,135 due HUD on March 6, 1985. Regional Office management has had telephone conversations with the Headquarters Office of Public and Indian Housing to develop new strategies to resolve the outstanding \$26.6 million claim due the program. To date, they have not agreed on a specific course of action.

Wilmington Housing Authority
Low-Income Housing Program
Wilmington, Delaware
Audit Period: 4/1/77-8/31/79
80-PH-202-1019 Issued 6/20/80
Responsible RA:
Kenneth J. Finlayson

Claims totalling \$1,066,793 were established during September and October 1981. This amount was reduced by \$741,851 through collection or supporting documentation. The balance of \$324,942 (\$196,415 due project, \$128,527 due HUD) remains outstanding. Management expects to receive documentation from the Housing Authority which may support a request for reversal of the \$128,527 due HUD. The Housing Authority does not have a continuing source of non-project funds to repay the balance of \$196,415 due the project. As a result, management intends to request collection guidance from Headquarters.

Wilmington Housing Authority
Low-Income Housing Program
Wilmington, Delaware
Audit Period: 4/1/82-3/31/83
83-PH-201-1025 Issued 9/30/83
Responsible RA:
Kenneth J. Finlayson

Claims of \$261,415 due project were established in December 1983. Repayment was to be accomplished in 24 installments commencing in April 1984. Reimbursement has been suspended while the Authority attempts to identify additional eligible development costs that would reduce the payable amount.

**Audit Report
Title and Number**

Synopsis

City of New Orleans
Model Cities Program
New Orleans, Louisiana
Audit Period: 8/1/72-1/31/75
76-FW-257-2001 Issued 3/1/76
Responsible HQ Official:
Alfred Moran, Assistant
Secretary for Community
Planning and Development

A claim due HUD of \$1,583,300 was agreed to by management in June 1979. The claim was transferred to the Departmental Claims Collection Officer in August 1981 and to the Office of General Counsel for possible litigation in May 1983. The Office of Block Grant Assistance is currently obtaining the views of the Office of General Counsel with respect to involving the Department of Justice in litigation to recover the amounts in question.

Niles Township (Final Audit)
Niles Township, Michigan
Audit Period: 9/3/76-5/31/82
82-CH-243-1079 Issued 8/20/82
Responsible HQ Official:
Alfred Moran, Assistant
Secretary for Community
Planning and Development

Claims due HUD of \$164,065 were agreed to by management in November 1982. The claims were transferred to the Departmental Claims Collection Officer in June 1983, who transferred the claims to the Office of General Counsel in July 1983. In January 1984, the General Counsel transferred the claims to the Office of Block Grant Assistance. The Office of Block Grant Assistance is currently obtaining the views of the Office of General Counsel with respect to involving the Department of Justice in litigation to recover the amounts in question.

Audit Findings

Following are statistics on the inventory of open audit findings and the activity during the reporting period:

■ Audit findings unresolved at 10/1/84 - 1,464

■ Audit findings issued during the period - 2,439

■ Audit findings resolved during the period - 2,749

■ Audit findings unresolved at 3/31/85 - 1,154

■ Audit findings unresolved over 6 months old - 65 (\$47.7 million)

**Previously Reported Items—
Corrective Action Not
Completed**

The Inspector General Act of 1978 requires the Inspector General to identify each significant recommendation described in previous semiannual reports on which corrective action has not been taken. The following

audit reports were identified in previous semiannual reports as having recommendations on which corrective action has not been completed. Target dates for completed action are also shown.

Report Number	Title	Report Issue Date	Target Date
80-SF-244-1018	City of Santa Paula, California - CDBG	7/10/80	6/30/85 7/
82-TS-111-0001	Section 236 Rental Income	11/6/81	6/
82-CH-212-1062	Yellowbird Limited, Xenia, Ohio	5/19/82	3/
82-PH-202-2270	The Philadelphia Housing Authority - Philadelphia, Pennsylvania	5/28/82	1/ 4/
82-TS-111-0008	Management Input Into Processing Multifamily Housing Projects	7/12/82	12/31/86
82-TS-182-0009	Title I - Mobile Home Loans- Special Operational Survey	7/13/82	5/
82-PH-161-0009	Regional Accounting Division Operations	8/11/82	7/
83-FW-203-1006	Housing Authority of Houston, Texas	12/3/82	4/
83-CH-241-1008	Athens County, Ohio	12/23/82	2/
83-CH-212-1028	Mid-Towne Apartments, Cincinnati, Ohio	2/23/83	3/
83-KC-202-1013	Kansas City Public Housing Authority	3/2/83	2/
83-AT-221-1017	Henderson Heights, Ltd.	4/7/83	9/30/85 5/
83-TS-161-0005	Regional Accounting Division Operations	4/28/83	7/
83-BO-202-1013	Providence, Rhode Island Housing Authority	5/6/83	2/
83-TS-145-0007	Lump Sum Drawdowns for CDBG Rehabilitation Financing	5/11/83	4/
83-KC-241-1014	Review of CDBG Program - Kansas City, Missouri	5/13/83	2/
83-SE-201-1004	Housing Authority of Portland, Oregon	6/30/83	6/30/85 7/

Report Staff	Report and Serial	Report Number	Title	Report Issue Date	Target Date
L-88/102	40-112	83-AT-201-1039	Memphis Housing Authority, Low-Income Housing Programs	8/19/83	9/30/85 s/2/
L-88/204	40-204	83-CH-201-1051	Low-Income Housing Program, Detroit Housing Department	8/26/83	s/
L-88/202	40-202	83-TS-111-0016	Flexible Subsidy Funds for Multifamily Projects	9/7/83	9/30/85 s/
L-88/208	40-208	84-BO-257-1001	New Haven Redevelopment Agency, City of New Haven, Connecticut	10/11/83	2/
L-88/208	40-208	84-AT-203-1003	Housing Authority of the Birmingham District, Birm- ingham, Alabama, Section 8 Moderate Rehabilitation Program	10/21/83	4/30/85 s/
L-88/212	40-212	84-BO-212-1005	Third Stone Ridge Cooperative Corporation	12/21/83	2/
L-88/204	40-204	84-TS-101-0004	Income Projections Used by Public Housing Authorities Under the Performance Funding System	1/20/84	s/
L-88/212	40-212	84-TS-122-0005	Title I Property Improvement Loan In- surance Program	1/25/84	s/
L-88/218	40-218	84-NY-241-1013	Community Development Block Grant Program, Municipality of Ponce, Puerto Rico	2/13/84	9/10/86
L-88/218	40-218	84-AT-242-1012	City of Charlotte, North Carolina, Urban Develop- ment Action Grant Program	2/14/84	7/2/85 s/
L-88/212	40-212	84-BO-212-1009	Barbour-Waverly Cooperative Apartments, Inc.	2/28/84	6/30/85 7/
L-88/211	40-211	84-CH-112-0004	Multifamily Project Development Processing, Chicago Regional Office	3/5/84	5/30/85

Report Number	Title	Report Issue Date	Target Date
84-AO-108-0003	Review of HUD's Consolidated Supply Program	3/14/84	3/31/85 ^{10/}
84-CH-182-0006	Compliance with Uniform Relocation Act, Region V	3/29/84	^{9/}
84-CH-241-1011	Community Development Block Grant and Urban Development Action Grant Programs, City of Detroit, Michigan	3/30/84	^{4/}
84-SE-241-1004	Community Development Block Grant Program, City of Portland, Oregon	3/30/84	6/30/85 ^{10/}
84-SE-203-1003	Housing Authority of the City of Bellingham, Washington, Section 8 Moderate Rehabilitation Program	3/30/84	^{4/}
84-AT-203-1021	Winston-Salem, NC PHA	4/18/84	6/1/85
84-AT-201-1019	Memphis, TN PHA - Investment Practices	4/18/84	9/30/85
84-TS-112-0006	Promissory Notes and Working Capital Deposits	5/8/84	4/30/85
84-TS-108-0007	Section 23 Leased Housing	5/15/84	^{8/}
84-PH-202-1018	Baltimore, MD - Section 8	6/7/84	^{2/}
84-AO-171-0007	Monitoring of Cost Controls - GNMA	6/14/84	8/31/87
84-PH-202-1012	Philadelphia, PA - Section 8	6/14/84	^{4/}
84-NY-241-1038	Toa Baja, PR - CDBG	6/15/84	^{2/}
84-SF-201-1019	San Francisco PHA	6/20/84	1/31/86
84-AT-203-1028	Greenville, SC - Section 8	6/29/84	6/30/85
84-TS-113-0009	Monitoring of Multifamily Management Agents	7/3/84	7/1/86
84-TS-142-0010	Use of Consultants - CDBG	7/12/84	^{7/}

Report Number	Title	Report Issue Date	Target Date
84-TS-119-0011	Section 202 Direct Loans	7/20/84	6/30/85
84-AT-203-1033	Dade County, FL - Section 8	8/1/84	6/30/85
84-PH-201-2303	Philadelphia, PA - PHA	8/10/84	^{4/}
84-PH-201-1020	Washington, DC - PHA	8/17/84	^{4/}
84-PH-242-1021	Pittsburgh, PA - CPD	8/30/84	^{2/ 3/}
84-TS-112-0014	Identifying Physically Troubled Projects	9/5/84	4/30/85
84-TS-144-0015	Use of Escrow Accounts - CDBG	9/7/84	5/15/85
84-BO-151-0004	Monitoring of 312 Early Closeout	9/21/84	6/10/85
84-AT-111-0003	Flexible Subsidy	9/27/84	6/30/85
84-TS-145-0017	Cost Allocation Plans - CDBG	9/28/84	10/30/85
85-TS-123-0002	Single Family Bulk Sales	11/30/84	^{4/}

^{1/} Numerous findings were repeated in an audit report issued during a subsequent reporting period.

^{2/} Recovery of sustained monetary amounts is in process.

^{3/} Final corrective actions are pending litigation or investigation.

^{4/} Currently under review by Headquarters officials as prescribed by HUD Audits Management System.

^{5/} Target date extended from previously reported date due to changes in scope or dates for implementing automated systems or delays in obtaining clearance of revised regulations/guidance.

^{6/} Action officials reversed the original decision to adopt the recommendations. The audit findings are reopened.

^{7/} Systems promised to implement the recommended corrective actions were delayed and are a subject of current review.

^{8/} Program officials have not responded.

^{9/} Promised implementation dates not met.

^{10/} Implementation has not been verified.

Resolution of General Accounting Office Findings

HUD managers are responsible for taking appropriate action on the recommendations addressed to the Department in GAO reports. The OIG Liaison with GAO is the focal point for information from Primary Organization Heads on actions promised and/or taken by HUD on GAO recommendations. We furnish the Under Secretary with a quarterly report on the status of corrective actions on all GAO report recommendations. When HUD's response satisfactorily addresses a GAO recommendation or when HUD management nonconcurs in a recommendation for valid reasons, the recommendation is reported as closed. The final authority for

resolving GAO audit findings is vested in the Under Secretary who is HUD's audit follow-up official.

■ Recommendations open at 10/1/84 - 18

■ Recommendations issued during the period - 13

■ Recommendations closed during the period - 14

■ Recommendations open at 3/31/85 - 17

Following is a listing of all unresolved audits which were over 6 months old at the end of the period.

Title	Date Issued	Number of Recommendations
Action Being Taken to Correct Weaknesses in the Rehabilitation Loan Program (FGMSD-79-14)	3/14/79	1
Weaknesses in Servicing and Accounting for Home Mortgages Held by HUD (FGMSD-79-41)	8/16/79	1
HUD Not Fulfilling Responsibility to Eliminate Lead Based Paint Hazards in Federal Housing (CED-81-31)	12/16/80	4
Defaulted Title I Home Improvement Loans (AFMD-82-14)	12/7/81	1
Rental Rehabilitation with Limited Federal Involvement: Who Is Doing It? At What Costs? Who Benefits? (RCED-83-148)	7/11/83	2
Improving Controls Over Rent and Management Fees at Multifamily Housing Projects (RCED-84-118)	4/11/84	5

Appendix 1

Background, Organization, and Staffing

Establishment

The Office of Inspector General (OIG), Department of Housing and Urban Development (HUD), was established on January 29, 1972, and became a matter of law with the signing of the Inspector General Act of 1978, P.L. 95-452, on October 12, 1978.

Role and Authority

The HUD Inspector General heads an independent organization responsible for audit, investigation, fraud control and designated security services relating to programs and operations of HUD.

The Inspector General reports directly to the Secretary of HUD and has authority to inquire into all programs, grants and activities of HUD and related parties. These inquiries may be in the form of audits, surveys, criminal and other investigations, personnel security checks or other inquiries, as appropriate.

Pursuant to the Inspector General Act of 1978, the Inspector General is responsible for providing leadership, supervision and coordination; for recommending policies to promote economy, efficiency, and effectiveness; and for detecting and preventing fraud and abuse in the administration of programs and operations of the Department. In this regard, the Inspector General is responsible for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies in HUD programs and operations, and the necessity for, and progress of, corrective actions.

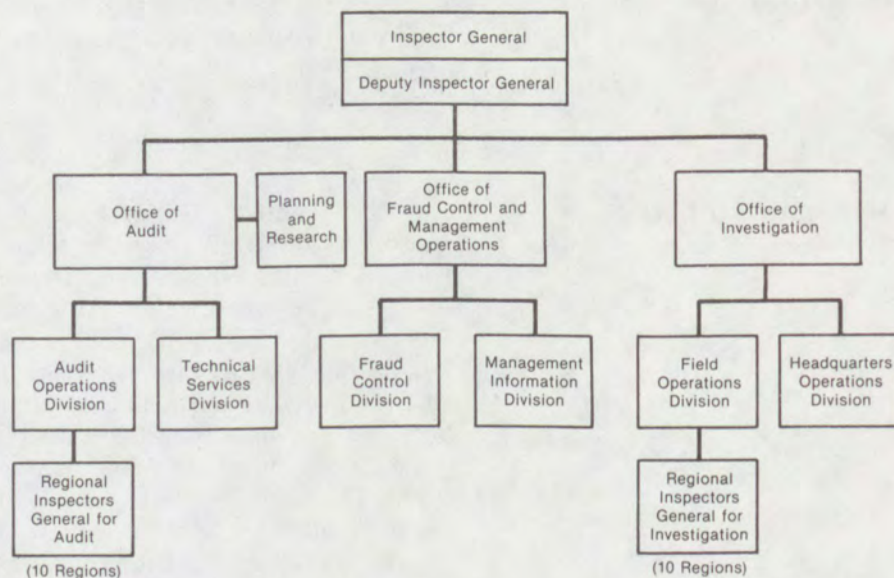
Organization and Staffing

The Office of Inspector General consists of three major offices, each headed by an Assistant Inspector General. These offices are the: (1) Office of Audit; (2) Office of Investigation; and (3) Office of Fraud Control and Management Operations.

Within each of HUD's 10 Regions is a Regional Inspector General for Audit and a Regional Inspector General for Investigation who direct a staff of auditors and investigators, respectively, and who report to the appropriate Assistant Inspector General in Headquarters.

Organizational and Staff Distribution Charts are on the following page.

Department of Housing and
Urban Development
Office of Inspector General



Staffing Distribution
FY 1985

	Headquarters	Field	Total
Inspector General	6	—	6
Office of Audit	43	308	351
Office of Investigation	21	82	103
Office of Fraud Control & Management Operations	35	—	35
Total	105	390	495

Appendix 2

Audit Reports Issued

The Inspector General Act requires the identification of each audit report completed by the Office of Inspector General during the reporting period. The following is a list of these reports.

INTERNAL AUDIT AND SURVEY REPORTS

REPORT NUMBER	REPORT TITLE	ISSUE DATE
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HOUSING

85-BO-112-0004	REVIEW OF MULTIFAMILY PROCESSING ACTIVITIES	03/20/1985
85-CH-101-0002	TURNKEY III HOMEOWNERSHIP OPPORTUNITIES PROGRAM	11/28/1984
85-CH-123-0005	BULK SALES PROGRAM	02/26/1985
85-CH-121-0006	SINGLE FAMILY INSURANCE PROGRAM	03/27/1985
85-DE-101-0001	INTERNAL AUDIT - DEVELOPMENT OF INDIAN HOUSING - DENVER OFFICE OF INDIAN PROGRAMS	03/04/1985
85-FW-101-0003	COMPUTATION OF TARGET INVESTMENT INCOME & ALLOWABLE UTILITY EXPENSE UNDER PERFORMANCE FUNDING SYSTEM	03/01/1985
85-PH-103-0001	FIELD OFFICE MONITORING OF THE SECTION 8 MODERATE REHABILITATION PROGRAM	12/18/1984
85-PH-101-0802	SURVEY ON HUD OVERSIGHT OF PHA MAINTENANCE ACTIVITIES	03/27/1985
85-SE-111-0002	PROPERTY TAXES ON MULTI-FAMILY PROJECTS	12/24/1984
85-SF-121-0002	VALUATION AND MORTGAGE CREDIT SECTIONS AND SHARED EQUITY LOANS	12/19/1984
85-SF-101-0005	FIELD OFFICE MONITORING OF THE LOW INCOME HOUSING PROGRAM	02/22/1985
85-TS-101-0001	PURCHASE OF ADP SYSTEMS BY PUBLIC HOUSING AGENCIES	10/15/1984

REPORT NUMBER	REPORT TITLE	ISSUE DATE
85-TS-123-0002	REPORT ON INTERNAL AUDIT OF THE SINGLE FAMILY BULK SALES PROGRAM	11/30/1984
85-TS-101-0003	PROCUREMENT AND CONTRACTING ACTIVITIES BY PUBLIC HOUSING AGENCIES	12/11/1984
85-TS-101-0005	PROCUREMENT OF INSURANCE AND BONDING COVERAGE BY PUBLIC HOUSING AGENCIES	02/07/1985
85-TS-129-0006	NATIONAL SURVEY REPORT - SELECTION & PERFORMANCE OF FEE PERSONNEL	02/21/1985
85-TS-121-0009	INTERNAL AUDIT OF VALUATION, MORTGAGE CREDIT BRANCHES AND SHARED EQUITY LOANS	03/29/1985
85-TS-101-0804	COLLATERALIZATION OF MONETARY ASSETS BELONGING TO PUBLIC HOUSING AGENCIES IN EXCESS OF INSURANCE COVERAGE	01/28/1985

COMMUNITY PLANNING AND DEVELOPMENT

85-AT-144-0001	SECTION 312 REHABILITATION LOAN PROGRAM	01/11/1985
85-CH-156-0001	EFFECTIVENESS OF URBAN HOMESTEADING PROGRAM	10/25/1984
85-CH-141-0003	SECTION 108 LOAN PROGRAM - COMMUNITY DEVELOPMENT BLOCK GRANT ACTIVITIES	12/20/1984
85-CH-144-0004	SECTION 312 REHABILITATION LOAN PROGRAM	01/30/1985
85-FW-142-0002	APPROVAL & MONITORING OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS ADMINISTERED BY INDIAN TRIBES AND ALASKA NATIVES	01/08/1985

STATE AGENCY	REPORT NUMBER	REPORT TITLE	ISSUE DATE
ADMINISTRATIVE SERVICES DIVISION	85-KC-144-0001	MANAGEMENT OF SECTION 312 PROGRAM	01/11/1985
COMMUNITY DEVELOPMENT DIVISION	85-KC-142-0002	STATE ADMINISTRATION OF COMMUNITY DEVELOPMENT BLOCK GRANT - SMALL CITIES PROGRAM	02/01/1985
URBAN DEVELOPMENT DIVISION	85-TS-143-0007	URBAN DEVELOPMENT ACTION GRANT PROGRAM ADMINISTRATIVE CONTROLS	03/28/1985
SECTION 312 DIVISION	85-TS-144-0008	SECTION 312 REHABILITATION LOAN PROGRAM	03/28/1985
ADMINISTRATIVE SERVICES DIVISION	ADMINISTRATION		
ADMINISTRATIVE SERVICES DIVISION	85-AA-166-0001	COMPUTER SERVICES PROVIDED BY OUTSIDE VENDORS	11/09/1984
ADMINISTRATIVE SERVICES DIVISION	85-AA-166-0802	SURVEY OF FEASIBILITY OF USING AUTOMATED MATCHING TECHNIQUES FOR GOVERNMENT NATIONAL MORTGAGE ASSOCIATION 'PASS-THROUGH' SECURITIES PROGRAM	12/10/1984
ADMINISTRATIVE SERVICES DIVISION	85-AA-166-0803	SURVEY OF PLANNING, CONTROLLING AND USING MICROCOMPUTERS	01/18/1985
ADMINISTRATIVE SERVICES DIVISION	85-AO-169-0002	REVIEW OF HUD'S SECOND YEAR IMPLEMENTATION OF OMB CIRCULAR A-123	11/19/1984
ADMINISTRATIVE SERVICES DIVISION	85-AO-161-0003	REVIEW OF DUPLICATE PAYMENTS IN ADMINISTRATIVE ACCOUNTING AND SINGLE FAMILY MORTGAGE INSURANCE CLAIMS BRANCH	03/12/1985
REGIONAL ACCOUNTING DIVISION	85-BO-161-0001	REGIONAL ACCOUNTING DIVISION OPERATIONS AND RELATED PROGRAMMATIC PRACTICES	11/29/1984

REPORT NUMBER	REPORT TITLE	ISSUE DATE
85-BO-169-0002	REVIEW OF ACTIONS TAKEN FOR SUSTAINED AUDIT FINDINGS	12/31/1984
85-BO-165-0003	REVIEW OF CONTROLS OVER PRINTING SERVICES	01/10/1985
85-FW-161-0001	REGIONAL ACCOUNTING BRANCH OPERATIONS AND RELATED PROGRAMMATIC PRACTICES	11/08/1984
85-PH-169-0801	REVIEW OF ACTIONS TAKEN ON SUSTAINED AUDIT FINDINGS	12/19/1984
85-SE-162-0001	CONTROL OVER RECEIPT & DEPOSIT OF FUNDS - SEATTLE REGIONAL OFFICE AND SPOKANE OFFICE	10/24/1984
85-SF-169-0001	SURVEY - PERSONNEL TIME AND ATTENDANCE REPORTING REGION IX	12/13/1984
85-SF-165-0004	MANAGEMENT AND USE OF MOTOR VEHICLES ASSIGNED TO HUD IN REGION IX	01/18/1985
85-TS-169-0811	COMPLIANCE BY HUD PROGRAM PARTICIPANTS WITH INTERNAL REVENUE SERVICE INFORMATIONAL RETURN REQUIREMENTS	03/29/1985
<i>OTHER</i>		
85-AO-172-0001	SURVEY - OFFICE OF POLICY DEVELOPMENT AND RESEARCH	11/14/1984
85-AO-171-0004	AUDIT OF GNMA'S PROCEDURES FOR SELECTING AND MONITORING SUBSTITUTE ISSUERS	03/19/1985
85-SF-179-0003	MONITORING AND ENFORCEMENT OF LABOR STANDARDS IN REGION IX	01/16/1985
85-TS-179-0010	ACTIONS TAKEN ON SUSTAINED COST AUDIT FINDINGS	03/29/1985

EXTERNAL AUDIT AND ACCOUNTING SYSTEM EVALUATION REPORTS

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
<i>HOUSING</i>			
85-AO-229-1801	CONTRACT PRICE REDETERMINATION MERCANTILE MORT- GAGE CORP.	BALTIMORE MD	10/19/1984
85-AT-214-1002	MULTIFAMILY MANAGEMENT AGENT OTEY'S REAL ESTATE AGENCY	NASHVILLE - DAVIDSON TN	10/19/1984
85-AT-212-1003	MULTIFAMILY MORT- GAGOR OPERATIONS BOOKER GARDENS APARTMENTS	FORT PIERCE FL	10/25/1984
85-AT-212-1004	MULTIFAMILY MORT- GAGOR OPERATIONS CITIZENS HOUSING CORPORATION	MEMPHIS TN	11/14/1984
85-AT-214-1005	MULTIFAMILY MANAGEMENT AGENT AMERICAN DIVERSIFIED ASSET MANAGEMENT CORPORATION	NASHVILLE - DAVIDSON TN	11/19/1984
85-AT-212-1008	MULTIFAMILY MORT- GAGOR OPERATION AUDITS - SECTION 236 VALLEY BROOK APARTMENTS	BIRMING- HAM AL	12/05/1984
85-AT-202-1010	PHA ACTIVITIES - HOUSING AUTHORITY OF THE CITY OF AIKEN	AIKEN SC	12/26/1984
85-AT-211-1011	MULTIFAMILY MORT- GAGOR COST AUDIT SECTION 221 - LEE MANOR LTD.	OWENS- BORO KY	01/15/1985

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-AT-209-1012	SURVEY - COM- PARISON OF STATE WAGE DATA TO FAMI- LY INCOME REPORTED BY TENANTS - ATHENS HOUSING AUTHORITY	ATHENS GA	03/25/1985
85-BO-209-1002	PUBLIC HOUSING AGENCY ACTIVITIES HARTFORD DEPT. OF HOUSING	HARTFORD CT	11/23/1984
85-BO-201-1004	PHA ACTIVITIES - SECTION 8 MODERATE REHABILITATION PROGRAMS BOSTON HOUSING AUTHORITY	BOSTON MA	02/15/1985
85-BO-212-1006	MORTGAGOR OPERA- TIONS SCOTT GARDENS I AND II	WATER- BURY CT	03/08/1985
85-BO-202-1801	PHA ACTIVITIES CLINTON HOUSING AUTHORITY	CLINTON MA	12/17/1984
85-CH-212-1002	MULTIFAMILY MORT- GAGE INSURANCE PROGRAM - CAPITAL SITE MGMT. INC.	CHICAGO IL	11/02/1984
85-CH-212-1006	MULTIFAMILY MORT- GAGE INSURANCE PROGRAM - YELLOWBIRD, LTD.	XENIA OH	01/18/1985
85-CH-212-1008	MULTIFAMILY MORT- GAGE INSURANCE SECTIONS 220 AND 236 CEDAR SQUARE WEST APARTMENTS	MINNE- APOLIS MN	02/28/1985
85-FW-202-1001	LIMITED REVIEW OF THE HOUSING AUTHORITY OF THE CITY OF DAYTON	DAYTON TX	10/25/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-FW-204-1002	SURVEY OF THE HOUSING AUTHORITY OF THE CITY OF AUSTIN	AUSTIN TX	11/20/1984
85-FW-212-1008	MULTIFAMILY MORT- GAGOR OPERATIONS NORTH ACRES APARTMENTS	JONES- BORO AR	01/29/1985
85-KC-214-1003	SUTTER MANAGE- MENT SERVICES, INC.	MISSION KS	01/11/1985
85-KC-209-1004	TENANT INCOME VERIFICATION HOUSING AUTHORITY OF KANSAS CITY, MO. AND KANSAS CI- TY, KS	KANSAS CITY MO	02/14/1985
85-NY-211-1001	MULTIFAMILY MORT- GAGOR OPERATIONS KINGS ROW ASSOCIATES	MIDDLE- TOWN TWP NJ	10/16/1984
85-NY-214-1002	MANAGEMENT AGENT METRO IN- TERFAITH MGMT CORP.	BINGHAM- TON NY	10/23/1984
85-NY-214-1017	MANAGEMENT AGENT INTERSTATE GENERAL CORP.	SAN JUAN PR	12/07/1984
85-NY-203-1044	SECTION 8: MODERATE REHABILITATION N.J. DEPT OF COMMUNITY AFFAIRS	TRENTON NJ	01/17/1985
85-PH-201-1001	PROCUREMENT AC- TIVITIES - NORFOLK REDEVELOPMENT & HOUSING AUTHORITY	NORFOLK VA	10/04/1984
85-PH-203-1005	SECTION 8 EXISTING HOUSING PROGRAM PHILADELPHIA HOUS- ING AUTHORITY	PHILA- DELPHIA PA	02/08/1985

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-PH-212-1801	SURVEY OF MULTIFAMILY IN- SURED PROJECT - SPRING GARDEN APTS.	ALEXAN- DRIA VA	11/27/1984
85-SE-203-1001	SECTION 8 MODERATE REHABILITATION HOUSING AUTHORITY OF SALEM	SALEM OR	02/22/1985
85-SF-212-1001	MULTIFAMILY MORT- GAGOR PRO- GRESSIVE HOME FOR THE ELDERLY	LOS AN- GELES CA	10/04/1984
85-SF-203-1003	SECTION 8 MODERATE REHABILITATION CONTRA COSTA HOUSING AUTHORITY	MARTINEZ CA	11/08/1984
85-SF-214-1004	MANAGEMENT AGENT AMERICAN MANAGEMENT GROUP, INC.	OAKLAND CA	11/16/1984
85-SF-211-1005	MULTIFAMILY HOUS- ING DEVELOPMENT COST AUDIT - WOOD VILLAGE EAST LIN- COLN NEVADA PROPERTIES	SACRA- MENTO CA	12/06/1984
85-SF-221-1006	REPORT OF EXTER- NAL AUDIT SURVEY STATE MORTGAGE COMPANY	SAN JOSE CA	12/17/1984 *
85-SF-211-1007	MULTIFAMILY HOUS- ING DEVELOPMENT COST AUDIT - MARINER'S COVE	SAN DIEGO CA	01/31/1985
85-SF-203-1008	SECTION 8 MODERATE REHABILITATION COUNTY OF LOS ANGELES	LOS ANGELES COUNTY CA	03/11/1985

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-SF-211-1009	COST CERTIFICATION AUDIT THORNSIDE APTS	FRESNO CA	03/19/1985
85-TS-221-1001	NON-SUPERVISED MORTGAGEE WEST AMERICA MORTGAGE COMPANY	DENVER CO	10/09/1984
85-TS-229-1003	TITLE I PROPERTY IM- PROVEMENT LOANS HOME SAVINGS ASSOCIATION	KANSAS CITY MO	10/30/1984
85-TS-229-1004	TITLE I PROPERTY IM- PROVEMENT DEALER LOANS - KANSAS CITY, MO COMMERCE BANK	KANSAS CITY MO	12/05/1984
85-TS-221-1006	NON-SUPERVISED MORTGAGEE ALL VALLEY MORTGAGE COMPANY	FRESNO CA	01/09/1985
85-TS-214-1009	MULTIFAMILY PRO- JECT MGMT AGENT FIRST COLUMBIA MGMT, INC	SEATTLE WA	02/21/1985
85-TS-229-1010	TITLE I LENDER - FIRST NATIONAL BANK OF KANSAS CITY	KANSAS CITY MO	03/14/1985
85-TS-229-1011	TITLE I LENDER UNITED MISSOURI BANK-SOUTH	KANSAS CITY MO	03/18/1985

COMMUNITY PLANNING AND DEVELOPMENT

85-AT-241-1006	COMMUNITY DEVELOPMENT BLOCK GRANT AC- TIVITIES - CITY OF RALEIGH	RALEIGH NC	11/21/1984
85-AT-241-1007	CDBG ACTIVITIES PALM BEACH COUNTY	WEST PALM BEACH FL	11/29/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-AT-241-1009	CDBG ACTIVITIES CITY OF LOUISVILLE	LOUISVILLE KY	12/11/1984
85-BO-249-1003	COMMUNITY DEVELOPMENT BLOCK GRANT AC- TIVITY - CITY OF WORCESTER	WORCES- TER MA	01/03/1985
85-BO-241-1005	COMMUNITY DEVELOPMENT BLOCK GRANT AC- TIVITY - CITY OF PROVIDENCE	PROVI- DENCE RI	03/04/1985
85-BO-242-1007	CDBG ACTIVITY - UR- BAN DEVELOPMENT ACTION GRANT - CITY OF BOSTON	BOSTON MA	03/15/1985
85-BO-249-1008	COMMUNITY DEVELOPMENT BLOCK GRANT AC- TIVITY - CITY OF BRIDGEPORT	BRIDGE- PORT CT	03/25/1985
85-CH-241-1005	CDBG ACTIVITIES SUMPTER TOWNSHIP	SUMPTER TOWNSHIP MI	01/14/1985
85-CH-243-1007	CDBG ACTIVITIES CITY OF HIGHLAND PARK	HIGHLAND PARK MI	02/20/1985
85-FW-248-1003	ACCOUNTING SYSTEM EVALUATION CHITIMACHA TRIBE OF LOUISIANA	CHITI- MACHA TRIBE LA	12/06/1984
85-FW-242-1005	URBAN DEVELOP- MENT ACTION GRANT CITY OF PLAINVIEW	PLAINVIEW AR	01/11/1985
85-KC-249-1001	CDBG ACTIVITIES CITY OF HUMBOLDT	HUMBOLDT KS	10/10/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
82-NY-241-1046	LIMITED REVIEW OF CDBG ACTIVITIES JERSEY CITY REDEVELOPMENT AGENCY	JERSEY CITY NJ	12/31/1984
85-NY-241-1004	COMMUNITY DEVELOPMENT BLOCK GRANT MUNICIPALITY OF SAN JUAN	SAN JUAN PR	10/26/1984
85-NY-258-1007	FINANCIAL MGMT SYSTEM EVALUATION - SEBCO DEVELOP- MENT INC.	BRONX NY	11/21/1984
85-NY-248-1008	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF CAMBRIDGE	CAM- BRIDGE NY	11/21/1984
85-NY-248-1009	ACCOUNTING SYSTEM EVALUATION TOWN OF PLATTEKILL	PLATTE- KILL NY	11/28/1984
85-NY-248-1010	FINANCIAL MGMT SYSTEM EVALUATION CDBG - VILLAGE OF ROUSES POINT	ROUSES POINT NY	11/29/1984
85-NY-258-1011	FINANCIAL MGMT SYSTEM EVALUATION MBD BRONX COM- MUNITY HOUSING CORP	BRONX NY	11/29/1984
85-NY-248-1012	ACCOUNTING SYSTEM EVALUATION TOWN OF GREENFIELD	GREEN- FIELD NY	12/04/1984
85-NY-248-1013	ACCOUNTING SYSTEM EVALUATION COUNTY OF PUTNAM	PUTNAM COUNTY NY	12/04/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-NY-248-1014	ACCOUNTING SYSTEM EVALUATION VILLAGE OF PORT HENRY	PORT HENRY NY	12/05/1984
85-NY-248-1015	ACCOUNTING SYSTEM EVALUATION VILLAGE OF FORT EDWARD	FORT EDWARD NY	12/05/1984
85-NY-248-1016	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF HUDSON FALLS	HUDSON FALLS NY	12/05/1984
85-NY-248-1018	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF JEFFERSONVILLE	JEFFER- SONVILLE NY	12/06/1984
85-NY-248-1019	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF SHANDAKEN	SHAN- DAKEN NY	12/06/1984
85-NY-248-1020	FINANCIAL MGMT SYSTEM EVALUATION VILLAGES OF COLD SPRING AND NELSONVILLE	COLD SPRING NY	12/07/1984
85-NY-248-1021	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF KEESEVILLE	KEESE- VILLE NY	12/07/1984
85-NY-248-1022	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF ROCHESTER	ROCHES- TER NY	12/07/1984
85-NY-248-1023	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF ULSTER	ULSTER NY	12/07/1984
85-NY-248-1024	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF MORIAH	MORIAH NY	12/07/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-NY-248-1025	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF SHAWANGUNK	SHAWAN- GUNK NY	12/07/1984
85-NY-248-1026	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF ROCKLAND	ROCKLAND NY	12/07/1984
85-NY-248-1027	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF PLATTSBURGH	PLATTS- BURGH NY	12/07/1984
85-NY-248-1028	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF CARTHAGE	CARTHAGE NY	12/07/1984
85-NY-248-1029	FINANCIAL MGMT SYSTEM EVALUATION COUNTY OF WASHINGTON	WASHING- TON CO. NY	12/07/1984
85-NY-248-1030	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF WESTPORT	WESTPORT NY	12/07/1984
85-NY-248-1031	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF MARCY	MARCY NY	12/19/1984
85-NY-248-1033	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF MIDDLEVILLE	MIDDLE- VILLE NY	12/24/1984
85-NY-248-1034	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF WATERFORD	WATER FORD NY	12/27/1984
85-NY-248-1035	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF OWEGO	OWEGO NY	12/27/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-NY-248-1036	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF MUNNSVILLE	MUNNS- VILLE NY	01/07/1985
85-NY-248-1037	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF GRAFTON	GRAFTON NY	01/07/1985
85-NY-248-1038	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF GUILFORD	GUILFORD NY	01/07/1985
85-NY-248-1039	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF CHENANGO	CHENANGO NY	01/07/1985
85-NY-248-1040	FINANCIAL MGMT SYSTEM EVALUATION BROOME COUNTY	BROOME COUNTY NY	01/14/1985
85-NY-248-1041	FINANCIAL MGMT SYSTEM EVALUATION TOWN OF BALLSTON	BALLSTON NY	01/21/1985
85-NY-248-1042	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF RICHFIELD SPRINGS	RICHFIELD SPRINGS NY	01/25/1985
85-NY-248-1043	FINANCIAL MGMT SYSTEM EVALUATION VILLAGE OF FORT PLAIN	FORT PLAIN NY	01/16/1985
85-NY-243-1045	COMMUNITY DEVELOPMENT BLOCK GRANT MUNICIPALITY OF CAYEY	CAYEY MUNICI- PALITY PR	01/18/1985
85-PH-248-1002	ACCOUNTING SYSTEM EVALUATION TOWN OF MOUNT AIRY	MOUNT AIRY MD	11/30/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-PH-248-1003	ACCOUNTING SYSTEM EVALUATION TOWN OF SYKESVILLE, MD.	SYKES- VILLE MD	11/30/1984
85-PH-241-1004	COMMUNITY DEVELOPMENT BLOCK GRANTS CHARLESTON CDBG PROGRAM	CHARLES- TON WV	01/25/1985
85-SF-242-1002	REVIEW OF URBAN DEVELOPMENT ACTION GRANT - JEWELRY MART	LOS AN- GELES CA	10/25/1984
85-TS-259-1002	SECTION 312 LOANS TRANSFERRED FROM LEEDY MTGE CO TO COMPREHEN- SIVE MARKETING	WASHING- TON DC	10/18/1984

ADMINISTRATION

85-AO-262-1001	FINAL COST - CENTER FOR COMMUNITY CHANGE	WASHING- TON DC	10/05/1984
85-AO-262-1002	INCURRED COSTS FOR FY 1978-1983 ORGANIZATIONWIDE AUDIT OF COSTS ICMA	WASHING- TON DC	10/26/1984
85-AO-261-1003	COST PRICE PRO- POSAL EVALUATION NATIONAL PUERTO RICAN COALITION	ALEXAN- DRIA VA	12/13/1984
85-AO-263-1004	ADVISORY REPORT ON INTERIM COSTS JOINT CENTER FOR POLITICAL STUDIES	WASHING- TON DC	11/28/1984
85-AO-262-1005	FINAL COST- NATIONAL CORP. FOR HOUSING PARTNERSHIPS	WASHING- TON DC	12/20/1984
85-AO-263-1006	INTERIM COSTS ON COMPREHENSIVE MARKETING SYSTEM	WASHING- TON DC	01/08/1985

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-AO-261-1007	COST PRICE PRO- POSAL EVALUATION OWD ENTERPRISES	WASHING- TON DC	01/10/1985
85-AO-262-1008	ADVISORY REPORT ON FINAL COSTS NATIONAL PUERTO RICAN COALITION	ALEXAN- DRIA VA	02/22/1985
85-AT-261-1001	EVAL. OF COST & PRICE PROPOSAL HOUSING AUTHORITY OF FT LAUDERDALE	FORT LAUDER- DALE FL	10/12/1984
85-AT-262-1013	ADVISORY REPORT ON FINAL COSTS SHENANDOAH SER- VICES, INC.	SHENAN- DOAH GA	03/28/1985
85-BO-262-1001	ADVISORY REPORT ON FINAL COSTS CHITTENDEN COUN- TY REGULATORY PLANNING COMMISSION	ESSEX JUNCTION VT	11/02/1984
85-CH-262-1001	ADVISORY REPORT ON FINAL COST IIT RESEARCH INSTITUTE	CHICAGO IL	10/19/1984
85-CH-262-1003	ADVISORY REPORT ON FINAL COSTS MUNICIPAL FINANCE OFFICERS ASSN.	CHICAGO IL	11/05/1984
85-CH-262-1004	ADVISORY REPORT ON FINAL COSTS MUNICIPAL FINANCE OFFICERS ASSN.	CHICAGO IL	12/18/1984
85-DE-262-1001	ADVISORY REPORT ON FINAL COSTS ASHBY, ARMSTRONG AND CO.	DENVER CO	12/06/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-DE-262-1002	ADVISORY REPORT ON FINAL COSTS BLACKFOOT INDIAN TRIBE TRIBAL PLAN- NING COMMITTEE	BROWNING MT	12/11/1984
85-FW-262-1004	COST AUDIT OF HUD GRANT ALBUQUER- QUE, NM	ALBUQUER- QUE NM	12/24/1984
85-FW-269-1006	HOUSING AUTHORITY OF NEW ORLEANS INTERIM AUDIT OF CONGREGATE HOUS- ING GRANT NO. HG-12372	NEW ORLEANS LA	01/28/1985
85-FW-269-1007	HOUSING AUTHORITY OF NEW ORLEANS CONGREGATE HOUS- ING GRANT NO. HG-6972	NEW ORLEANS LA	01/28/1985
85-KC-261-1002	PRICING PROPOSAL EVALUATION MO-KAN, INC.	KANSAS CITY MO	11/09/1984
85-NY-262-1003	FINANCIAL MANAGE- MENT SYSTEM EVAL. OF CONTRACTOR: BRONX 2000 LOCAL DEVELOPMENT CORPORATION	BRONX NY	10/23/1984
85-NY-262-1005	ADVISORY REPORT ON FINAL COSTS YUNQUE DEVELOP- MENT CORPORATION	MANHAT- TAN NY	11/02/1984
85-NY-262-1006	ADVISORY REPORT ON FINAL COSTS SOUTH BRONX DEVELOPMENT CORP.	BRONX NY	11/21/1984
85-NY-262-1032	ADVISORY REPORT ON FINAL COSTS RAYMOND PARRISH PINE & WEINER	TARRY- TOWN NY	12/19/1984

REPORT NUMBER	REPORT TITLE	LOCATION	ISSUE DATE
85-NY-269-1046	ADVISORY REPORT ON FINAL OVERHEAD COSTS-PROJECT FOR PUBLIC SPACES	NEW YORK NY	02/04/1985
85-NY-262-1047	ADVISORY REPORT ON FINAL COSTS STEVEN WINTER ASSOCIATES, INC.	NEW YORK NY	02/07/1985
85-NY-262-1048	FINAL COST AUDIT DEPARTMENT OF COMMUNITY AFFAIRS	TRENTON NJ	03/26/1985
85-PH-262-1006	ADVISORY REPORT ON FINAL COSTS O. I. C. OF AMERICA	PHILADEL- PHIA PA	03/14/1985

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

85-TS-271-1005	GNMA ISSUER - THE GUARDIAN MORT- GAGE CORPORATION	HEMP- STEAD NY	12/07/1984
85-TS-271-1007	GNMA ISSUER - HAWKEYE BANCOR- PORATION MORT- GAGE CO.	DES MOINES IA	01/22/1985
85-TS-271-1008	GNMA ISSUER - GILLDORN MORT- GAGE MIDWEST CORPORATION	SCHAUM- BURG IL	01/22/1985



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