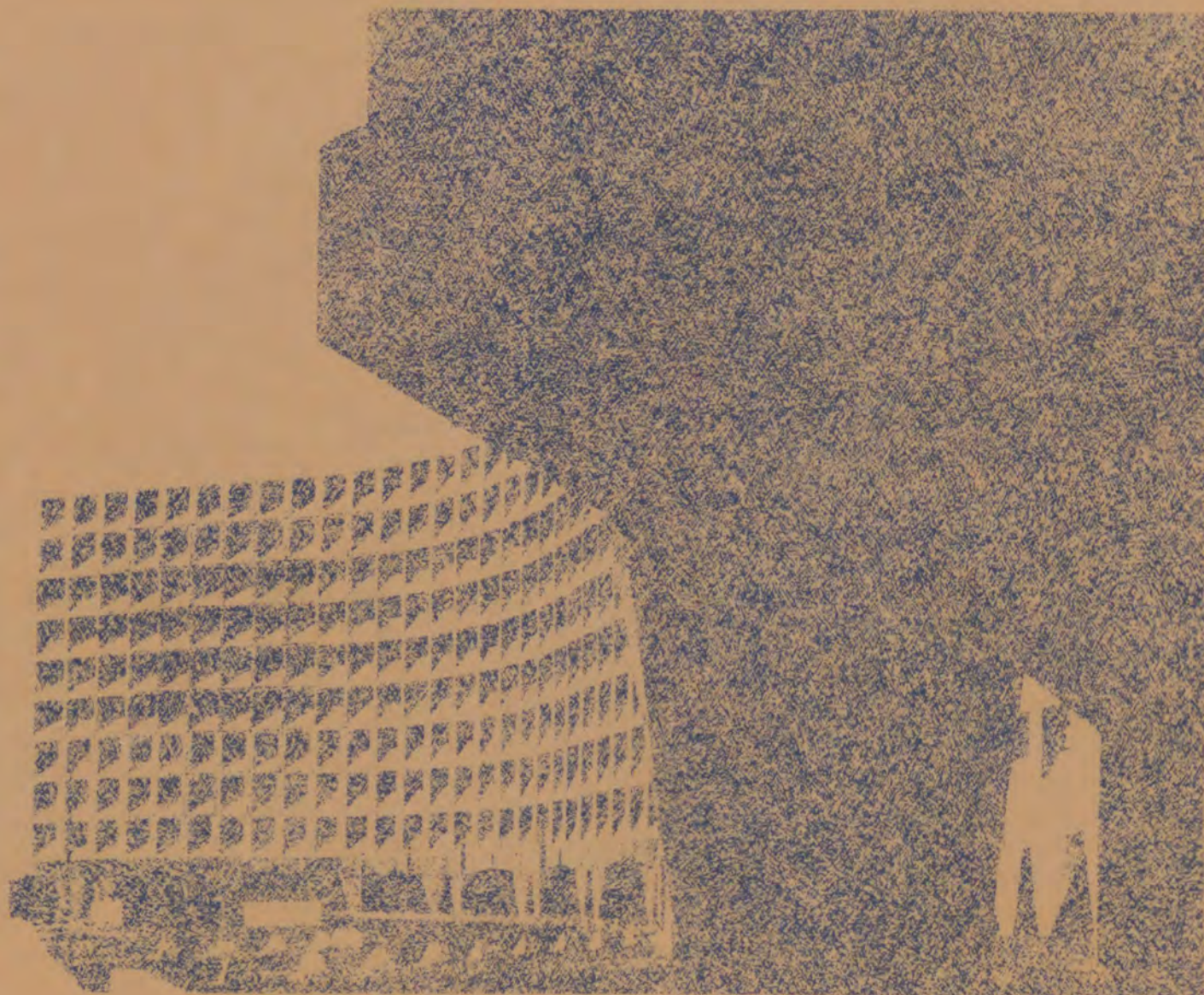


Office of Inspector General Report to the Congress

for the six month period
April 1, 1981 to September 30, 1981

Pursuant to
Public Law 95-452





THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

November 30, 1981

Honorable George Bush
President of the Senate
Washington, D. C. 20510

Dear Mr. President:

Pursuant to section 5(b) of the Inspector General Act of 1978, I am transmitting to the Congress the semiannual report on the activities of the Office of Inspector General, Department of Housing and Urban Development. This report covers the period from April 1, 1981 to September 30, 1981.

The issues raised in the report are of concern to the Department, as noted in my response, which is also enclosed. We will continue to make the implementation of the Office of Inspector General's recommendations a high priority. In addition, we will work to maintain the good working relationship that exists between the Inspector General and the other principal staff of HUD.

Very sincerely yours,

A handwritten signature in dark ink, reading "Samuel R. Pierce, Jr.", is written over the typed name. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Samuel R. Pierce, Jr.

Enclosures



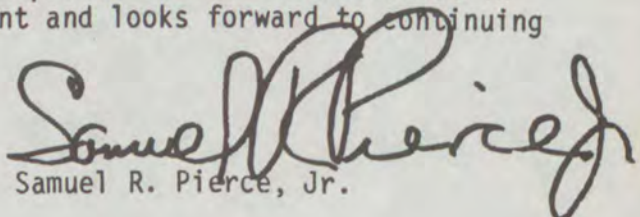
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

Report to Congress by the Office of the Inspector General, for the Period
April 1, 1981 to September 30, 1981

The Office of the Inspector General is responsible for audit, investigation, fraud control and designated security services relating to the programs and operations of the Department. The management of the Department of Housing and Urban Development has been a source of Congressional concern. In line with the Administration's commitment to a program of reform and systematic improvement in government, steps have been taken to remedy overall management problems, including the formulation of concrete plans to implement the recommendations of the Committee on Fraud, Waste, and Mismanagement. The Under Secretary has responsibility for managing these efforts, and is working with the Office of the Inspector General and each office within the Department to make needed changes. Further, the Department works with the Inspector General to suggest possible areas for investigation.

As the report shows, the Inspector General has identified many areas where management improvements were necessary and the Department has accepted most of these recommendations. In several cases, negotiations on recommendations are still underway or responses to audit reports have not yet been completed. While the overview and summary does not indicate activity by the Department in response to the audits, the report itself, which covers these activities, shows the effectiveness of the Inspector General in identifying and helping HUD to implement needed management improvements. For instance, some areas in which Inspector General/HUD cooperation is most evident are in improved HUD monitoring of program participants, the Debt Collection Task Force, and improvement of the procurement process. The Department has also cooperated with the Inspector General in developing revised financial data for the Debt Collection Task Force which will replace the data shown in this report. Attached are further specific comments on the report.

HUD shares with the Office of the Inspector General the interest in improving the management of the Department and looks forward to continuing cooperative efforts in this area.


Samuel R. Pierce, Jr.

Attachment

Comments on the Report to Congress by the Office of the Inspector
General for the Period of April 1, 1981 to September 30, 1981

Procurement Process (page 14)

The Department is in agreement with the findings of the Inspector General on HUD's procurement process. However, part of the problem with the "coding of consulting contracts" is due to OMB definitions, which has been discussed with the Inspector General. The Department wishes to affirm the actions it has taken to monitor consulting contracts and to assure the proper use of contract definitions.

Serious Accounting Deficiencies (page 33)

This section of the Inspector General's Report does not accurately reflect the present situation. The report highlights Title I Rehabilitation Loan balances. The report states that HUD Headquarters accounting records show a balance of \$1.1 million more than the Field Office accounting records. The Title I account records in the Field Offices and the account records in the Automated System (F-70) in Headquarters were reconciled as of September 30, 1980. When the reconciliation was completed, the general ledger was adjusted by \$1.6 million and was brought into agreement with the subsidiary records maintained in the Field and Headquarters.

Enhancements made to the F-70 system during Fiscal Year 1981 have resulted in better control over the accounting process and have reduced the differences between the Field Offices and Headquarters account balances as well as the balance in the general ledger.

The report also discusses the records of the Section 312 Rehabilitation Loan Program. The problem in Section 312 is a problem of reconciliation between the Office of Community Planning and Development which is responsible for the program and FNMA which is the loan servicer. The Department has made several attempts to reconcile the FNMA/HUD differences and concurs with the Office of the Inspector General that the reconciliation of the Section 312 Rehabilitation Loan Program remains to be a serious problem facing the Department. However, the Department takes exception to the Office of the Inspector General's characterization of the issue as an "Accounting Problem". The Office of the Inspector General, by memorandum dated February 26, 1981, closed the portion of the Audit Findings charged to the HUD Office of Finance and Accounting.

Inadequate HUD Monitoring of Program Participants (page 34)

While the Department recognizes there are still instances of inadequate monitoring, it, with the Inspector General's assistance, has made significant improvements in this area. Improvement of HUD's monitoring is a top Departmental

priority and programmatic changes have been requested from Assistant Secretaries in order to assure better management. For example, the Department issued a Notice (CPD Notice 81-14, dated October 28, 1981) incorporating many of the key elements of the Department's Committee on Fraud, Waste, and Mismanagement's report. Implementation of this notice corrects many of the inadequacies the Inspector General found in CPD monitoring operations.

In order to further deal with monitoring problems, training of CPD field personnel has been scheduled for the week of March 1, 1982 to deal solely with monitoring CPD programs for fraud, waste, and mismanagement. Four other CPD training courses scheduled for FY 1982 will include modules on accountability monitoring.

GNMA Mortgage-Backed Security Pools -- Diversion of Funds (page 39)

The Government National Mortgage Association discussed this audit with the Office of Inspector General on November 9, 1981. It appears all corrective actions has been completed.

Debt Collection Task Force (page 61)

The financial data in the Debt Collection Report section were prepared in September 1981, prior to FY '81 year-end official financial reports, and in the absence of final budget action for FY '82 and official estimates for FY '83 and FY '84. The data are in substantial variance from the official year-end FY '81 financial reports, and will be corrected in the next Office of the Inspector General's Six Month Report to Congress.

As a final technical clarification, the Department notes that New Communities Development Corporation obligations were not loans, but represent payments of interest on guaranteed debentures, annual fees of developers, and third party notes acquired in the acquisition and disposition of assets on foreclosed properties as follows:

Interest on guaranteed debentures	\$19,983
Annual Fees	2,078
Third Party Notes	11,518
	<u>\$33,579</u>

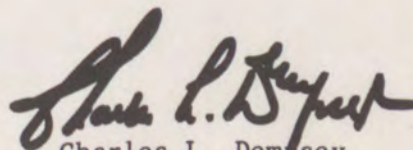


DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20410
October 30, 1981

TO : Samuel R. Pierce, Jr., Secretary, S
FROM : Charles L. Dempsey, Inspector General, Z
SUBJECT: Semiannual Report on Activities of Office of Inspector General

Pursuant to section 5(b) of the Inspector General Act of 1978, I respectfully submit our semiannual report on the activities of the Office of Inspector General for the period April 1, 1981 to September 30, 1981.

Section 5(b) requires that you transmit this report to the appropriate committees and subcommittees of the Congress within thirty days after its receipt, together with your own report containing any comments you deem appropriate.


Charles L. Dempsey
Inspector General

FOREWORD

During the current semiannual reporting period, April 1, 1981 to September 30, 1981, the Office of Inspector General engaged in a number of significant and successful efforts to detect and prevent fraud, waste, and mismanagement in the programs and operations of the Department of Housing and Urban Development (HUD). Several initiatives are particularly worthy of mention.

Our office, in conjunction with non-Federal auditors, was instrumental in achieving cash recoveries and savings to HUD from audits, amounting to nearly \$24 million. This amount represents an increase of over 68 percent in cash recoveries and savings from the prior six-month period. Recoveries from investigations produced an additional \$1.9 million. Further, audit findings having a total value of nearly \$93 million were concurred in by HUD management during the reporting period.

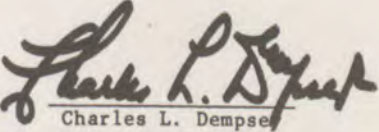
We also opened 1,168 investigation cases and referred 457 cases for prosecutive consideration. A total of 111 persons or firms were indicted, while 68 persons or firms were convicted, including one HUD employee.

On the fraud prevention front, we continued to work closely with HUD's Committee on Fraud, Waste, and Mismanagement, as well as with other offices in the Department. During the reporting period, four special projects were undertaken in cooperation with the Committee. Moreover, the Secretary approved the Committee's recommendations to improve HUD's program participant monitoring and formed a task force to proceed with implementation of such recommendations. In conjunction with HUD's Fraud Vulnerability and Management Control Assessment Systems, a total of 44 assessments were performed by HUD offices.

In addition, our cooperative efforts with other agencies continued to produce significant results. For example, we participated in two joint efforts with the Offices of Inspector General of the Departments of Agriculture and Health and Human Services. The first effort, called Project MATCH, consisted of comparing fraudulent food stamp cases involving recipients in Memphis, Tennessee, with HUD-assisted tenant records. As a result of the effort, we opened 112 cases for investigation due to indications that false information was submitted to obtain HUD rental subsidy payments. In an effort similar to Project MATCH, we began preliminary work in August 1981 on a review of controls over rent and subsidy payments in Birmingham, Alabama. At September 30, 1981, we had already identified 25 possible cases involving misreported incomes which warranted

investigation and possible referral to prosecutive authorities.

We are continuing to work closely with HUD management to establish effective safeguards to root out and prevent fraud, waste, and mismanagement in HUD programs and operations. As evidenced by the efforts described in this Semiannual Report, the Secretary and his staff are fully committed to improving the integrity, efficiency, effectiveness, and responsiveness of HUD management and programs. The support and cooperation afforded our office has been excellent. We are looking forward to further cooperative efforts in the future.



Charles L. Dempsey
Inspector General

INDEX TO REPORTING REQUIREMENTS

The specific reporting requirements as prescribed in the Inspector General Act of 1978 are listed below. Also included are additional reporting requirements which resulted from the June 23, 1980 Senate Report No. 96-829 on the 1980 Supplemental Appropriations and Rescission Bill, (Public Law 96-304).

REPORTING REQUIREMENTS	LOCATION IN REPORT
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INSPECTOR GENERAL ACT

Review of Legislation and Regulations-- Section 4(a)(2)	Section VII, Page 74
Significant Problems, Abuses, and Deficiencies--Section 5(a)(1)	Section I, Pages 1-32
Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies--Section 5(a)(2)	Section I, Pages 1-32
Significant Recommendations Described in Previous Semiannual Reports for Which Corrective Action is Not Completed-- Section 5(a)(3)	Section III, Page 38
Matters Referred to Prosecutive Authorities and Resulting Prosecutions and Convictions-- Section 5(a)(4)	Section IV, Page 41
Summary of Reports to the Secretary Involving Unreasonable Refusal of Assistance or Information--Sections 5(a)(5) and 6(b)(2)	Section VIII, Page 75
Listing of Audit Reports Completed by the Office of Inspector General--Section 5(a)(6)	Section X, Page 85

SENATE REPORT NO 96-829

Senate Report Page 11, Resolution of Audits	Section VI, Page 66
Senate Report Page 12, Delinquent Debts	Section VI, Page 59

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APPENDIX SECTION

APPENDIX 1 - Description of Terms

OVERVIEW AND SUMMARY

SELECTED OPERATING RESULTS

Shown below are selected operating results for the semiannual reporting period, April 1, 1981 to September 30, 1981.

Cash Recoveries

- Cash recoveries/savings from IG and non-Federal audits amounted to \$24 million.
- Cash recoveries from investigations amounted to \$1.9 million.

Audit Reports and Findings Issued/Accepted

- Audit reports issued totaled 652.
- Non-Federal and other agency reports accepted totaled 2,298.
- HUD sustained audit findings having a total value of \$92.8 million.
- Audit findings having a total value of \$95.9 million were unresolved at 9/30/81.

Investigation Cases

- Cases opened totaled 1,168.
- Cases closed totaled 1,205.
- Cases pending at 9/30/81 totaled 2,103.
- Cases referred for prosecution totaled 457.

Indictments and Convictions

- Persons/firms indicted totaled 111.
- Persons/firms convicted totaled 68 (includes one HUD employee).
- Total fines levied amounted to \$151,150.
- Years of prison sentences totaled 41 while probated sentences amounted to 172 years.

Fraud Control Efforts

- A total of 42 management control assessments and two fraud vulnerability assessments were received.
- Two fraud awareness directives were issued.

- Four special fraud control projects were undertaken in cooperation with HUD's Committee on Fraud, Waste and Mismanagement.

- Hotline calls received totaled 226.

- Hotline calls closed numbered 184.

Other Activities

- Two Operational Survey reports were issued.
- Proposed legislative bills and regulations reviewed totaled 111.
- Proposed HUD procedural handbooks reviewed and processed totaled 83.

SIGNIFICANT AUDITS AND INVESTIGATIONS

Audits and investigations identified in this report concern significant weaknesses in a number of program areas and functions, particularly property disposition activities, multifamily mortgagor operations, and monitoring of program participants.

Excess Holding Costs of \$160 Million Applicable to HUD-Acquired Multifamily Properties

A review of HUD's program for disposing of HUD-insured multifamily properties acquired by the Secretary as a result of mortgage defaults/foreclosure disclosed that HUD was not timely processing the properties for resale. HUD was not adequately controlling the processing of the projects to assure that anticipated or real problems, which might delay the sale of projects, would be solved to allow for the projects' timely disposition. As a result, HUD incurred excess holding costs totaling over \$160 million for 640 projects which were not disposed of timely during our 31-month audit period.

Serious Property Disposition Contracting Deficiencies

A nationwide review of HUD's property disposition contracting activities disclosed: inadequate repair specifications and repair cost estimates; insufficient efforts to maximize competition on contracts; nonadherence

to Federal Procurement Regulations and management controls for negotiated contracts; and ineffective monitoring of repair contracts, including contract modifications, inspection of repair work and competition for contract repairs. We attributed these adverse conditions to the fact that the property disposition contracting staff lacked sufficient technical knowledge of contracting requirements and because field office management staffs did not exercise effective supervisory control over the property disposition procurement function.

Inadequate Administration of Operations by HUD Field Offices' Property Disposition Branches

This nationwide review disclosed that HUD's field Property Disposition Branches were not adequately administering their operations to ensure employees carried out their assigned duties, completed their work properly, and complied with HUD requirements. Many employees were found to be unqualified and untrained. In addition, employees were not being used properly. Further, some employees were neglecting their duties and were not completing their work properly due to lack of a formal method for assigning and monitoring work responsibilities. Also, HUD Headquarters' monitoring reviews of HUD field offices were not always encompassing property disposition activities and were too limited in scope. These deficiencies contributed to serious weaknesses in HUD's Property Disposition Program.

Deficient Inspections of Multifamily Project Construction in Atlanta Region

A review of inspection procedures and practices for multifamily projects under construction in HUD's Atlanta Region disclosed that significant construction deficiencies were not being detected by HUD inspectors. Our inspections of 16 insured projects disclosed 608 construction deficiencies which should have been detected by HUD's inspections, but which were not. Of these deficiencies, 103 were especially significant because they could adversely affect the health and safety of the residents, the structural integrity of the buildings, or result in increasing future maintenance costs to a level that could ultimately affect the financial solvency of the projects.

Unnecessary Construction Costs of \$4.4 Million and Debt Service Costs of \$12.7 Million Incurred for Housing Projects

A nationwide review of HUD's Public Housing (Turnkey) Program disclosed that for the 40 projects included in the review, the untimely completion of projects resulted in increased construction costs of \$4.4 million and debt service costs of \$12.7 million. We found that the ten HUD field offices reviewed were not adequately monitoring the construction of such projects.

Inaccurate and Unreliable Application Data Resulting in Overinsured Mortgage of About \$4.5 Million

A review of HUD's processing of mortgage insurance application data for a HUD-insured multifamily project in New Orleans showed that the project was overinsured by about \$4.5 million, primarily because of misstatements in the project's application and related data submitted to HUD. Also, the HUD Area Office failed to make an adequate physical inspection of the project despite the fact that the project needed extensive repairs and replacements to bring it up to an insurable condition.

Inadequate Monitoring of Problems of Indian Housing Authorities

A review of HUD's Office of Regional Indian Programs in the Denver Region disclosed that the office was not effectively carrying out its responsibilities with respect to ensuring that Indian Housing Authorities (IHAs) possessed the administrative capabilities to properly manage their housing programs. On-site reviews by HUD were not being performed timely and were not covering required areas. Serious problems being experienced by IHAs in managing their housing programs were not being identified and monitored. Moreover, substantial funds were being committed to IHAs that had not demonstrated the ability to properly manage their housing programs. Further, IHA expenditures of project development funds were not being controlled by HUD despite the fact that extensive funds were being used for unauthorized purposes. In this regard, we noted 11 IHAs that had incurred unauthorized budget overruns of about \$2.4 million.

Inadequate Administration of Structural Repair Program by Boston Area Office

A review of HUD's Structural Repair Program, Boston Area Office, disclosed that the Program was improperly administered and that, as a result, excessive and improper repair costs to properties were incurred. For the majority of homeowner claims reviewed, actual property repair costs substantially exceeded HUD's estimated costs. For the 25 claims we reviewed, HUD's approved estimated costs amounted to \$46,969; however, actual repair costs amounted to \$376,461. The \$376,461 also included costs for work which was not eligible for funding. The review also disclosed that for the majority of the claims sampled, the repair costs were excessive, exceeding two-thirds of the acquisition prices of the properties involved.

Ineffective Administration and Monitoring of HUD's Housing Counseling Program

A nationwide review of HUD's Housing Counseling Program revealed that HUD was approving new types of counseling without evaluating the

effectiveness of such counseling and without having first assured that priority coverage was being given to identified mortgage default counseling needs. Also, housing counseling agencies were being approved by HUD without any assurance that such agencies were meeting minimum qualifying requirements prior to their certification. Further, the rating system used for selecting such agencies for funding was ineffective in measuring agencies' capabilities and could not be used to measure their performance. Also, HUD was not adequately informing housing agencies of those mortgagors who were in need of default counseling. Monitoring of the Housing Counseling Program was also found to be ineffective at all HUD organizational levels.

Inadequate Administration of Lead-Based Poisoning Prevention Program

A ten-year chronology of problems in HUD's Lead-Based Paint Poisoning Prevention Program, prepared at the direction of the HUD Secretary, disclosed that there has not been a coordinated effort within HUD to monitor and follow up on lead-based paint program matters and problems disclosed by audits and other reviews. Although numerous actions have taken place and nearly \$9 million spent on related research, the results have been limited and, in some cases, not known. In response to these reported problems, the Secretary directed the making of an intensive effort involving the development of more effective policies, procedures, and strategies, as well as the implementation of improved follow-up measures.

Inadequate Planning, Control, and Review of the Procurement Planning Process, Including Consultant Service Contracts

A review of HUD's procurement process, including consulting service contracts, showed that although HUD was making progress in implementing procurement management controls, additional enhancements were needed. Procurement capabilities were not being fully used and unnecessary contract costs were being incurred. Moreover, HUD was unable to provide assurance that it was obtaining the best prices for contracted services or that the contracted services were justified. Further, in conjunction with service contracts, unusable products were being received and competitive-type contracts were not being used to the fullest extent.

Poor Performance by Washington Area Office in Correcting Deficiencies

An operational survey of HUD's Washington Area Office (WAO) disclosed that the WAO's actions to resolve prior IG reported problems were ineffective. Our review of 40 multifamily projects classified as "troubled" projects by the WAO indicated that such projects were ineffectively monitored and serviced by the WAO. Also, our survey disclosed numerous

weaknesses in the WAO's overview and monitoring of single family operations and property disposition activities. Similar problems had been reported in our prior operational survey report on the WAO.

Audits of Community Development Block Grant Recipients Disclose Serious Deficiencies and Lack of Controls

Audits of Community Development Block Grant recipients disclosed many deficiencies involving poor program or project administration, lack of controls, and questionable and ineligible expenditures. For example, our audit of the books and records which the Redevelopment Authority of the County of Delaware maintained on the Chester Township (Grantee) Community Development Block Grant Program disclosed: (1) numerous construction deficiencies involving a rehabilitation project which resulted in \$2.2 million of ineligible and questionable costs; (2) questionable costs of \$514,644 because of the Grantee's failure to document the allocation of its indirect costs; (3) the use of prohibited methods to compensate professional service contractors which resulted in \$220,885 of ineligible and questionable costs; and (4) the ineffective administration of professional and construction contracts which resulted in \$114,465 of ineligible and questionable costs.

An audit of the Community Development Block Grant Program, Municipality of Maricao, Puerto Rico, disclosed deficiencies involving about \$1.08 million of ineligible and questionable costs. The audit also disclosed that the Grantee lacked the necessary program expertise and relied almost solely on consultants to administer its program.

Our audit of the Surplus Properties Program, administered by the City of Newark, New Jersey, in conjunction with its Community Development Block Grant Program, resulted in disallowing the total costs charged to the program, or \$1.87 million. Funds were used to finance activities that were either ineligible or which were not related to the program.

A non-Federal audit of the Community Development Block Grant Program, Town of Colmar Manor, Maryland, disclosed a serious lack of internal controls, deficient accounting practices, and questionable and ineligible expenditures. In addition, the Grantee used \$266,720 of program funds to construct a fast-food restaurant without HUD's authorization. The project's financial affairs and the Town Administrator have been the subject of a coordinated FBI and IG investigation.

Serious Deficiencies in Multifamily Project Operations

Our audits of multifamily project operations disclosed a number of serious deficiencies which adversely affected the financial condition and viability of the projects

involved. In many cases, such deficiencies were factors which contributed to mortgage defaults or which otherwise jeopardized the financial solvency of the projects.

OTHER SIGNIFICANT CONCERNS

Other significant concerns having an adverse impact on HUD were the subject of close monitoring by our office. These areas are as follows.

Serious Accounting Deficiencies

Audits of HUD's accounting operations have consistently noted many problems such as the failure to reconcile accounts, erroneous financial reports, delays in processing financial data, incorrect entries, and incorrect and incomplete data supplied by program offices. As a result, HUD's finances cannot be determined with any degree of reliance. In response to these problems, the Department is now taking positive actions to improve its accounting operations and financial reporting capability.

Inadequate Monitoring of Program Participants

We continued to report instances of inadequate HUD monitoring of program participants. This matter has been disclosed in each of our prior Semiannual Reports. In response to this problem, the Secretary has approved the recommendations of HUD's Committee on Fraud, Waste, and Mismanagement to improve the monitoring of program participants and has formed a Special Task Force to accomplish the needed improvements.

Corrective Actions Promised But Not Taken

Pursuant to our mandate to follow up on the resolution of audit findings to assure that timely corrective action is accomplished, we performed a preliminary analysis of various corrective actions promised by HUD officials. Our analysis showed that, in some cases, HUD officials were not carrying out the actions they promised. We included examples of documented cases in the Semiannual Report and are expanding our review to determine the scope and magnitude of this problem.

INTERAGENCY COOPERATIVE EFFORTS

We continued our cooperative efforts with other agencies to root out fraud and waste in government programs. Selected efforts follow:

Project MATCH Uncovers Widespread Fraud

In our previous Semiannual Report, we reported on a cross-match effort undertaken by Department of Agriculture auditors in Tennessee concerning recipients of food stamps in Memphis. More

than 1,500 cases of potential fraud had been identified at that time. During the reporting period, we participated in a joint investigative effort called Project MATCH, with the Offices of Inspector General of the Departments of Agriculture and Health and Human Services. A comparison of fraudulent food stamp cases with appropriate HUD tenant records resulted in our opening 112 cases for investigation. The investigations concerned the possible submission of false information to obtain rental subsidy payments. Between June and September 1981, a Federal Grand Jury in Tennessee indicted 49 recipients of HUD Housing Assistance Payments for submission of false statements to the government. An additional 65 indictments have been returned against individuals who allegedly furnished false information to the Departments of Agriculture and Health and Human Services.

Review of Controls Over Rent and Subsidy Payments Discloses Misreporting of Income by Project Tenants

In an effort similar to Project MATCH, we began preliminary work in August 1981 on a review of controls over rent and subsidy payments in Birmingham, Alabama. This effort is being coordinated with audit and investigative representatives of the Departments of Agriculture and Health and Human Services (HHS) in conjunction with their cross-match review of recipients of food stamps and aid-to-dependent children beneficiaries. Names provided by Agriculture and HHS auditors have been compared to our listings of tenants in low-rent public housing and Section 8 housing units in the Birmingham area. At September 30, 1981, we had tentatively matched to HUD listings, names of 58 individuals who may have engaged in program violations. Also, 25 cases of potential misreported incomes were identified for investigation and possible referral for prosecution.

Widespread Fraud Disclosed in Puerto Rico Involving Mortgage Origination Practices

A special review of the mortgage banking industry in Puerto Rico, performed in coordination with the Veterans Administration (VA), has to date disclosed over 200 individual single family mortgage loans insured by HUD (or guaranteed by VA) which were based on false information. The review also disclosed the use of straw or fictitious buyers, questionable payments to third parties, and simulated sales. This effort has resulted in numerous criminal indictments of individuals for fraudulent statements, forgery and perjury. Investigation and prosecutive efforts are continuing.

OTHER PRESIDENTIAL AND CONGRESSIONAL CONCERNS

Among the areas of special Presidential and Congressional concern which we addressed in our Semiannual Report was the Department's

collection of delinquent debt. At September 30, 1981, HUD's debt was as follows:

- Estimated outstanding debt - \$19.5 billion
- Estimated delinquent debt - \$1.3 billion
- The largest area of delinquent debt was FHA Multifamily Mortgage Notes which amounted to an estimated \$1.1 billion.

On March 31, 1981, the Secretary established a Special Task Force on Debt Collection and Loan Servicing to determine the nature and extent of HUD's delinquent debt and to develop an action plan for dealing with such debt.

On June 15, 1981, the Department submitted a comprehensive "Action Plan for Debt Collection" to OMB. The Plan tentatively identified major issues in the debt collection area.

On September 2, 1981, a "Departmental Symposium on Debt Collection" was held with the participation of OMB and GAO. Each HUD office presented initiatives for the collection of delinquent debts in their areas.

With the perspective acquired through the Departmental Debt Collection Symposium and six months of study by the Debt Collection Task Force, the Department, on September 30, 1981, submitted to OMB an update of its "Action Plan for Debt Collection."

As a result of the aforementioned actions, we believe the Department is currently taking aggressive actions to collect its delinquent debt. We have planned an audit of HUD's claims collection procedures for the last half of fiscal year 1982 so as not to conflict with the Department's current Task Force efforts.

BACKGROUND

ESTABLISHMENT

The Office of Inspector General (OIG), Department of Housing and Urban Development (HUD), was established on January 29, 1972. The establishment of the OIG provided for the consolidation of the audit, investigation, and personnel security operations of HUD into one cohesive and independent organization headed by an Inspector General reporting directly to the Secretary.

The establishment of Offices of Inspector General became a matter of law with the signing of the Inspector General Act of 1978 on October 12, 1978. This Act provided for the establishment of such offices in 12 departments and agencies of the Executive Branch, including HUD, effective October 1, 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 is a member of the Secretary's Principal Staff. The Inspector General has authority to inquire into all programs and activities of HUD and the related activities of persons or parties performing under grants, contracts or other agreements with the Department. These inquiries may be in the form of audits, surveys, criminal and other investigations, personnel security checks, or such other inquiries as may be appropriate in the circumstances. The primary purpose of these inquiries is to assist all levels of HUD management by identifying and reporting on problem areas and weaknesses or deficiencies in procedures, policies, program implementation and employee conduct; and to recommend corrective actions when appropriate.

Pursuant to the Inspector General Act of 1978, the Inspector General is responsible for providing leadership, supervision and coordination; and for recommending policies for activities and relationships designed to promote economy, efficiency, and effectiveness in the administration of programs and operations, as well as to detect and prevent fraud and abuse in such programs and operations. 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's programs and operations and the necessity for and progress of corrective action.

RELATIONSHIP TO OTHER PRINCIPAL HUD OFFICES

Full responsibility is vested with HUD Primary Organization Heads for establishing, executing and ensuring compliance with policies, plans and procedures; for proper protection and use of the Department's resources; and

for appropriate action on conditions needing improvement, including those reported by the OIG. The operations of the OIG neither replace established lines of operating authority nor eliminate the need for HUD Primary Organization Heads to carry out reasonable measures to protect and enhance the integrity and effectiveness of their operations. All Primary Organization Heads in HUD are responsible for effectively monitoring and evaluating the programs entrusted to them.

In the context described, the role of the OIG is that of a departmentwide overseer and advisor in ensuring that management is carrying out their responsibilities to protect and enhance the integrity and effectiveness of the Department's operations.

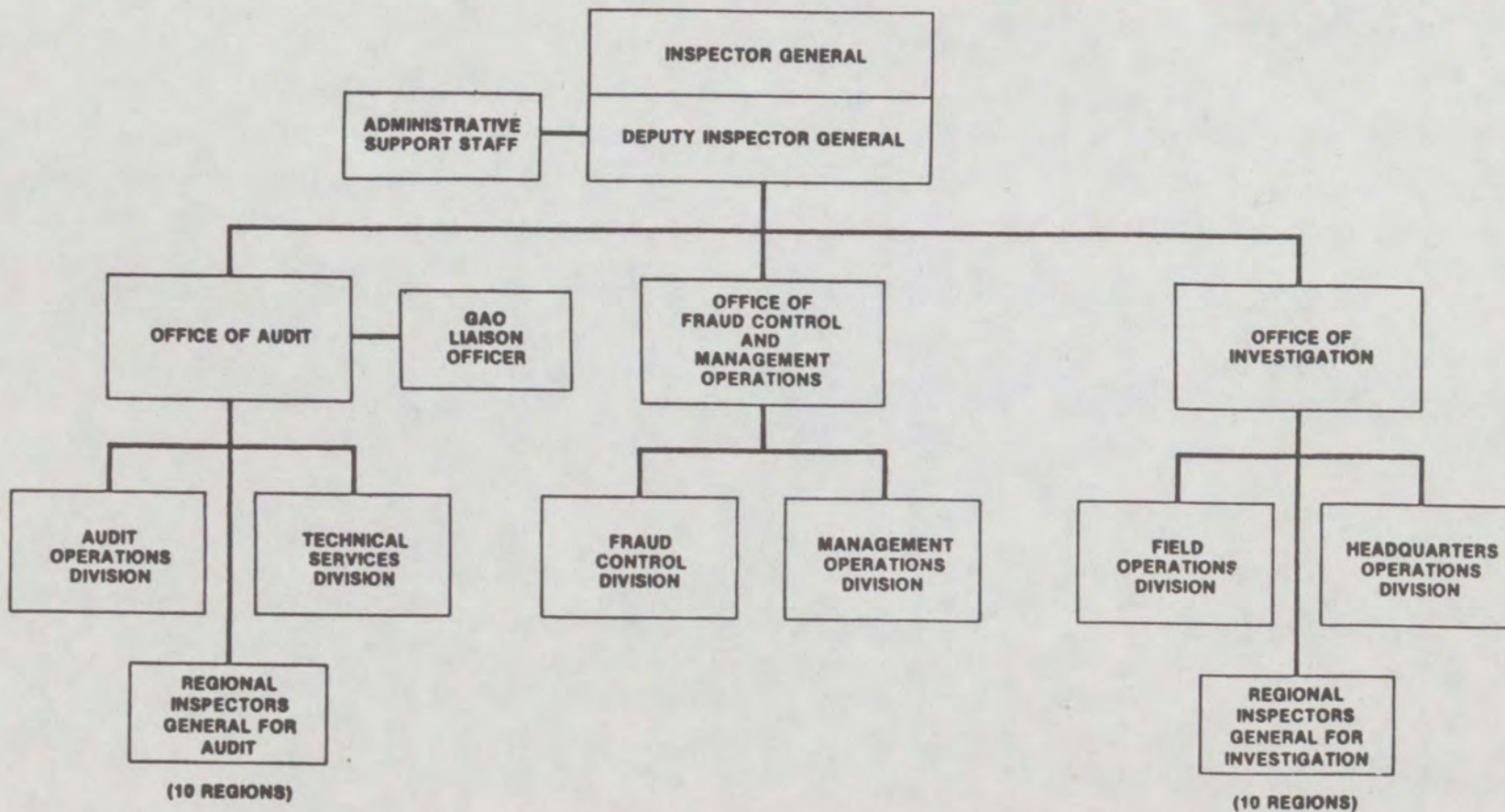
ORGANIZATION AND STAFFING

The OIG 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 Regions is a Regional Inspector General for Audit who directs a staff of auditors, and a Regional Inspector General for Investigation who directs a staff of investigators. The Regional Inspectors General report to their counterpart Assistant Inspector General in Headquarters (See Organizational Chart on following page).

As of September 30, 1981, the OIG had an on board strength of 492 permanent full-time employees. The OIG staff ceiling of 520 permanent full-time employees is distributed as follows.

		<u>On Board</u>	<u>Ceiling</u>
Inspector General		17	17
(Immediate Office)	(6)		(6)
(Administrative Support)	(11)		(11)
Office of Audit		346	376
(Headquarters)	(54)		(57)
(Field)	(292)		(319)
Office of Investigation		107	104
(Headquarters)	(20)		(20)
(Field)	(87)		(84)
Office of Fraud Control and Management Operations		<u>22</u>	<u>23</u>
Totals		<u>492</u>	<u>520</u>



May 1979

Department of Housing and Urban Development
Office of Inspector General

PROFILE OF PERFORMANCE

	April 1, 1981 to September 30, 1981	Total FY 1981	Page Reference
AUDIT ACTIVITIES			
• Cash Recoveries/Savings (OIG and Non-Federal Audits)	\$ 24.0 million	\$ 38.2 million	69
• Questioned and Disallowed Costs Sustained (OIG and Non-Federal Audits)	\$ 92.8 million	\$ 145.4 million	68
• Internal Audit Reports Issued	61	124	85
• External Audit Reports Issued	591	852	85
• Non-Federal and Other Agency Reports Accepted	2,298	4,646	-
• Audit Findings Issued	4,567	9,426	70
• Audit Findings Resolved	5,204	9,522	70
• Number of Unresolved Audit Findings	N/A	2,347	70
• Value of Unresolved Audit Findings (9/30/81)	-	\$ 95.9 million	68
• Mortgagees Sanctioned as a Result of IG Referrals to HUD's Mortgagee Review Board	1	6	-
• Staff Years of Assistance to U.S. Attorneys	4.8	11	-
INVESTIGATION ACTIVITIES			
• Investigation Cases Opened	1,168	2,257	40
• Investigation Cases Closed	1,205	2,272	41
• Investigation Cases Pending (9/30/81)	-	2,103	41
• Investigation Cases Referred for Prosecution	457	734	41
• Prosecution Declinations	439	753	43
• Persons/Firms Indicted (Excluding HUD Employees)	111	196	42
• HUD Employees Indicted	-	2	-
• Persons/Firms Convicted (Excluding HUD Employees)	67	117	42
• HUD Employees Convicted	1	2	42
• Total Fines Levied	\$ 151,150	\$ 228,000	43
• Total Years of Prison Sentences	41	71	43
• Total Years of Probated Sentences	172	289	43
• Cash Recoveries from Investigations	\$ 1.9 million	\$ 2.2 million	43
• Standards of Conduct Briefings	68	74	-
FRAUD CONTROL ACTIVITIES			
• Management Control Assessments Received	42	83	81
• Fraud Vulnerability Assessments Received	2	4	80
• Fraud Awareness Directives Issued	2	6	81
• Special Fraud Control Projects Undertaken in Cooperation with HUD's Committee on Fraud, Waste and Mismanagement	4	5	76
• Hotline Calls Received	226	340	83
• Hotline Calls Closed	184	314	84
OTHER ACTIVITIES			
• Operational Survey Reports Issued	2	4	-
• Proposed Legislative Bills and Regulations Reviewed	111	214	74
• Proposed HUD Handbooks Reviewed	83	188	-
• Debarments of Persons/Firms Doing Business with HUD	176	267	73
• Suspensions of Persons/Firms Doing Business with HUD	203	284	73
• Personnel Actions Initiated Against HUD Employees	36	53	71

I. SIGNIFICANT PROBLEMS, ABUSES AND DEFICIENCIES AND RECOMMENDATIONS FOR CORRECTIVE ACTION

Sections 5(a)(1) and 5(a)(2) of the Inspector General Act of 1978 require a description of significant problems, abuses and deficiencies relating to the operations of the Department, as well as applicable recommendations made to achieve corrective action, as reported by the Office of Inspector General during the six-month reporting period.

The following are the significant problems, abuses, deficiencies, and recommendations reported to HUD management during the semiannual reporting period April 1, 1981 to September 30, 1981. In many cases, corrective action is underway and should be satisfactorily completed.

HUD-ADMINISTERED PROGRAMS AND ACTIVITIES

1. DISPOSITION OF ACQUIRED MULTIFAMILY PROPERTIES

On August 13, 1981, we issued the report on our audit of HUD's disposition program for acquired multifamily properties at the New York Area Office.* The report was issued to HUD's Area Manager. At September 30, 1981, we were in the process of preparing a nationwide survey report to the Assistant Secretary for Housing-Federal Housing Commissioner, which will disclose the results of our audit of the disposition program in the New York Area Office, along with national statistics on HUD's multifamily project holding costs and our overall recommendations to improve multifamily disposition activities on a national basis. In October, we briefed the Assistant Secretary for Housing-Federal Housing Commissioner and other principal staff members on the preliminary results of our nationwide survey.

Our review disclosed the following deficiencies:

- Excess Holding Costs of \$160 Million Due to Delays in Multifamily Properties' Disposition Processing
- Lack of Corrective Actions on Disposition Processing Delays and Weaknesses in Disposition Analyses
- Deficiencies in the Review and Ranking of Purchase Proposals.

* Multifamily projects are acquired by HUD as a result of a default by the mortgagor under a HUD-insured mortgage. HUD's objective is to dispose of all acquired properties at the earliest possible date, at the highest price attainable, consistent with national housing goals.

We found that HUD's New York Area Office inadequately managed its disposition process for acquired multifamily properties. Based on the deficiencies found at the New York Area Office and our review of HUD's excess nationwide holding costs, we concluded that these deficiencies had nationwide application.

Our analysis of data provided to us by HUD Headquarters officials disclosed that, due to delays in disposition processing, the Department incurred excess holding costs* totaling over \$160 million for the 640 multifamily projects that were in HUD's national inventory for the period October 1, 1978 through April 30, 1981. Excess holding costs for HUD-acquired multifamily projects, by Region, are summarized in the table below.

EXCESS HOLDING COSTS FOR PROJECTS IN NATIONAL INVENTORY
October 1, 1978 Through April 30, 1981

Region	Projects Sold 10/78 to 4/30/81				Projects Still in Inventory 4/30/81			
	No. of Projects	Total Holding Costs	No. of Projects	Excess Holding Costs (Over 18 mos.)	No. of Projects	Total Holding Costs	No. of Projects	Excess Holding Costs (Over 18 mos.)
Boston	35	\$ 8,318,503	23	\$ 4,378,843	33	\$ 15,729,418	25	\$ 9,276,739
New York	34	9,936,143	23	5,217,114	47	23,309,636	36	11,341,279
Philadelphia	25	8,994,991	21	4,465,611	28	15,063,463	16	10,183,166
Atlanta	33	15,481,716	27	8,575,127	22	18,015,086	13	12,344,193
Chicago	120	51,241,026	96	30,824,130	121	53,148,354	66	30,572,765
Ft. Worth	40	13,044,540	24	6,150,106	26	6,259,452	4	3,021,219
Kansas City	11	5,044,180	10	2,760,340	7	2,245,036	1	617,453
Denver	9	5,460,219	8	3,205,067	4	2,465,117	4	1,631,205
San Francisco	26	12,469,587	25	7,541,386	16	10,606,114	13	7,489,288
Seattle	3	957,408	3	467,399			-0-	-0-
Total	336 1/	\$130,948,313	260	\$73,585,123 2/	304 1/	\$146,841,676	178	\$86,477,307 2/

1/ Total projects in inventory during period is 640

2/ Total excess holding costs for all projects sold 10/1/78 to 4/30/81, and those still in inventory 4/30/81 is \$160,062,430

The \$160 million was computed by us based on a conservative 18-month holding period, even though HUD's own estimate of the time a project could normally be expected to be in inventory was between 12 to 15 months from acquisition to sale. At the New York Area Office, excess holding costs amounted to over \$4.9 million for multifamily projects in inventory during the period October 1, 1978 through April 30, 1981.

Moreover, our audit of the New York Area Office disclosed that the Chief Property Officer was not adequately monitoring the disposition process for acquired multifamily projects and was not taking adequate corrective action to overcome disposition processing delays, including delays in sales closing.

* Holding costs are computed on a by-unit, by-day basis and include management fees, property taxes, maintenance/operating expenses, and depreciation, less rental income.

Further, disposition analyses, which are required before projects can be recommended for sale, were being prepared late, with delays ranging from seven months to three years. Moreover, disposition analyses were neither sufficiently substantive nor adequately documented to support the propriety of disposition recommendations.

In addition, we found that the Chief Property Officer, New York Area Office, was not assuring that the review and ranking of prospective proposals to purchase acquired multifamily projects were adequately documented and supported. Therefore, there was no assurance that the review was sufficiently substantive and that the ranking of proposals would result in selecting qualified purchasers with the necessary expertise and ability to operate the projects over the long term. The review and ranking of proposals were hindered by ambiguous regulations and conflicting instructions.

Generally, we recommended that the multifamily project disposition process be improved through more effective disposition analyses; monthly reporting to management on the status of projects in inventory and the corrective actions being taken on delayed projects; and fully supported and documented reviews and rankings of purchasers' proposals.

Under the Department's Audits Management System, a response to our audit report on HUD's disposition program for acquired multifamily properties at the New York Area Office was due within 60 days of the issuance of the report, or by October 12, 1981.

2. HUD'S PROPERTY DISPOSITION CONTRACTING ACTIVITIES

HUD's property disposition contracting activities involve annual expenditures of over \$100 million. In our previous Semiannual Report, we stated that there were serious deficiencies in HUD's property disposition contracting activities and that as a result, we had commenced a nationwide audit of such activities encompassing 13 HUD field offices. On April 20, 1981, we issued a report to the Assistant Secretary for Housing-Federal Housing Commissioner, disclosing the results of our nationwide audit.

Our review disclosed the following deficiencies:

- Inadequate Preparation of Work Specifications
- Inadequate Cost Estimates
- Maximum Open and Free Competition Not Achieved
- Nonadherence to Procurement Requirements and Controls for Negotiated Contracts
- Inadequate Administration of Repair Contracts
- Unskilled Property Disposition Staff.

Our report disclosed a breakdown in HUD's basic contract administration. We concluded that HUD's property disposition contracting practices were resulting in excessive costs; increasing the opportunities for fraud, waste, and abuse; and giving the appearance of contractor favoritism.

Professional fee inspectors used during our audit determined that 87 or 57 percent of the work specifications reviewed in the 13 HUD field offices were inadequate. They determined that the majority of work specifications lacked identification of principal items relating to quality, quantity, capacity, size, color, and style; and were not prepared in sufficient detail and preciseness to enable contractors to submit uniform bids.

We found that HUD field offices were not using cost estimates as a management tool to evaluate bid prices in awarding contracts. Contract files were not being documented when required; cost estimates were either not prepared or were missing from the contract files; supporting justifications for revised cost estimates were not on file; cost estimates were not usually documented; cost estimates on bid tally sheets were not the same as the specification writers' cost estimates; cost estimates were prepared on a lump-sum basis; and cost estimates were not prepared when required.

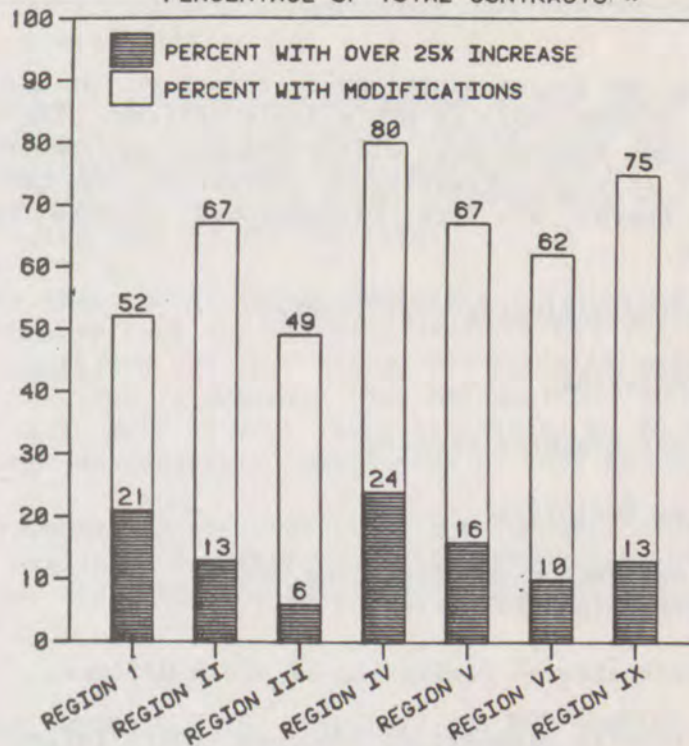
Also, HUD field offices were not following prescribed procedures and regulations to assure that adequate competition was achieved in awarding contracts. Contracting Officers were not always: (1) following regulations and procedures when less than three bids were received; (2) advertising in public places and the Commerce Business Daily; and (3) allowing the required minimum bidding time for submitting bids.

Further, HUD field offices were negotiating contracts without following the procedures and controls prescribed by HUD and the Federal Procurement Regulations with respect to the requirements for prior approval for noncompetitive contracts, submission of certified cost and pricing data, restrictions concerning access to property disposition cost estimates, preparation of adequately documented negotiation memorandums, and adjustments to cost estimates. Because of these deficiencies, there was no assurance that the Department obtained goods and services at reasonable prices.

Moreover, in the 13 HUD field offices included in our audit, we found that an excessive number of the contracts reviewed were subsequently modified without adequate justification, resulting in substantial increases in the original contract amounts (see graph on the following page); an excessive number of contracts were not completed by the specified contract date; and HUD field office inspections of repair work were not sufficiently thorough and timely to enable significant work deficiencies to be detected.

In reviewing the qualifications and training of HUD property disposition staff at seven of the 13 field offices covered in the audit, we found that 17 of 28 employees (67 percent of employees) who were performing contracting duties lacked required specialized skills. Without adequately trained personnel, we concluded that HUD was unable to carry out an effective property disposition contracting function.

SUMMARY OF CONTRACTS WITH MODIFICATIONS BY REGION
PERCENTAGE OF TOTAL CONTRACTS *



* Percentages are based on 6,793 contracts;
66 percent of which were modified.

At a briefing of the Secretary on August 7, 1980, we made nine specific recommendations to the Assistant Secretary for Housing-Federal Housing Commissioner. Generally, we recommended that appropriate instructions be issued to property disposition personnel regarding the need to more closely adhere to Departmental and Federal Procurement regulations. We also recommended that HUD field personnel be advised that administrative action may be taken against employees who ignore or violate procurement instructions and requirements. We further recommended that the contracting function either be removed from HUD's property disposition office, or that property disposition staff be provided with appropriate technical training in the contracting area.

The Assistant Secretary for Housing-Federal Housing Commissioner expressed overall agreement with our recommendations. Among his proposed actions were: performing field monitoring reviews of the contracting function; evaluating employees in terms of the quality of their procurement performance; developing a new procurement training course for realty specialists; and establishing a system to follow up on deficiencies reported by Regional Contracting Officers. We are now monitoring the implementation of these actions.

3. HUD FIELD OFFICES' PROPERTY DISPOSITION BRANCH

On September 23, 1981, we issued a nationwide report on our audit of the Property Disposition Branch (PDB) in HUD's field offices. The audit was performed in the HUD Los Angeles Area Office and was supplemented by our review of data on the staffing, training, organization, and qualifications of PDB staffs in the Boston, New York, Philadelphia, Atlanta, Chicago, and Detroit Area Offices.

Our review disclosed the following deficiencies:

- Unqualified Employees
- Lack of a Formal Training Program
- Improper Use of Employees
- Lack of a Formal Method for Assigning and Monitoring Work Responsibilities
- Inadequate Headquarters' Monitoring of Field Offices.

We determined that Property Disposition Branches (PDBs) failed to adequately administer their operations to ensure employees carried out their assigned duties, completed their work properly, and complied with Departmental procedures.

Both supervisory and subordinate employees were hired by, or assigned to PDBs to perform duties and responsibilities for which they were not qualified. Our review of the background and experience of 156 PDB employees (32 supervisors and 124 other employees) disclosed that 16 percent of the PDB supervisors and 21 percent of all other employees were unqualified.

In addition, PDB staffs were not aware of the training needs of their employees and had not developed a formal (classroom) training program to ensure that all employees possessed the knowledge and skills needed to perform their duties. Our review of PDB staffs in the seven HUD Area Offices disclosed that 68 percent of the employees had not been adequately trained. Inadequate formal training contributed to employees' not properly carrying out their assigned responsibilities.

In at least three of the seven HUD Area Offices, a total of 11 employees were: (1) performing duties not stated in their position descriptions; (2) performing duties entirely different from the position for which they were hired; or (3) not performing some of the duties in their position descriptions.

Also, at the Los Angeles Area Office, some PDB employees either neglected some of their duties or completed their work improperly. This occurred because the PDB did not have a formal method for assigning PDB work responsibilities to individual employees and, did not monitor the carrying out of such responsibilities.

Moreover, Headquarters' monitoring reviews of HUD field offices were not covering a sufficient number of field offices, were not always encompassing property disposition activities, and were too limited in scope. Therefore, many of the problems being experienced by PDBs were not being adequately reviewed and acted upon by Headquarters.

We recommended that the Assistant Secretary for Housing-Federal Housing Commissioner ensure that the training needs of PDB staff members are continually identified and that formal PDB training requirements are established. We also recommended that PDB position descriptions be updated and that the assignment of work responsibilities be formalized. Further, we recommended that Headquarters' monitoring of PDBs be improved.

An official response to the report was not due until November 23, 1981; however, the Assistant Secretary generally concurred in our draft report recommendations and agreed to take appropriate actions.

4. INSPECTION PROCEDURES AND PRACTICES FOR MULTIFAMILY PROJECTS UNDER CONSTRUCTION - ATLANTA REGION

On July 7, 1981, we issued a report to the Assistant Secretary for Housing-Federal Housing Commissioner disclosing the results of our audit of the effectiveness of HUD's inspection procedures and practices for insured multifamily projects under construction in the Atlanta Region. We reported the interim results of this audit in our previous Semiannual Report.

Our audit disclosed a need to substantially improve the quality of HUD's inspections of multifamily projects under construction. While property inspections were made, many construction deficiencies were not detected or reported.

Our inspections of 16 insured multifamily projects disclosed 608 construction deficiencies which should have been detected and/or reported by HUD staff or fee inspectors. Of these deficiencies, 103 were considered to be especially significant because they could adversely affect the health and safety of residents, the structural integrity of the buildings, or result in increasing future maintenance costs to a level that could affect the solvency of the projects. These deficiencies are shown in the table on the next page. The other 505 construction deficiencies involved the substitution of materials and equipment without HUD approval; poor quality workmanship; and noncompliances with approved plans and specifications, HUD property standards and practices, and National Health and Safety Standards.

ESPECIALLY SIGNIFICANT MULTIFAMILY CONSTRUCTION DEFICIENCIES

- Inadequate foundations
- Broken and unsupported ceiling joists
- Trusses broken and not certified by manufacturer
- Missing and loose wall studs
- Untreated wood in contact with masonry
- First and second story floors not strapped
- Lightweight concrete floors on second floor improperly installed
- Roofs excessively bulging and indented
- Ground fault interrupters (device to prevent electric shock) not installed
- Electrical wiring not properly installed
- Use of flammable material on back of insulating material between walls separating apartments
- Hot water heater overflow valves improperly installed
- Water heaters not stable
- Hot water lines under sink in handicapped unit not insulated
- Handrails not installed at steps
- Furnaces installed within six inches of combustible materials
- Entry doors and frames not fire rated
- Fire-stopping material not used in walls between apartments
- Steep unstable slopes behind occupied units
- Tub traps not sealed
- Combustible air drawn from inside units
- Antisiphon faucets not installed
- Ranges vented into breezeways where residents congregate
- Gaps between kitchen cabinets and walls not sealed
- Inadequate painting
- Subflooring not adequately nailed down
- Carpet installed in utility areas
- Roof shingles damaged
- Moisture resistant sheetrock not used in bathrooms
- Copper pipe joints installed under concrete slab

Table. Types of Especially Significant Construction Deficiencies Not Detected and Reported--Audit of Inspection Procedures and Practices for Multifamily Projects Under Construction

The inadequate inspections were a direct result of deficient program requirements which failed to provide for quality inspections. In addition, the Department had not established inspection performance requirements to be met by HUD inspectors and architects as part of the Department's employee performance evaluation system.

We recommended that specific instructions and performance requirements be established for inspectors in making and documenting inspections. We also recommended that procedures be established which provide for periodic HUD monitoring (by Chief Architects) of inspection work.

The Assistant Secretary for Housing-Federal Housing Commissioner agreed with all but one of our recommendations and has proposed actions which, when completed, will enhance the multifamily inspection process. We are currently working with the Assistant Secretary to resolve our recommendation concerning the need to establish more specific instructions for inspectors.

5. PUBLIC HOUSING TURNKEY PROGRAM

We issued a report on August 7, 1981, disclosing the results of our nationwide review of the Public Housing Turnkey Program in ten HUD field offices. Our nationwide report was issued to the Assistant Secretary for Housing-Federal Housing Commissioner. In addition, reports were issued to the HUD Regional Administrators of the five Regions included in our review.

Our review disclosed the following deficiencies:

- 'Untimely Completion of Projects Resulting in Increased Construction Costs of \$4.4 Million and Debt Service Costs of \$12.7 Million
- Inadequate Monitoring of Project Construction
- Lack of Systematic Management Information on Comparative Costs and Delivery Times for Various Methods of Producing Public Housing.

For the 40 public housing Turnkey projects included in our nationwide review, significant delays often existed between program reservation and the execution of the contract of sale. In many cases, there was no documentation in HUD field office files to justify such delays. Of the projects examined, 15 involved processing delays which contributed to cost increases of \$4.4 million. We determined that the \$4.4 million of additional costs will eventually result in additional debt service costs of \$12.7 million over the life of the projects. Seven HUD field offices reviewed were averaging 23.3 to 45.4 months to progress from program reservation to the receipt of the development program, which according to HUD guidelines, should not exceed one year.

Further, we determined that the ten HUD field offices which we reviewed were not adequately monitoring the construction of public housing Turnkey projects. We found that the frequency of site inspections was less than required; checks of public housing authorities' inspecting architects were inadequate; contractor and/or subcontractor payrolls were not examined, prescribed employee interviews were not made; and required preconstruction conferences with public housing authorities, architects and contractors were not always held. As a result, assurance was lacking that projects were being completed timely and in accordance with approved plans/specifications and statutory/regulatory requirements.

Our review also disclosed that HUD was not regularly compiling and analyzing management information on comparative costs and delivery times for the various methods of producing public housing. We concluded that such information is necessary to provide a systematic and reliable basis for program funding decisions and allocating HUD's staff resources.

We recommended that the Assistant Secretary for Housing-Federal Housing Commissioner ensure that periodic life cycle analyses of Turnkey project construction and operating costs be performed. We also recommended establishment of a monitoring system to control the progress of project development and actions to alleviate delays in completing construction.

The Assistant Secretary's official response to the subject report was not due until 60 days after the report's issuance, or by October 5, 1981.

6. STRUCTURAL REPAIR PROGRAM - HUD BOSTON AREA OFFICE

On July 21, 1981, we issued a report on our audit of the Structural Repair Program administered by HUD's Boston Area Office (BAO) under Sections 518(b) and (d) of the National Housing Act. These provisions of law authorize the HUD Secretary to make payments for the correction of structural or other major defects which seriously affect the livability and safety of the inhabitants of qualifying HUD-insured properties.

We concluded that the BAO completely disregarded existing procedures in processing homeowner claims under Sections 518(b) and (d). As a result, excessive costs were incurred and payments were made for ineligible repairs.

The BAO staff failed to process homeowner complaints under Sections 518(b) and (d) in accordance with HUD's established requirements. The complaint officer disregarded established contracting procedures and abrogated eligibility decisions made under established processing and appeal procedures.

We selected a sample of 30 of the 76 homeowner claims on file with the BAO wherein the recorded repair costs exceeded \$5,000. Of the 30 claims, we found 25 claims in which the actual repair costs substantially exceeded the HUD estimated costs as shown in the table on the following page. We found no evidence of additional bids, nor was the work contracted out by the contracting officer even though this was required.

As shown in the table below, the increase in actual costs over the HUD approved estimates ranged from a low of \$1,085 to a high of \$30,461 for individual cases and, cumulatively, from \$46,969 to \$376,461 for all 25 cases. The \$376,461 approved by the complaint officer represented not only costs for eligible repairs in excess of HUD estimates, but also costs for work which was not originally approved for all 25 claims. For eight of the claims, work items had been specifically determined ineligible by the BAO Director and, when appealed by the homeowners, had been determined ineligible by the Regional Office and the American Institute of Architects. However, such items were approved and processed by the complaint officer as eligible items. The total payments on the eight claims amounted to \$132,311, of which \$73,420 was applicable to ineligible work items.

BOSTON AREA OFFICE
STRUCTURAL REPAIR PROGRAM
TABLE. SAMPLE CASES REVIEWED WHERE ACTUAL COSTS EXCEEDED
HUD APPROVED ESTIMATE BY MORE THAN 10%
AND REPAIR COSTS APPROXIMATED TWO-THIRDS OF ACQUISITION PRICE

Sample Homeowner Claim	HUD Approved Estimate	Actual Costs	Costs in Excess of HUD Approved Estimates		Cost Approximately 2/3 of Acquisition Price	
			Amounts	Percentage (Rounded)	Repair Price	Acquired Price
1	\$ 50	\$ 10,208*	\$ 10,158	20316%	10,208	16,500
2	146	14,626	14,480	9918	14,626	16,900
3	225	16,667	16,442	7308	16,667	19,500
4	315	19,285*	18,970	6022	19,285	20,000
5	226	12,946	12,720	5628	12,946**	11,500
6	350	18,053*	17,703	5058	18,053	23,000
7	300	10,170	9,870	3290	-	-
8	600	15,855	15,255	2542	15,855	19,900
9	800	18,040	17,240	2155	18,040	24,000
10	500	9,975	9,475	1895	-	-
11	1,000	14,800*	13,800	1380	-	-
12	1,000	14,325*	13,325	1332	14,800	18,500
13	700	9,800	9,100	1300	9,800	10,000
14	1,250	16,115	14,865	1189	-	-
15	925	9,165	8,240	891	-	-
16	3,500	27,350*	23,850	681	27,350**	17,000
17	1,500	11,565	10,065	671	11,565	19,900
18	2,075	14,153	12,078	582	-	-
19	6,057	36,518	30,461	503	36,518**	35,700
20	2,250	12,260	10,010	445	-	-
21	2,700	14,225	11,525	427	14,225	16,500
22	4,000	18,200*	14,200	355	18,200**	18,000
23	4,350	12,685	8,335	192	12,685	18,600
24	3,850	10,090*	6,240	162	10,090	14,000
25	8,300	9,385	1,085	13	-	-
Totals	\$46,969	\$376,461	\$329,492			

* Includes costs for item(s) originally determined ineligible.

** Repair costs exceeded owner's acquisition price.

Further, although HUD's basic criterion for determining the feasibility of repairing a property under the subject programs involves an analysis to compare the cost of the repairs to the cost of acquiring the property, we found that the BAO staff had performed this required analysis for only one of the 30 properties reviewed. However, as shown in the table above, we found that the repair costs for 17 of the 25 claims approximated or exceeded two-thirds of the acquisition prices of the properties involved,

and that four of the 17 had repair costs which exceeded the original acquisition prices of the properties. There was no analysis performed for any of the 25 claims to determine the feasibility of repairing the defects.

We recommended that the Regional Administrator review the actions of the complaint officer and the contributory lack of supervision by the field office managers for the purpose of determining whether administrative action should be initiated. In the event that administrative action is considered necessary, we recommended that the individuals be identified and dealt with appropriately. We further recommended that the HUD Area Manager ensure the proper processing of remaining homeowner claims.

The Regional Administrator established working groups to review the cases of inadequate employee performance which were identified in our report. The working groups identified 15 Area Office employees who violated instructions. At September 30, 1981, the Regional Administrator was in the process of determining the actions to be taken against such employees.

7. HUD'S OFFICE OF REGIONAL INDIAN PROGRAMS - DENVER REGION

At the request of the Assistant Secretary for Housing-Federal Housing Commissioner, we performed an audit of HUD's Office of Regional Indian Programs (ORIP) in the Denver Region. Our report was issued on July 31, 1981.

The audit disclosed the following deficiencies:

- Inadequate Monitoring of Indian Housing Authorities
- Inadequate Consideration of Administrative Capabilities of Indian Housing Authorities When Allocating Funds
- Ineffective Control Over Housing Development Costs and Funding.

We concluded that ORIP was not effectively carrying out its responsibilities with respect to ensuring that Indian Housing Authorities (IHAs) have the administrative capability to manage their housing programs efficiently and effectively, and in accordance with program rules and regulations.

We found that ORIP was not adequately monitoring IHAs through management reviews, occupancy audits, engineering surveys, utility/energy surveys and financial reviews. On-site reviews of IHAs were not being performed timely by ORIP and were not always covering required areas. In addition, problems and deficiencies of IHAs were not being identified and monitored to assure their correction. Further, ORIP had not established procedures or systems to assure the timely submission of financial data and reports from IHAs as well as to assure their effective use. ORIP was placing too much emphasis on the meeting of quantitative operating goals as an indication of it's achieving management objectives, rather than relying on a comprehensive approach which focused on achieving qualitative improvements in program administration. The need for close oversight of IHAs has been especially important in view of the reported problems of IHAs in managing HUD housing programs.

ORIP was also giving little or no consideration to the administrative capabilities of IHAs when making allocation decisions for the funding of new units, and modernization and rehabilitation activities. Consequently, substantial funds were being committed to IHAs which had not demonstrated the ability to properly manage their housing programs.

In addition, ORIP was not effectively dealing with basic weaknesses being experienced by IHAs in controlling project development costs and funding. Consequently, ORIP was unable to control IHA expenditures of project development funds despite the fact that IHAs were extensively using funds for unauthorized purposes. Our review of 15 prior audit reports of IHAs showed 11 IHAs had incurred unauthorized budget cost overruns of about \$2.4 million.

We made many interim recommendations which were adequately addressed by ORIP. Our final recommendations dealt with the need to establish improved systems to identify and resolve administrative and financial problems and related needs of IHAs through more effective monitoring and tracking of such problems and needs. We also recommended that allocation and funding decisions affecting IHAs be based on close analysis of all available information relating to the administrative capabilities of IHAs.

Under the Department's Audits Management System, a response which discloses the actions to be taken to resolve the subject audit findings, was due within 60 days of the issuance of the report, or by October 11, 1981.

8. PROCESSING OF MORTGAGE INSURANCE APPLICATION DATA DELTA TOWERS APARTMENTS, NEW ORLEANS, LOUISIANA

On May 6, 1981, we issued the report on our review of the books and records of Delta Towers Apartments pertaining to the application submitted by Capital Properties, Inc., (Mortgagor) to HUD's New Orleans Area Office that resulted in refinancing and mortgage insurance for Delta Towers under Sections 207 and 223(f) of the National Housing Act. Section 223 authorizes the Secretary to insure mortgages executed in connection with the purchase or refinancing of existing multifamily projects. The mortgage insurance is provided under Section 207 of the Act. (Our prior Semiannual Report describes the results of our review of the Section 8 Housing Assistance Payments Program for existing housing as it relates to various transactions with the owner of Delta Towers Apartments.)

Our report disclosed the following deficiencies:

- Inaccurate and Unreliable Application Data Resulting in Overinsured Mortgage of About \$4.5 Million
- Inadequate HUD Area Office Physical Inspection of Project
- Violation of Regulatory Agreement.

We concluded that Delta Towers Apartments was overinsured by about \$4.5 million, primarily because of misstatements in the project's application and related data submitted to HUD. The application and related data for Delta Towers contained substantial overstatements of the project's financial and physical condition, residential and commercial areas, and income; and understatements of expenses, which HUD relied on in insuring the project for over \$14.6 million. As a result, the project was overinsured by about \$4.5 million.

Moreover, we determined that the HUD Area Office failed to make an adequate physical inspection of living and public areas of the Delta Towers building. As a result, the inspection did not detect extensive flood and rainfall damage which occurred three months prior to the inspection. Thus, the Area Office granted FHA mortgage insurance coverage on Delta Towers even though the project needed extensive repairs and replacements to bring it up to an insurable condition.

Also, contrary to its contractual agreement with HUD, the Mortgagor, Capital Properties, Inc., effected a transfer of physical assets and liabilities to a new company which it established, without HUD's prior approval.

We recommended that the Mortgagor be required to repay the mortgage by the amount the mortgage was overinsured, or \$4.5 million. We also recommended that HUD consider debarment actions against the Mortgagor and administrative sanctions against HUD Area Office employees for any inadequate performance.

The Area Office disagreed with our audit findings. The Headquarters Office of Housing subsequently reviewed the processing of the Delta Towers' mortgage insurance applications and determined that the project was, in fact, overinsured by \$4.5 million. On September 18, 1981, the Area Office referred our audit report to the Regional Administrator for a decision as to the action to be taken.

9. HUD'S PROCUREMENT PROCESS INCLUDING CONSULTING SERVICE CONTRACTS

On July 7, 1981, we issued the report on our review of the Department's policies, procedures, and practices for awarding and administering contracts, including those for consulting services. The report was addressed to five HUD Assistant Secretaries.

Our report disclosed the following:

- Need for Additional Management Control Efforts
- Inadequate Planning of Procurement Activities
- Noncompliance with Prescribed Procurement Practices and Procedures.

Although HUD has made progress in implementing management controls in the procurement process, our review disclosed the need for additional efforts to enhance existing management controls. Such efforts included a need to: (1) revise HUD's personnel handbook to provide for additional controls on the acquisition of consulting services through personnel appointments; (2) perform an assessment to determine the adequacy of existing management controls over the procurement process; and (3) communicate the Department's ethics and standards-of-conduct requirements to employees. These proposed efforts were included in HUD's procurement management plan which was submitted to the Office of Management and Budget on August 1, 1980. The efforts were scheduled to be implemented by November 1, 1980. Originally, the implementation of these efforts was not given a high priority by the Department and, therefore, they were not implemented at the time our report was issued. However, in March 1981, the Department assigned the highest priority to completing the implementation of these controls by September 30, 1981.

We also found that the Department was not properly classifying or coding consulting service contracts. This practice was adversely affecting management control over such contracts and was reducing the reliability of the data HUD was providing to the Federal Procurement Data System.

Further, we reported that procurement activities were not always adequately planned by the Department's program offices. This was apparent from the fact that the Department was not always considering in-house capabilities before seeking outside services. In addition, the Department was relying on boiler plate or stereotype statements to justify the need for cost reimbursable contracts and sole-source procurements. As a result, in-house capabilities were not fully used and services that could have been performed in-house were being contracted out. Also, the Department was unable to provide any assurance that it was obtaining the best prices for contracted services or that the contract services were in fact justified.

In addition, our review disclosed that prescribed procurement practices and procedures were not being followed and enforced during the contracting process. Program offices' requests for services and post-award functions were not being effectively reviewed, controlled and monitored. As a result, we reported that procurement funds were unnecessarily obligated, unusable products were received, competitive-type contracts were not used to the fullest extent, and contract files were inadequately maintained.

We recommended that contracting officers and specialists be instructed on the proper coding of consulting service contracts, in-house capabilities be considered during the contract planning process, and noncompetitive procurements be properly justified and documented. We also recommended that actions be taken to deter noncompliance with procurement regulations and that such actions include the taking of disciplinary actions against offenders. Further, we recommended that contract monitors be instructed on the need and desirability of maintaining contract files.

Departmental corrective actions underway include more stringent reviews of noncompetitive procurement requests, imposing additional justification requirements for certain types of contracts and noncompetitive procurements,

emphasizing the proper coding of consultant contracts, and general tightening of management controls over procurement activities. We are continuing to closely monitor the implementation of management's actions.

10. LEAD-BASED PAINT POISONING PREVENTION PROGRAM

Because HUD has been experiencing serious problems in administering its Lead-Based Paint Poisoning Prevention Program,* the Secretary has directed that an intensive effort be made to address these problems through the development of more effective policies, procedures and strategies, as well as the implementation of improved follow-up efforts.

At the direction of the Secretary, a HUD review team was established, consisting of the Assistant Secretary for Policy Development and Research, Assistant to the Secretary for Public Affairs, and the Inspector General. The review team was directed by the Secretary to prepare a ten-year chronological history of lead-based paint activities, preparatory to a field study, which would identify for the Secretary and his staff, key events, review reports, and corrective actions taken on reported problems.

The ten-year chronology of lead-based paint activities showed that, although numerous actions have taken place and nearly \$9 million spent on related research, the results have been limited and, in many cases, not known. The review team indicated that there has been a lack of a coordinated effort within HUD to monitor and follow up on lead-based paint program matters.

The Secretary is now making an intensive effort to implement an effective Lead-Based Paint Poisoning Prevention Program. The Secretary has directed a complete analysis of the Program to ensure HUD's mandates under law are carried out. Short-term corrective actions are also being taken to improve emergency response procedures, initiate more effective recordkeeping, and update existing program instructions. The Assistant Secretary for Policy Development and Research has a lead role in this regard and is currently preparing a policy paper which will deal with a range of alternative strategies and actions.

* The Lead-Based Paint Poisoning Prevention Act of 1971, and subsequent amendments, authorized HUD to conduct research on the nature and extent of childhood lead poisoning, and to develop cost effective techniques for eliminating lead paint from houses. The Act also mandated HUD to eliminate, as far as practicable, the hazards of lead paint from housing owned or assisted by HUD and to monitor other Federal agencies' efforts in this area.

11. HOUSING COUNSELING PROGRAM

On July 17, 1981, we issued a report to the General Deputy Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection (NVACP) on our audit of HUD's Housing Counseling Program.* The audit encompassed five HUD Regions and 40 housing counseling agencies.

Our review disclosed the following deficiencies:

- Adequate Provision of Mortgage Default Counseling Not Assured and Failure to Evaluate the Effectiveness of Other Types of Counseling
- Approval of Housing Counseling Agencies Without Adequate Assurance They Were Meeting Qualifications
- Ineffective Methods for Selecting and Funding Housing Counseling Agencies
- Untimely Referrals of Delinquent Mortgagors to Housing Counseling Agencies
- Ineffective Monitoring of Housing Counseling Program Activities
- Outdated Program Instructions and Unclear Definition of Counseling Units.

Although mortgage default counseling has proven to be effective, the effectiveness of other types of counseling authorized by HUD has not been determined (e.g., rental delinquency, energy conservation, housing consumer education, etc.). HUD approved the extension of counseling to other areas without having first assured that adequate coverage or priority was being given to mortgage default counseling. In this regard, we found that geographical areas with large numbers of mortgage defaults often had relatively low funding levels. There was no control to assure that individual counseling agencies were meeting the needs for mortgage default counseling in given geographical areas.

We also found that housing counseling agencies were being approved by HUD field offices without any assurance that such agencies were meeting minimum qualifying requirements prior to certification. In nearly all cases, documentation to support HUD field office assessments of agencies' proposals was inadequate. There was also limited documentary evidence to demonstrate that HUD field offices had conducted required pre-proposal site visits to agencies.

* NVACP was abolished effective September 30, 1981. The Housing Counseling Program has been transferred to the Assistant Secretary for Housing-Federal Housing Commissioner.

Further, the rating system used for selecting housing counseling agencies to be funded was not designed to measure the performance of agencies and the system was found to be ineffective in measuring the capabilities and procedures of agencies. The rating system used was not based on actual performance and counseling success and it permitted agencies to qualify for funding even though they failed to meet basic or essential program requirements. In addition, the methods for reviewing and computing rating scores were leading to unverified, erratic and inconsistent results.

Moreover, agencies' efforts to effectively plan and staff their operations were impeded due to uncertainties caused by the funding process. For instance, funding decisions by Headquarters were being made after agencies' contract years had begun, and agencies were being required to compete each year under a new rating system. Thus, agencies did not know how they would be rated and what score would be required to qualify for funding.

Our review also disclosed that HUD was not promptly furnishing housing counseling agencies with lists of delinquent mortgages for use in contacting mortgagors in need of default counseling. By the time the listings were received, those mortgagors in default, who were in need of counseling, were often so far behind in their payments that chances of curing the defaults were unlikely.

Also, monitoring of Housing Counseling Program activities was ineffective at all HUD organizational levels. Site visits to housing counseling agencies by HUD field representatives were too infrequent and were not effective in disclosing unsupported or ineligible counseling units charged by agencies. Monitoring deficiencies also contributed to the approval of agencies without documentation to support that they met minimum requirements.

We also found that housing counseling handbook instructions were significantly outdated; therefore, they had limited value in assisting agencies and HUD field office representatives in effectively carrying out the Housing Counseling Program. In addition, the grant contract definition of counseling units on which reimbursement for counseling is based was unclear; consequently, some grantees were claiming reimbursement for ineligible units.

We recommended that: (1) the effectiveness and need for all types of counseling be determined and that the subject results be used in determining funding levels and the geographical allocation of such funds; (2) HUD field office representatives be required to ensure that the meeting of all HUD requirements is documented before approving housing counseling agencies and that all pre-proposal site visits are documented; (3) the funding process be transferred to HUD Regional Offices and initial funding be based on performance and capability; (4) a system be established which provides for timely referral of delinquent mortgagors to agencies; (5) HUD field offices engage in more frequent and in-depth monitoring of grantees; and (6) program handbook instructions and grant contracts be fully updated and clarified.

We received the Assistant Secretary's response to our audit findings and recommendations on September 22, 1981. At September 30, 1981, we were in the process of evaluating this response. All audit findings remained open at September 30, 1981.

12. HUD WASHINGTON AREA OFFICE - WASHINGTON, D.C.

On June 22, 1981, we issued a report on various administrative deficiencies disclosed by our operational survey of HUD's Washington Area Office (WAO). The objectives of the survey were to identify and examine indicators of illegal or improper practices by HUD employees and program participants; and identify activities requiring detailed audit or investigation. We had previously issued an operational survey report on the WAO in May 1977; however, our current survey disclosed that the actions taken by the WAO on our prior operational survey findings were ineffective. Therefore, the deficiencies previously reported were permitted to intensify.

Generally, our survey disclosed many weaknesses in monitoring and servicing of multifamily projects and administering single family operations and property disposition activities.

Our limited review of 40 multifamily projects classified as "troubled" projects by the WAO indicated that such projects were ineffectively monitored and serviced by the WAO. We identified numerous project deficiencies which should have been detected and followed up by the WAO such as:

- Adverse conditions reported as a result of prior audits and surveys by the OIG which had not been corrected.
- Required project accounting reports and financial statements not on file.
- Questionable mortgagor disbursements.
- Possible diversions of funds by mortgagors.
- Failure of the WAO to perform required comprehensive management reviews of mortgagors.
- Lack of follow-up on identities-of-interest between project owners and management agents.
- Delays in the submission of supplemental cost certifications by mortgagors.
- Distributions to owners of one project of \$1.36 million in excess of surplus cash available (contractual violation).
- Deficient management agent operations which indicated a lack of WAO's monitoring of the projects involved.

Our survey also disclosed numerous weaknesses in the WAO's overview and monitoring of single family operations and property disposition activities.

These weaknesses were indicative of the WAO's ineffective monitoring and control of such activities. Examples of identified weaknesses were:

- Financial risks associated with mortgage insurance applications not adequately evaluated.
- Fee appraisers and examiners inadequately recertified.
- Unauthorized persons providing assistance to fee appraisers.
- Appropriate disposition of acquired single family properties not determined within the required time frame.
- Inadequate monitoring of Area Management Broker activities.
- Disbursements for completed repair work prior to field office notification and purchase order authorization.

We recommended that numerous specific actions be taken by the Area Manager, WAO, to improve the WAO's program operations. Many of our recommendations dealt with the need to develop and enforce internal operating procedures and improve monitoring to ensure that reported adverse conditions do not recur in the future. With respect to identified examples of deficiencies associated with individual mortgagors, we recommended that all ineligible expenditures be recovered and appropriate administrative actions be taken against those mortgagors who refuse to comply with WAO directives.

The Area Manager agreed with all but one of our report findings and has begun to take action on the deficiencies. Because the deficiencies require long-range actions, all such actions were in the process of being implemented at September 30, 1981.

PARTICIPANTS IN HUD PROGRAMS

13. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM TOWNSHIP OF CHESTER, CHESTER, PENNSYLVANIA

We performed an audit of the books and records which the Redevelopment Authority of the County of Delaware maintained on the Chester Township (Grantee) Community Development Block Grant Program. Our audit report was issued on May 29, 1981. The audit encompassed five program years and \$6.7 million of program funds. Our audit disclosed eleven findings involving about \$3.1 million of ineligible costs and costs that were considered questionable.

The following deficiencies were disclosed:

- Numerous Construction Deficiencies Involving Rehabilitation Project Resulting in Questionable Costs of \$2.2 Million

- Allocation of Indirect Costs Not Documented Resulting in Questionable Costs of \$514,644
- Prohibited Methods Used to Compensate Professional Service Contractors Resulting in \$220,885 in Ineligible and Questionable Costs
- Ineffective Administration of Professional and Construction Contracts Resulting in Ineligible and Questionable Costs of \$114,465
- Other Deficiencies Associated with Property Rehabilitation, Accounting Records, and Administrative Expenditures.

Based on inspections of rehabilitation work performed on the Grantee's Township Homes Rehabilitation Project, which disclosed substantial construction deficiencies requiring corrective action, we questioned the eligibility of all Community Development Block Grant Program funds spent on this Project (\$2.2 million). Project inspections were performed by our staff in conjunction with a HUD rehabilitation specialist. Such inspections were supported by our review of reports prepared by two engineers responsible for construction monitoring.

Construction deficiencies consisted of poor workmanship, work not done or incomplete work, and possible substitution of lower-grade materials for the materials prescribed in the specifications. Such construction deficiencies apparently resulted from omissions and deficiencies in the engineer-prepared plans and specifications, ineffective supervision by the contractor during construction, and ineffective monitoring of the contractor's performance by the Grantee and engineers.

We found that the Redevelopment Authority did not maintain documentation in support of the percentages used to allocate indirect costs among the Federal and local programs it administered. As a result, the accuracy and/or reasonableness of the Authority's indirect cost proration percentages used could not be verified. Indirect costs prorated to Chester Township and other Community Development Block Grant Programs amounted to \$514,644. In this regard, proration percentages were based upon an unsupported estimate of the time spent by employees on the programs administered by the Authority, instead of being based upon individual employee time distribution records.

The Redevelopment Authority was also using cost-plus-a-percentage-of-cost compensation methods in contracts executed with professional service contractors (engineers) resulting in questionable costs of \$191,327. Also, because of ineffective monitoring by the Redevelopment Authority, it failed to detect that billings submitted by an engineer did not reflect the prescribed percentage compensation factors. This resulted in an overpayment of engineering fees of \$29,558.

Moreover, the Redevelopment Authority neither effectively monitored its contracts to assure compliance by contractors nor adequately evaluated billings and change orders submitted by contractors. These conditions resulted in contractor payments being made for work not performed and for work previously performed for which compensation had already been received; and supplementary payments for services required under a contract's original scope of services.

Other deficiencies disclosed by our audit included: (1) properties rehabilitated by the Grantee's Hopewell Rehabilitation Project which were not brought up to required standards; (2) unnecessary travel expenditures incurred by the Redevelopment Authority; (3) a large amount of program funds expended for producing an ineligible publication; (4) inadequate prior contracted audit of the Grantee (audit was not of sufficient scope); and (5) the Redevelopment Authority failure to properly maintain its books and records. Ineligible and questionable costs associated with these deficiencies totaled \$60,887.

We recommended that the Redevelopment Authority and Grantee be directed by HUD to obtain an independent engineer to evaluate the adequacy of the plans and specifications for the Township Homes Project and correct any deficiencies identified. We also recommended that the Grantee reallocate its indirect costs using a more equitable allocation method. Further, we recommended that the Grantee discontinue using ineligible methods of compensating contractors. We also made other recommendations to improve the Grantee's program administration and controls.

All but one of our audit findings remained open at September 30, 1981. The HUD Area Office concurred in our audit finding concerning the production of an ineligible publication at a cost of \$9,107. We are working closely with the HUD Area Office to achieve a satisfactory resolution of each of the remaining findings.

14. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM MUNICIPALITY OF MARICAO, MARICAO, PUERTO RICO

The report on our audit of the Community Development Block Grant Program, Municipality of Maricao, Puerto Rico, was issued on August 7, 1981. The audit covered the period September 1, 1979 to February 28, 1981.

Our audit report disclosed findings involving about \$1.08 million of ineligible costs or costs that were considered questionable. We questioned the Grantee's capacity to carry out its program due to its lack of expertise and virtual complete dependence on consultants in administering program activities.

Our report disclosed the following deficiencies:

- Deficient Procurement and Contracting Practices Resulting in Ineligible and Questionable Costs of \$860,692
- Significant Changes to Program Activities Without HUD Authorization Resulting in Ineligible Costs of \$82,335
- Other Deficiencies Resulting in Ineligible and Questionable Costs of \$132,926.

We found that the Grantee awarded 14 contracts for professional services to the same consulting firm, totaling \$213,000, without assuring that the contracts conformed to Federal requirements and without providing required justification for the contractor's selection and the basis for the compensation to be paid.

In addition, the Grantee incurred ineligible and questionable costs totaling \$653,043 as a result of awarding construction contracts without obtaining required formal bids and by not complying with other mandatory procurement requirements.

Also, the Grantee eliminated one of its approved program year activities and made significant changes to the scope and scale of two other approved 1979 and 1980 program year activities without requesting prior HUD approval, contrary to program regulations. As a result, \$82,335 of costs were considered ineligible and were disallowed as a result of the audit.

The Grantee also charged indirect costs to its Community Development Block Grant Program based on a cost allocation plan that had not been approved by the cognizant Federal agencies. Also, payroll and other program costs of \$44,649 were unsupported and, therefore, their propriety could not be determined. Further, significant delays in completing a water distribution system project occurred because of the Grantee's failure to enforce certain provisions of a consultant's contract in the amount of \$25,000. The Grantee also charged \$8,697 of costs to the Community Development Block Grant Program which were either not specifically eligible or were unnecessary.

We recommended that the Area Manager, San Juan, Puerto Rico, sustain all reported disallowed costs and direct the Grantee to reduce program costs for the amounts disallowed. We also recommended that the Area Manager determine the eligibility of all reported questioned costs and direct the Grantee to reduce program costs for any amounts found to be ineligible. Further, we recommended that the Area Manager consider the administrative deficiencies reported, particularly those relating to procurement practices, and evaluate the Grantee's capacity to carry out its program before awarding any additional funding under the Small Cities Program.

The official initial response to our final report was due within 60 days of the issuance of the report, or by October 6, 1981.

**15. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
(SURPLUS PROPERTIES PROGRAM), CITY OF NEWARK, NEW JERSEY**

We performed an audit of Newark's Surplus Properties Program to determine whether the Program was administered as set forth in the City's Community Development Block Grant Program applications and in an economical, efficient and effective manner. Our report was issued on April 20, 1981.

Our audit report disclosed that the Grantee did not implement its Surplus Properties Program as set forth in its approved Community Development Block Grant applications for the program years 1978 through 1980.

The Grantee indicated in its Community Development Block Grant application that it intended to implement a program for the rehabilitation of publicly-owned residential properties which were acquired through tax foreclosure and abandonment. Instead, the Grantee used about \$1.87 million of program funds to finance activities that were either ineligible under existing program regulations or not directly related to its proposed rehabilitation program. The \$1.87 million of costs represented the total amount of costs the Grantee charged to the Surplus Properties Program.

Ineligible activities ranged from janitorial services to repairs of publicly-owned commercial properties, including related administrative costs. After nearly three years of operating the subject program, the Grantee had neither prepared a rehabilitation plan nor identified properties to be rehabilitated.

We recommended that costs of \$1.87 million be disallowed by HUD and that the Surplus Properties Program be suspended until the Grantee has implemented a satisfactory rehabilitation program.

The Area Office has agreed with our audit finding and will require the Grantee to reprogram the \$1.87 million of misspent funds.

16. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
TOWN OF COLMAR MANOR, COLMAR MANOR, MARYLAND

Our office, the FBI and non-Federal auditors, engaged in a coordinated effort to review allegations of serious deficiencies and improprieties in the administration of HUD's Community Development Block Grant Program, Colmar Manor, Maryland. This coordinated effort came about as a result of allegations by Colmar Manor's Chief of Police concerning improprieties by the Town Administrator, as well as the outcome of a background check by the Police Chief which disclosed that the Town Administrator had previously been convicted for embezzling credit union funds.

At the request of the Assistant United States Attorney, an audit was performed to determine whether Federal funds had been misappropriated. The resulting non-Federal audit report was accepted by us and issued on June 18, 1981. Total HUD funds received by the Grantee for the program years 1975 through 1980 amounted to over \$2.5 million.

Because of the improprieties found, the auditors were unable to express an opinion on the fairness of the Grantee's financial statements for the period July 1, 1979 to December 31, 1980. All findings disclosed as a result of the prior audit of this Grantee were repeated in the current audit report. The reported deficiencies involved a serious lack of internal controls, deficient accounting practices, and questionable and ineligible expenditures.

The following deficiencies were reported:

- Lack of Internal Controls and Deficient Accounting Practices Which Contributed to Various Improprieties in Program Transactions
- Program Funds Used for Unauthorized Construction--
Fast-Food Restaurant
- Questionable Consultant's Contract.

The Grantee's program administration effort was severely hampered because of deficient internal controls and accounting practices. The Grantee failed to establish effective internal controls for the handling of cash and related transactions. The duties of the Town Administrator and the Town Bookkeeper were improperly combined, creating the potential for improprieties. In this regard, the audit disclosed altered checks and deposit slips, lapping of receipts and deposits, cash overdrafts, questionable check endorsements, checks being diverted from their intended purpose, lack of cost and other financial documentation, questionable disbursements and various uncertainties involving material transactions.

In addition, books of accounts were either not maintained, or were not maintained properly. Moreover, contrary to Federal requirements, the Grantee had no cost allocation plan for charging indirect costs. Such costs were charged to the Town's various grants in a haphazard, inconsistent manner, or by a percentage which could not be related to actual usage. Further, all interfund accounts of the Grantee were out of balance, and an unexplained shortage of \$23,783 in the Grantee's rehabilitation escrow account was found.

Moreover, the Grantee used \$266,720 of Community Development Block Grant funds to construct a fast-food restaurant (Burger King) without HUD's authorization. Use of Federal funds for commercial establishments is generally prohibited.

The Grantee also entered into a contract with a realty company to submit a development plan to the Town, advise and assist in condemnation activities, advise the Town regarding financing of improvements to be constructed, and act as the Town's exclusive agent in matters of leasing and selling real estate. Although \$140,000 of Community Development Block Grant Program funds were paid to this realty company under the contract, the only apparent result was the long-term lease with the above-mentioned fast-food restaurant.

We recommended that HUD perform a complete management review of the Grantee, including onsite verification of activities, to determine whether the Grantee has the continuing capacity to administer HUD-funded programs. We also recommended that the Grantee reimburse the Program for all misspent funds and take steps to remedy the adverse conditions reported.

On January 29, 1981, the Town Administrator was indicted on 14 counts of mail fraud and one count of interstate transportation of stolen property. The indictment alleged the Town Administrator diverted Town funds of \$47,000 to a personal bank account. He was also charged with causing a fraudulently obtained check in the amount of \$5,000 to be transported in interstate commerce.

On May 13, 1981, the Town Administrator was sentenced to 8 years custody of the U.S. Attorney General for one count of interstate transportation of stolen property; the other 14 counts were dismissed. He is now serving time in the U.S. Penitentiary, Lewisburg, Pennsylvania. It was found that the Town Administrator had been previously convicted in 1972 in New York for embezzling about \$1.5 million from a credit union. He was hired by the Town of Colmar Manor shortly after serving 19 months of a five-year prison term and was on probation at the time of his hiring. Reportedly, Town officials were unaware of his prior crime and conviction.

On March 6, 1981, the Town Administrator was advised that he was suspended from participating in all HUD programs, and on August 7, 1981, he was notified of HUD's actions to debar him from future participation in HUD programs.

All audit findings remained open at September 30, 1981.

17. VILLAGE GREEN MUTUAL HOMES, INC.
LANDOVER, MARYLAND

Village Green Mutual Homes, Inc., is a cooperative development with four sections totaling 231 units, insured under Section 221(d)(3) of the National Housing Act (Multifamily Rental Housing for Low-and Moderate-Income Families). This audit was performed by our office at the request of the Area Manager, Washington Area Office. Our report was issued to the Area Manager on May 12, 1981.

The following deficiencies were reported:

- Inadequate Management of Cooperative by Board of Directors
- Numerous Violations of Contract with HUD
- Potential Loss of Income From Not Filing Tax Assessment Appeals.

Our audit report disclosed about \$425,000 of costs which we considered ineligible or of questionable eligibility. We concluded that the Cooperative was experiencing serious problems which required timely remedial action by HUD and the Cooperative's Board of Directors.

We found that the Cooperative's Board was not effectively exercising the powers and authorities required by the Cooperative's bylaws and was not adequately managing project operations. Required accounting records and internal controls over cash receipts, disbursements and project assets were lacking. The Cooperative's Board was also violating its contractual agreement with HUD (i.e., Regulatory Agreement), and was jeopardizing the financial condition and viability of the project.

On numerous occasions, the Cooperative violated its Regulatory Agreement with HUD concerning the proper operation of the project. Examples of such violations are as follows:

- Unauthorized and excess compensation totaling about \$45,400 was paid to members of the Cooperative who served as officers or employees.
- Costs of about \$183,800 were unsupported.
- A \$46,000 bank loan was secured at an excessive interest rate and without HUD's written authorization.
- The project's general operating reserve was underfunded by about \$125,800.
- Required certified annual reports were not prepared and submitted to HUD and monthly accounting reports were inaccurate and not submitted on time.
- Applicants with excess income were allowed to be members of the Cooperative, and potential income was lost because members were not assessed required surcharges and were not required to recertify their incomes every two years.

Also, although the Cooperative had appealed its real estate tax assessment for the tax year 1977, it failed to appeal assessments for tax years 1978, 1979 and 1980, even though the assessments were the same as 1977. As a result, the Cooperative lost the opportunity to seek a recovery of a portion of assessed taxes. That portion amounted to \$144,354 plus the interest which could have been earned on such funds.

We recommended that the HUD Area Manager assure that the provisions of HUD's Regulatory Agreement are enforced and that proper management of the Cooperative is established. We suggested the use of a third-party contractor, if necessary, to manage the project. We also recommended that each deficiency disclosed in our audit report be addressed and corrected, including reimbursement of disallowed (ineligible) costs and resolution of all costs of questionable eligibility.

The Area Office's response to our audit report was due by October 9, 1981.

18. LA POSADA
SANTA CRUZ, CALIFORNIA

La Posada is a 150-unit multifamily insured project located in Santa Cruz, California. The project's mortgage was insured under Section 221(d)(4) of the National Housing Act for \$3.9 million. At the request of the Chief, Loan Management Branch, HUD, we performed an audit of this project. Our audit report was issued on June 19, 1981.

Our audit report disclosed the following deficiencies:

- Project Funds Totaling \$228,902 Spent for Improper, Unauthorized, or Questionable Purposes
- Disadvantageous Lease of Furniture and Equipment from Firm Owned by Management Agent
- Other Administrative Deficiencies and Lack of Proper Controls.

The Mortgagor, Posada Associates, spent project operating funds for improper, unauthorized or questionable purposes. As a result, the financial condition of the project was adversely affected.

We found that the Mortgagor spent \$228,902 of project operating funds for purposes either prohibited by its contractual agreement with HUD (i.e., Regulatory Agreement) or agreement governing the management of the project (i.e., Management Agreement) or for which HUD approval was required, but which was not obtained. Ineligible or questionable items included construction costs charged to project operations, renovation costs which were not for project purposes, improper Management Agent expenses, interest on unauthorized loans, and non-project legal expenses.

In addition, the project's Management Agent executed a contract involving the project and a company which he owned. The contract concerned the leasing of furniture and equipment at a total leased cost of \$321,317 for the five year term of the lease, with no provision for applying the payments toward purchase of the furniture and equipment. Inasmuch as the furniture and equipment had a wholesale cost of only \$98,794, the Mortgagor will have paid 3 1/4 times the entire cost of the furniture and equipment by the end of the five-year lease period and still will not have title to the subject property.

We also determined that the Mortgagor failed to submit to HUD a required supplemental cost certification showing the disposition of previously reported unpaid construction costs totaling \$555,664. Any portion of this amount not paid must be applied as a prepayment to the mortgage, thus reducing HUD's liability under the mortgage. The Mortgagor also paid excess management fees of \$3,753 to the Management Agent for consulting work during construction. Further, the project's tenants' security deposit account was underfunded by \$25,000. Lastly, the Mortgagor was submitting monthly accounting reports to HUD which did not show all income and disbursements. Such inaccurate reporting adversely affects HUD's ability to monitor the financial operations of the project.

We recommended that the HUD Area Manager require the Mortgagor to repay all ineligible costs. We also recommended that the Mortgagor be required to submit an audited supplemental cost certification to HUD and determine whether a prepayment is necessary. We further recommended that the title to the subject furniture and equipment be transferred when lease payments have equalled the purchase price, taking into account interest costs. Lastly, we recommended that the Mortgagor be instructed to keep the tenants' security deposit account fully funded at all times as required by the executed Regulatory Agreement and that it be determined whether the Mortgagor should be required to contribute the interest which was lost because the account was not fully funded.

The HUD Area Manager's reply to the findings was not clear as to what questioned costs were disallowed. We were advised that the Area Office is requesting a supplemental cost certification and is attempting to recover any overpayments. At September 30, 1981, four of our audit findings were still open.

19. TUMON VILLAGE APARTMENTS
TAMUNING, GUAM

On April 30, 1981, we issued an audit report on Tumon Village Apartments, a 412-unit apartment complex, with two commercial buildings, located in Tamuning, Guam. The project was insured under Section 221(d)(3) of the National Housing Act and had 276 units set aside for Section 8 housing assistance.

The Mortgagor defaulted on payment of the mortgage and the mortgage was then assigned to the Secretary in 1975. In 1976, HUD approved a modification agreement, reinstating the loan. The mortgage, however, has been in continuous default since the time the modification agreement was approved. At December 30, 1980, the mortgage was delinquent in the amount of about \$1.18 million. Our audit disclosed that improper disbursements of project funds have deprived the project of funds needed to pay operating expenses and remedy the mortgage default.

The following specific deficiencies were reported:

- Unauthorized Loans to Identity-of-Interest Affiliates
- Project Funds of \$192,742 Disbursed for Non-Related and Unnecessary Project Expenses
- Other Administrative Deficiencies Which Adversely Impacted on Project Operations.

Contrary to provisions of the contract (Regulatory Agreement) between HUD and the Mortgagor, the project's Management Agent loaned \$368,000 to the Mortgagor's identity-of-interest affiliates. Of the loaned amount, \$138,000 was still outstanding as of December 31, 1980. This occurred because the Mortgagor needed the funds to finance its other operations.

Project funds totaling \$192,742 were used primarily to pay for expenses incurred by the Mortgagor's identity-of-interest affiliates. There was little control to assure that the goods and services paid for were related to and necessary for the operation of the project.

In addition, a debt owed to the project from a construction firm that had an identity-of-interest with the Mortgagor had not been resolved. As a result, the project's operation was deprived of \$15,480 with which to pay its obligations. This occurred because the Mortgagor failed to take aggressive action to collect the debt.

Further, the tenants' security deposit bank account was not fully funded even though this was required by the Regulatory Agreement. The shortage amounted to \$9,883 at the time of our audit. Moreover, the project's internal controls and fidelity bond coverage were inadequate; monthly financial reports submitted to HUD were inaccurate; and the Mortgagor had engaged in other businesses without obtaining HUD's approval.

We recommended that the HUD Area Manager: require the Mortgagor to immediately repay \$138,000 to the project's operating bank account and to repay that portion of the \$192,742 of disallowed expenditures which cannot be proven to be necessary and reasonable; ensure the Mortgagor complies with the provisions of its Regulatory Agreement; and require the Mortgagor to correct all other adverse conditions reported.

The Mortgagor has repaid the unauthorized loan amount outstanding of \$138,000 and has fully funded the tenants' security deposit account. In addition, the Mortgagor has promised to improve its internal controls, obtain adequate fidelity bond coverage, and improve financial reports to HUD. At September 30, 1981, three of our audit findings were still open.

20. WESTBRIDGE APARTMENTS, SECTIONS I AND II ATLANTA, GEORGIA

On June 19, 1981, we issued a report on our audit of Westbridge Apartments, Sections I and II Atlanta, Georgia. Westbridge Apartments, consisting of two multifamily projects of 244 and 180 units respectively, was insured under Section 221(d)(4) of the National Housing Act for approximately \$6.5 million.

In 1974, the Mortgagor defaulted on the mortgages and the mortgages were subsequently assigned to HUD. As of February 1, 1981, the mortgages were delinquent in the amount of about \$2.3 million. An inadequate accounting system and poor internal controls contributed to the inadequate financial condition of the projects. Also, the projects were poorly maintained.

We found that the Management Agent for the projects did not maintain complete and accurate books and financial records, and had weak internal controls to account for and protect income and assets of the projects. In this regard, tenant accounts receivable adjustments of \$101,965 could not be verified and \$154,000 of costs were inadequately supported. Moreover, the projects were charged \$17,792 for payroll costs of the Management Agent's personnel, which should have been paid by the Management Agent. Also, payroll costs charged to the project were inadequately supported.

Also, project units were rented to transient tenants and the project's clubhouse facilities were used rent-free by a co-owner who operated the facilities as a nightclub which provided food, liquor and entertainment to the general public. User fees of over \$13,000 were collected from the tenant and other patrons of the clubhouse facilities, but these fees were not deposited in the project's operating bank accounts. None of these

activities were approved by HUD. The Mortgagor allegedly used the project's clubhouse in the manner described in order to increase occupancy of the project, which had been adversely affected due to four murders which took place on the project's grounds during the project's first year of operation.

Moreover, project operating funds totaling about \$25,000 were disbursed without HUD approval to repay a bank loan and interest, made to the Mortgagor, while the projects were in default and while the Mortgagor was delinquent under Workout Agreements with HUD.

We recommended that the HUD Area Manager periodically monitor the Mortgagor's accounting system to assure it is operating effectively. For unsupported cash disbursements, we recommended that either adequate documentation be provided to support such disbursements or the project account be reimbursed accordingly. We also recommended that the Mortgagor be required to reimburse the project for the fair market rental value of the project's clubhouse for the period of its misuse. We further recommended that a determination be made regarding the propriety of using project operating funds to repay the loan in question.

The Area Office agreed with the report recommendations and will monitor the Mortgagor's internal controls and accounting system. The Area Office has also requested the Mortgagor to reimburse the project for the fair market rental value of the clubhouse. The Mortgagor is requesting duplicate invoices from vendors in an effort to support project disbursements.

21. WHITMAN PARK TOWNHOUSES - DEVELOPMENT PHILADELPHIA, PENNSYLVANIA

On September 28, 1981, we issued our audit report on Whitman Park Townhouses, a proposed low-rent public housing project of the Philadelphia Housing Authority. The project will consist of 120 low-rise townhouse units developed under HUD's Turnkey III Program. The building of the project was ordered by the Federal District Court in Philadelphia to redress civil rights violations on the part of HUD and other defendants. The construction of the project has been the subject of substantial community resistance.

Our report contained three audit findings which addressed serious financial management deficiencies and which disclosed \$330,759 of disallowed costs and costs of questionable eligibility.

We determined that inadequate control was exercised over contracts and the Contractor and subcontractors. We found that: (1) contract provisions had not been adhered to resulting in possible overpayments; (2) a subcontractor's contract disbursement requests and work activities had not been properly reviewed for accuracy and validity resulting in duplicate payments and overpayments; (3) a subcontractor had been brought on site when conditions did not permit full execution of the contract resulting in unnecessary costs being incurred; (4) subcontract approval had not been provided in all cases; and (5) utilization of proceed/change orders

procedures was weak. The fact that the project was being built under court order may have led all parties to loosen control over contracts and the Contractor/subcontractors. We concluded that it may be necessary to withhold all or part of the Developer and Contractor's reimbursements until the Philadelphia Housing Authority has approved their respective financial management systems.

During the first 15 months of the project, various reimbursable costs reported by the Developer and the Contractor were not properly supported or approved. Our sample review disclosed: (1) reproduction, travel, telephone and miscellaneous costs claimed by the Developer were incurred prior to the execution of its contract with the Philadelphia Housing Authority; (2) rental, insurance, duplicating and miscellaneous costs claimed by the Contractor were not supported by appropriate documentation; and (3) architect and subcontractor related costs claimed by both the Developer and the Contractor were not supported by documented reductions in architect and subcontractor payments. Associated ineligible and questionable costs amounted to nearly \$36,000.

In addition, adequate financial management systems were not established by the Philadelphia Housing Authority, the Developer and the Contractor. The Philadelphia Housing Authority's system of recordkeeping did not provide proper accounting of Contractor and subcontractor disbursements, proceed/change order related disbursements, contingency reserve disbursements, and retentions on subcontractor disbursements. Both the Developer and the Contractor were in violation of their contracts with respect to the adequate maintenance of books and records. The Developer was reporting periodic cost estimates but could not relate reported expenditures to a set of contract account records. The Contractor had an automated system whereby subcontractors' costs could be recorded and classified, but failed to utilize the system on the Whitman Park Townhouses' project.

We recommended that HUD's Area Manager ensure that the Philadelphia Housing Authority establishes the necessary controls to preclude recurrence of the conditions which we reported. We also recommended that our reported disallowed costs be recovered and that the eligibility of all questionable costs be determined, or that documentation be furnished to substantiate such costs. Further, we recommended various actions designed to improve the financial management systems being used to account for the project's costs.

Because the report was issued near the close of the current semiannual reporting period, all audit findings remained open at September 30, 1981.

II. OTHER SIGNIFICANT CONCERNS

The following are other significant concerns adversely impacting on the Department. These matters have been the subject of both prior and current Office of Inspector General reviews and are presently the focus of considerable attention on the part of HUD management. These areas are being monitored by us on a continuing basis and will be the focus of further review.

1. SERIOUS ACCOUNTING DEFICIENCIES

The Department's accounting system is supposed to provide information necessary for the effective and economical management of the Department's programs and resources. The Department is required to maintain a suitable system of financial and related records so that needed information on resources, liabilities and obligations, expenditures, revenues, and costs can be reported to HUD management; other agencies and authorities having control responsibilities, the Congress, and ultimately, the public. The Department's accounting system, however, does not fully and effectively satisfy these requirements.

REPORTED ACCOUNTING DEFICIENCIES

During the past several years, our audits of HUD's accounting operations have consistently noted many problems such as the failure to reconcile accounts, erroneous financial reports, delays in processing financial data, incorrect entries, and incorrect and incomplete data supplied by program offices. These kinds of problems have also been reported by the General Accounting Office, the Congress, the news media, and the public.

An example of a serious problem involves the Section 312 Rehabilitation Loan Program. The Department's accounting records and the Federal National Mortgage Association's records, which services Section 312 loans, were out of balance by \$60 million at one point. Another example concerns Title I defaulted rehabilitation loan balances. In this regard, HUD Headquarters' accounting records show a balance of \$1.1 million more than field offices' accounting records.

The above problems have continued to exist because there has been little or no coordination between HUD's program offices and the accounting office, and because the establishment of a sound, reliable and responsive accounting system had not been sufficiently emphasized in the past. As a result, the Department's accounting operations have not been responsive to program office needs, accounting records have continued to be inaccurate and incomplete,

and the state of the Department's finances cannot be determined with any degree of reliance. Thus, there is no assurance that the Department's funds are being managed effectively and that such funds are not being exposed to fraud, waste, and abuse.

STATUS AT CLOSE OF SEMIANNUAL REPORTING PERIOD

We provided the Secretary, Under Secretary, Assistant Secretaries, and other Departmental officials with a special briefing on the Department's accounting problems. Each of them was concerned and supported the need to improve accounting operations and to provide more emphasis on the establishment of a better accounting system. As a result, the Department has made a commitment to improving the Department's accounting operations and is taking steps to accomplish this task.

2. INADEQUATE HUD MONITORING OF PROGRAM PARTICIPANTS

During the current semiannual reporting period, we continued to report instances of inadequate HUD monitoring of program participants. This problem has been disclosed in all of our previous Semiannual Reports to the Congress and continues to be a matter of significant concern. Inadequate HUD monitoring of program participants was reported in conjunction with the following reviews during the current reporting period:

- Turnkey Project Construction
- Multifamily Project Construction--Atlanta Region
- Indian Housing Authorities
- Development Funding Information and Repayment of Excess Development Funds--Low Income Housing Projects
- Allowances for Utilities in the Section 8 Program
- Section 236 Excess Rental Income
- Housing Counseling Program
- Lead-Based Paint Activities
- Urban Development Action Grant Program, Kirksville, Missouri.

The Secretary, however, has made the improvement of HUD's monitoring of program participants a top priority. On July 11, 1981, the Secretary announced the formation of a Special Task Force, under the guidance of the Under Secretary and direction of the Deputy Under Secretary for Field Coordination, to establish policies and develop procedures to eliminate waste, fraud and mismanagement in HUD programs. The Task Force was the result of a study conducted by HUD's Committee on Fraud, Waste and

Mismanagement. The Secretary approved the recommendations of the Committee to improve program participant monitoring and assigned the Special Task Force the responsibility of implementing the needed improvements. It is the Department's intention to turn monitoring into a first line of defense against abuse of HUD programs and misuse of program funds.

3. CORRECTIVE ACTIONS PROMISED BUT NOT TAKEN

The Inspector General Act requires the Inspector General to follow up on the resolution of audit findings to assure that timely corrective action is accomplished. We recently made a preliminary analysis of various actions promised by HUD officials to correct deficiencies disclosed in audit reports. The analysis was made to determine whether the actions were actually implemented as proposed by HUD officials and agreed to by our office. Our analysis showed that, in some cases, HUD officials were not carrying out the actions they promised. Documented cases are shown on the following two pages. Based on these adverse indications, we have expanded our review and will report further on this situation in our next Semiannual Report.

AUDIT REPORT TITLE
AND NUMBER

RESPONSIBLE HUD
OFFICIAL

DESCRIPTION OF
AUDIT FINDING

PROMISED CORRECTIVE
ACTION

STATUS AT
9/30/81

IPA Audit of Community Development Block Grants City of Boston, Massachusetts for the period 7/1/77 - 6/30/79, (81-BO-241/244/2024) issued December 1, 1980.

Robert Paquin, Area Office Director of Community Planning and Development in the Boston Area Office.

Over \$2 million in costs were questioned because the Grantee did not provide evidence that wage rate interviews had been conducted for 13 construction contracts. These records are required to assure that the Grantee is monitoring contractor compliance with labor standards.

On May 15, 1981, the Area Office assured that the Grantee would be required to reimburse HUD over \$779,865 within 30 days. On August 26, 1981, we conducted a follow-up review to see if promised corrective action was taken. It was not.

Subsequent to our August 26, 1981 follow-up, the Area Office performed a review and notified the Grantee that costs for six of the contracts were allowed. The Grantee, however, has not been advised of the disallowance or Area Office's determination of eligibility with respect to the seven remaining contracts.

IPA Audit of Community Development Block Grants, City of Boston, Massachusetts for the period 7/1/77 - 6/30/79 (81-BO-241/244/2024) issued December 1, 1981.

Robert Paquin, Area Office Director of Community Planning and Development in Boston Area Office.

The report disallowed \$483,914 in project funds because the Grantee had entered into seven cost-plus-a-percentage-of-cost contracts. These contracts are ineligible under OMB Circular A-102, Attachment O.

On May 15, 1981, the Area Office said that a review by its staff showed that there was no need to disallow costs on five of the contracts (the fees under three were reasonable and no payment was made under two others). They assured that reimbursement of the \$483,914 in disallowed costs on the two other contracts would be sought in 60 days. On August 26, 1981, we performed a follow-up review to determine whether promised corrective action was taken. It was not.

Subsequent to our August 26, 1981 follow-up, the Area Office performed a review which found that no payments were made under the two contracts and that no reimbursement was necessary. The Director then notified the City that in the future, unless the City demonstrates actions have been taken to prevent cost-plus contracts, the Area Office will disallow all contracts with that language.

Corrective Actions Promised But Not Taken

<u>AUDIT REPORT TITLE AND NUMBER</u>	<u>RESPONSIBLE HUD OFFICIAL</u>	<u>DESCRIPTION OF AUDIT FINDING</u>	<u>PROMISED CORRECTIVE ACTION</u>	<u>STATUS AT 9/30/81</u>
Revised Report on Audit of Fort Worth, Texas, Community Development Block Grant Program (80-FW-31/DA-80-231), dated August 1, 1980.	Jane Russell, Director of Community Planning and Development in the Dallas Area Office.	The City was not adequately monitoring and reviewing sub-grantee's accounting records, and files were seriously deficient. Therefore, unless documentation was furnished to the contrary, the City was to reimburse \$65,000 to Community Development Block Grant (CDBG) funds.	In February 1981, the Area Office notified the City that it would reduce by \$65,000 the FY 1981 grant if appropriate documentation on the findings and corrective action taken was not received by February 28, 1981.	The City had not taken the promised corrective action and the Area Office had not followed up on the unresolved matters to reduce or condition the grant.
Revised Report on Audit of Fort Worth, Texas, Community Development Block Grant Program (80-FW-31/DA-80-231), dated August 1, 1980.	Jane Russell, Director of Community Planning and Development in the Dallas Area Office.	The City was not complying with City regulations and Uniform Financial Management Standards. About \$226,000 in CDBG funds were questioned because salary costs had not been properly allocated to the program.	In January 1981, the City advised the Area Office that it would establish an equitable way of distributing salaries and appropriately adjust the \$226,000 in questioned costs.	The Area Office had no evidence that questioned salaries of about \$226,000 were adjusted or that there was a more equitable way of adjusting salaries.
Internal Audit-Control and Review of Mortgagor Annual Financial Reports Prepared by Independent Public Accountants (IPAs) (SF-99), dated September 8, 1978.	Henry D. Dishroom, Area Manager, San Francisco Area Office (SFAO).	Mortgagors of multifamily projects were not submitting timely financial statements to HUD. About 82 percent of the reports received during the six-month period audited were late.	The Loan Management Branch (LMB) would hold workshops with IPAs and Mortgagor Management Agents to reiterate the importance of HUD reporting requirements. Also, an internal procedure for preparing and submitting aging reports for the LMB Chief would be established by March 1, 1979.	Promised corrective action was not taken.
Housing Authority of the City of Boulder, Colorado, (81-DE-202-2075) dated April 15, 1981.	J. Michael Queenan, Acting Director of the Office of Regional Housing, at the Denver Regional Area Office.	Resident Managers were given rent free apartments contrary to the management agreement between the Authority and Management Agent. This situation resulted in a loss of income to the Authority of \$5,000.	On May 6, 1981, the Area Office advised the Authority to seek recovery of \$5,000 from the management agent or reimburse HUD from non-Federal sources. On August 13, 1981, the Housing Division decided the Authority need not recover the \$5,000. Instead it could be removed from the accounting records by an adjusting entry.	Matter was referred to Headquarters for resolution on September 30, 1981.

Corrective Actions Promised But Not Taken

III. UNRESOLVED SIGNIFICANT RECOMMENDATIONS AND NON-COMPLETED CORRECTIVE ACTIONS

Section 5(a)(3) of the Inspector General Act of 1978 provides for the reporting of each significant recommendation described in previous Semiannual Reports to the Congress for which corrective action has not been completed.

Described below and on the following page are significant reports which were disclosed in our prior Semiannual Reports to the Congress. With respect to four of these reports, the findings and recommendations were unresolved as of September 30, 1981, while for 18 of the reports, the findings and recommendations were resolved, but final corrective actions had not been completed for all of the findings and recommendations. (A matter is considered resolved when agreement has been reached between the Office of Inspector General and the HUD action official as to the corrective actions to be taken.)

<u>Audit Report</u>	<u>Status of Report at 9/30/81*</u>	
	<u>Unresolved</u>	<u>Resolved but Some Corrective Actions Not Completed</u>
HOUSING		
Philadelphia Housing Authority, City of Philadelphia, Pennsylvania		X
Low-Rent Housing, Mutual-Help and Mutual- Help Home Ownership Opportunity Programs of the Oglala Sioux Housing Authority, Oglala Sioux Tribe, Pine Ridge, South Dakota	X	
Section 8 Housing Assistance Payments Program as Administered by the Housing Authority of New Orleans, Louisiana	X	
Administration of Section 236 and Section 8 Programs by the New Jersey Housing Finance Agency - Trenton, New Jersey	X	
Administration of Section 236 and Section 8 Programs by the Michigan State Housing Development Authority		X
Single Family Acquired Property Sales, Pricing and Delays in Closing		X
Section 236 Tax and Utility Subsidy Settlement		X
Section 223(f) Existing Multifamily Mortgage Insurance Program		X
Lakeshore Towers (Also known as Gorden Glen Manor)--Gainesville, Florida		X
Delano Village--New York, New York		X

* Report is included above if it has at least one significant audit finding which has not been resolved or which has been resolved, i.e., corrective actions have been agreed to, but the corrective actions have not been completed.

<u>Audit Report</u>	<u>Status of Report at 9/30/81*</u>	
	<u>Unresolved</u>	<u>Resolved but Some Corrective Actions Not Completed</u>
COMMUNITY PLANNING AND DEVELOPMENT		
Widespread Deficiencies in Community Development Block Grant Rehabilitation Activities		X
Community Development Block Grant Program--City of Rochester, New York		X
Community Development Block Grant Program--City of Parkin, Arkansas		X
Community Development Block Grant Program--City of New York, New York		X
Community Development Block Grant Program--City of Los Angeles, California	X	
Model Cities and Community Development Block Grant Programs--City of New Orleans, Louisiana		X
Community Development Block Grant Program--City of Yonkers, New York		X
Community Development Block Grant Program--City of Scranton, Pennsylvania		X
Community Development Block Grant Program--City of Philadelphia, Philadelphia, Pennsylvania		X
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION		
GNMA Mortgage-Backed Security Pools--Diversion of Funds		X
ADMINISTRATION		
Examination of Selected FHA Insuring Fund Accounts		X
Review of Annual Contributions for Assisted Housing		X

* Report is included above if it has at least one significant audit finding which has not been resolved or which has been resolved (i.e., corrective actions have been agreed to), but the corrective actions have not been completed.

IV. INVESTIGATION CASES AND PROSECUTIVE ACTIONS

In response to Section 5(a)(4) of the Inspector General Act, the following is a summary of matters referred to prosecutive authorities and resulting prosecutions and convictions during the period April 1, 1981 to September 30, 1981. We have also included additional information relating to our opening of investigation cases, and pending and closed cases.

1. INVESTIGATION CASES OPENED

During the period April 1, 1981 to September 30, 1981, we opened 1,168 new investigation cases involving HUD personnel and/or persons or firms doing business with HUD (66 investigations involved alleged misconduct on the part of HUD personnel). The table below provides a breakdown of these cases by category of investigation.

<u>Category</u>	<u>Number of Cases</u>
False Statements	691
FHA Title I Loans	134
Employee Misconduct	66
Administrative Matters	58
Kickbacks	50
Embezzlement	35
Theft	15
Wage Violations	11
Other (bribery, conflicts of interest, false impersonation, etc.)	59
Subtotal	1,119
Preemployment Checks (IG Employees)	49
Grand Total	<u>1,168</u>

Table. New Investigation Cases Opened by Category of
Investigation - April 1, 1981 to September 30, 1981

As shown in the table, 1,119 of the investigation cases concerned alleged wrongdoing, while 49 were related to preemployment checks of applicants for employment with the Office of Inspector General. Of the investigation cases concerning alleged wrongdoing, 691 or about 62 percent involved some type of false statement (e.g., false statement to obtain a rent subsidy).

2. 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 would include those wherein the investigation has not been completed by the Office of Inspector General, the FBI or another agency. At September 30, 1981, we had 2,103 investigation cases either in process or awaiting investigation. Of these cases, 1,249 were FBI/other cases and 854 were cases of the Office of Inspector General.

3. CLOSED CASES

A case is closed when all official actions have been accomplished. An investigation case may be closed when prosecutive action has been accomplished or when action has been accomplished by a HUD official and a Disposition Report has been submitted by the designated action official. During the period April 1, 1981 through September 30, 1981, the Office of Inspector General closed 1,205 investigation cases.

4. CASES REFERRED FOR PROSECUTION

During the period April 1, 1981 to September 30, 1981, the Office of Inspector General referred 457 investigation cases for prosecutive consideration, including 16 cases relating to HUD employees, as shown in the table below.

<u>Referred by OIG to:</u>	<u>No. of Cases</u>
FBI (No Investigation by OIG)	231
FBI (Prima Facie Investigation by OIG)	78
Department of Justice	<u>148</u>
Total	<u>457</u>

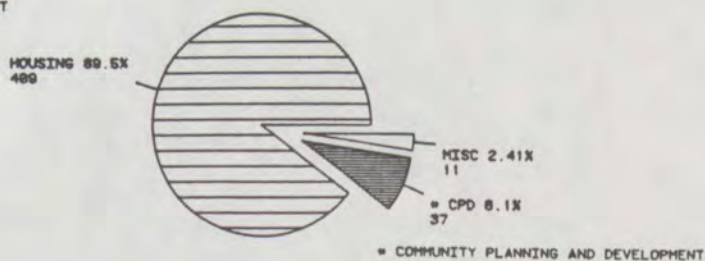
Table. Investigation Cases Referred for Prosecutive Consideration-April 1, 1981 to September 30, 1981

Although the FBI is not a prosecutive authority, referrals to it may result in the presentation of the case for prosecutive consideration.

A breakdown of the 457 investigation cases by major HUD organizational component is graphically displayed below. As shown, 409 or 89.5 percent of the referred cases are in the Housing area.

INVESTIGATION CASES REFERRED FOR PROSECUTION (457)
APRIL 1, 1981 TO SEPTEMBER 30, 1981

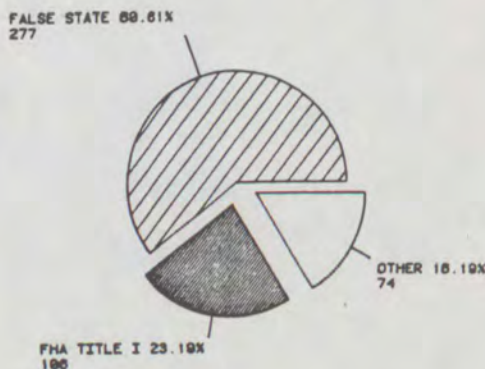
BY MAJOR HUD ORGANIZATIONAL COMPONENT



A summary of the 457 investigation cases by major category of investigation is graphically displayed below. As shown, 277 or 60.6 percent of the referred cases relate to fraud and involve some type of false statement (e.g., false certification of income, misstating family composition on various rental assistance applications, etc.).

INVESTIGATION CASES REFERRED FOR PROSECUTION (457)
APRIL 1, 1981 TO SEPTEMBER 30, 1981

BY CATEGORY OF INVESTIGATION



The "Other" category above consists of embezzlement (16 cases), kickbacks (16 cases), theft of government property (4 cases), wage violation (11 cases), and miscellaneous subjects (bribery, administration, etc.).

5. PROSECUTIONS AND CONVICTIONS

During the period April 1, 1981 to September 30, 1981, investigation cases involving HUD resulted in 111 indictments and 68 convictions of persons/firms having business with the Department, including one HUD employee. Some of

the indictments and convictions were on cases referred to prosecutive authorities during the prior semiannual reporting period.

The 68 persons/firms convicted during the current semiannual reporting period received a total of 41 years imprisonment, 172 years probation, suspended sentences of 10 years and fines amounting to \$151,150. In addition, monetary recoveries to HUD and others from investigations amounted to about \$1.9 million.

Prosecution was declined on 439 investigation cases during the current semiannual reporting period. Many of the cases for which prosecution was declined involved cases referred to prosecutive authorities in prior reporting periods.

6. DESCRIPTION OF SELECTED PROSECUTIVE ACTIONS DURING REPORTING PERIOD

Below is a brief description of the more important indictments and/or convictions which occurred during the reporting period. Some of these indictments and/or convictions resulted from investigation cases referred to prosecutive authorities prior to April 1, 1981. The cases described are based on the latest available information.

HOUSING

- **Housing Authority Executive Director and President of Detective Agency Sentenced for Conspiracy and Extortion**

On April 10, 1981, an Executive Director of a Housing Authority in Kentucky was convicted of conspiracy, solicitation of monies, and soliciting and receiving kickbacks. The Executive Director used his position with the Housing Authority to obtain a contract for guard services at various housing projects for a detective agency and then received kickbacks from the detective agency in return for the award of the contract. He also attempted to solicit monies from a developer and a bank in return for providing them favored treatment. The Executive Director was sentenced to ten years in prison and fined \$50,000. On April 24, 1981, the President of the detective agency was convicted on one count of conspiracy to defraud the government as part of the Executive Director's scheme. He received a suspended sentence of two years in prison and was placed on probation for five years. Both individuals and the detective agency have been suspended from participating in HUD programs. (United States v. Claude Hensley and Lee Hull, Eastern District of Kentucky.)

- **Former Housing Authority Executive Director Pleads Guilty to Embezzlement**

A former Executive Director of a Housing Authority in Kansas pled guilty on April 13, 1981, to one count of embezzlement. He embezzled and converted to his own use approximately \$25,000 in Housing Authority funds. The former

Executive Director was sentenced to one year and one day in prison. He has also been debarred from participating in HUD programs for a period of four years. In July 1981, the Housing Authority received payment on its claim for the funds embezzled in the amount of \$25,088. (United States v. Larry R. Shocks, District of Kansas.)

● **Real Estate Salesman Sentenced for Submitting False Statements**

A real estate salesman in Michigan was sentenced on June 9, 1981, for submitting false statements to the government. The salesman used family members as strawbuyers to bid on and purchase HUD-owned properties as owner-occupants. He was sentenced to three years probation, fined \$22,500, and ordered to make restitution of \$15,000 to HUD. He has also been debarred from participating in HUD programs for a period of three years. (United States v. Philip A. Hoy, Eastern District of Michigan.)

● **Management Agent Pleads Guilty to False Claims Charges**

A management agent for a HUD-insured project in Texas pled guilty on March 23, 1981, to one count of filing false claims with HUD. The agent secured the release of \$13,500 from the project's reserve for replacement fund for work reportedly done at the project; however, the contractor was paid a prearranged price of \$5,300 in cash. The agent was sentenced to five years probation and required to make restitution of \$8,200. (United States v. James L. Osby, Eastern District of Texas.)

● **Real Estate Broker Sentenced for Submission of False Statements**

On April 7, 1981, a real estate broker in Michigan was found guilty of submitting false statements to HUD. The broker used strawbuyers as owner-occupants to bid on and purchase HUD-owned properties. He was sentenced to two years imprisonment and fined \$2,000 on one false statement count. He was further sentenced to five years probation on seven other false statement counts. On June 25, 1981, HUD ordered that the broker be debarred from participating in HUD programs for four years. (United States v. Monroe Hill, Eastern District of Michigan.)

● **Forty-Nine Recipients of HUD Housing Assistance Payments Indicted for Submission of False Statements to HUD**

During the period June through September 1981, a Federal Grand Jury in Tennessee indicted 49 recipients of HUD Housing Assistance Payments for submitting false information to the government. The 49 individuals were indicted for not reporting their families' true incomes in order to qualify for housing assistance. The total amount of suspected fraud in these cases is approximately \$177,000. These indictments were the result of Project MATCH, a computer-assisted matching technique participated in by the Offices of Inspector General of the Departments of HUD, Health and Human Services (HHS), and Agriculture. An additional 65 indictments have been returned against individuals who furnished false information to the Departments of HHS and Agriculture. (Western District of Tennessee.)

- **Title I Loan Recipients Sentenced for Submitting False Statement**

On July 23, 1981, two Title I loan recipients in Texas were sentenced for submitting a false statement to HUD. The individuals received a Title I home improvement loan in 1979. A subsequent inspection of the property revealed that most of the improvements had not been made. In addition, some of the loan proceeds were used to satisfy debts of the borrowers' private business. One individual was placed on five years' probation and ordered to make restitution of \$7,000; the other was placed on five years' probation. (United States v. Eugene A. Barnes and Helen N. Daigle, Eastern District of Texas.)

- **Two Developers Sentenced for Submission of False Statements**

On June 16, 1981, two developers, a husband and wife, in California were sentenced for submitting false statements to HUD. The couple falsified reports stating that they paid construction workers prevailing wages when, in fact, some workers were under paid by as much as one-half the prevailing wages. Both husband and wife were placed on probation for one year; he was fined \$750, and she was fined \$500. In addition, they have been debarred from participating in HUD programs for three years. The couple has established a fund of over \$85,000 to reimburse the workers. (United States v. Robert L. and Aileen M. Gottier, Southern District of California.)

- **Rental Assistance Tenant Pleads Guilty to Submission of False Information**

On June 25, 1981, a Section 236 rental assistance tenant in Mississippi pled guilty to four counts of submitting false information to HUD. She falsely stated her family income and composition in an application for tenant eligibility. She was sentenced to three years probation and fined \$2,000. (United States v. Rebecca Ditto, Northern District of Mississippi.)

- **Project Site Manager Sentenced for Theft of Rent Receipts**

On April 30, 1981, a site manager for a HUD-owned project in Michigan was sentenced to three years probation and was fined \$1,000 for theft of project rent receipts. The manager improperly collected rents and overcharged tenants, retaining the excess money for personal use. She was also debarred from participating in HUD programs for three years. (United States v. Susie Williams, Eastern District of Michigan.)

- **Real Estate Salesman Sentenced for Submitting False Statements**

On June 10, 1981, a Michigan real estate salesman pled guilty to one count of a two-count indictment for submitting false statements to HUD. He caused a mortgagor to obtain an FHA-insured mortgage by submitting a false employment verification. The real estate salesman purchased the property for one dollar from the City of Detroit under the HUD Property Release Option Program and subsequently sold it through his employer's realty corporation. The salesman was given a 90-day suspended sentence and placed on probation for three years. In addition, he was fined \$1,000. (United States v. Anthony H. Nash, Eastern District of Michigan.)

- **Two Realtors, an Attorney, and a Real Estate Broker Indicted for Submitting of False Statements**

Two realtors in Indiana were indicted by a Federal Grand Jury on April 23, 1981, on twenty counts of submitting false statements to HUD relative to their purchase of various HUD-owned properties on an owner-occupant basis. After purchasing the properties, the realtors rented them out rather than living in them. The indictment further charged a real estate broker and an attorney with ten and six counts, respectively, for submitting false statements to HUD concerning the properties purchased. All four subjects have been suspended from participating in HUD programs. (United States v. Kenneth Lyons, Jo Ann Lyons, Leonidas Condos, and Frank Light, Southern District of Indiana.)

- **Former Housing Authority Director Sentenced for Conspiracy and Submitting False Statements, and Two Contractors Sentenced for Aiding and Abetting**

On April 14, 1981, a former Housing Authority Director in North Carolina was sentenced on one count of conspiracy with intent to defraud the government and one count of submitting false statements. He solicited and accepted kickbacks from two contractors who were doing business with the Housing Authority. He was sentenced to one year in prison on the conspiracy count, and was placed on probation for three years on the false statement count. In addition, the former Director has been debarred from participating in HUD programs for a period of five years. Also, on May 18, 1981, two contractors were sentenced for aiding and abetting the former Director in the misuse of Federal monies. Each contractor was fined \$500 and placed on probation for five years. Both have been suspended from participating in HUD programs. (United States v. Charles M. Coleman, Jr., Middle District of Florida, and United States v. Dwight M. Perry and Jesse J. Royster, Middle District of North Carolina.)

- **Four Persons Sentenced for Conspiracy and Submitting False Statements**

On July 17, 1981, four employees of a home improvement company in Missouri were sentenced on one count of conspiracy and one count of submitting false statements. The employees solicited borrowers to obtain Title I home improvement loans. The loan recipients then turned over the loan proceeds to the employees and received some of the proceeds in payment for their part in the scheme. One employee was sentenced to one year imprisonment; another was sentenced to 90 days in prison; a third employee was sentenced to 120 days in prison; and a fourth employee was sentenced to 90 days in prison. All four individuals were placed on probation for three years and have been suspended from participating in HUD programs. (United States v. Harry F. Reeves, Judy Klint, Leslie A. LaMons, and Ada M. Shaw, Western District of Missouri.)

- **Two Individuals Indicted for Conspiracy and Mail Fraud in Obtaining Section 8 Assistance**

A two-count indictment was returned by a Federal Grand Jury in Illinois on August 21, 1981, charging a husband and wife with conspiracy and mail fraud in obtaining almost \$12,000 in Section 8 housing assistance. The husband allegedly represented himself as landlord and his wife as tenant in filing claims for housing assistance; neither disclosed their true marital status and/or household composition and property ownership. It has also been alleged that the couple fraudulently obtained Section 8 monies through the mail. (United States v. Roger D. Lee and Deanna J. Morrow, Central District of Illinois.)

- **Section 8 Tenant Sentenced for Submitting False Statements**

On June 19, 1981, a husband and wife receiving Section 8 rental assistance in Virginia were sentenced for submitting false statements to HUD. They understated family income from 1978 to 1980, resulting in HUD's making housing assistance overpayments totaling about \$3,300. The couple were placed on probation for three years and ordered to make restitution of \$1,384 each to the government. (United States v. Franklyn and Doris Ampah, Eastern District of Virginia.)

- **Mortgagor Sentenced for Submitting False Statements**

A mortgagor in the State of Washington was sentenced on July 27, 1981, for submission of false statements to HUD and the Social Security Administration. In order to receive Section 235 housing assistance and supplemental social security income payments, the mortgagor failed to disclose his Federal disability retirement income. He was placed on probation for three years and ordered to make restitution to the government in an indeterminate amount. (United States v. Charles H. Holman, Eastern District of Washington.)

- **Two Section 8 Recipients Indicted for Submitting False Statements and Conspiracy**

Two Section 8 housing assistance recipients in the State of Washington were indicted by a Federal Grand Jury on July 29, 1981, on four counts of submitting false statements to HUD and one count of conspiracy to defraud HUD. The couple failed to disclose their total family income from 1976 to 1980 in order to qualify for housing assistance. They have been temporarily denied participation in HUD programs pending resolution of the indictment. (United States v. Charley R. and LaVonne E. Hendrickson, Western District of Washington.)

- **Two Attorneys Convicted for Making False Statements to a Federally-Insured Bank**

A U.S. District Court in North Carolina convicted two attorneys on August 12, 1981, on two counts of making false representations in 1977 to a Federally-insured bank to obtain loans. The attorneys, who were principals of two HUD-insured multifamily projects, obtained loans under the Section 221(d)(4) Program to renovate the subject apartment complexes. Renovation of the projects was never completed, and HUD became mortgagee-in-possession.

The jury was unable to reach a verdict on three other charges involving false statements to secure HUD-insured construction loans. A second trial on these charges is anticipated in October; sentences on the two-count conviction will subsequently be imposed. The attorneys have been suspended from participating in HUD programs. (United States v. Stanley A. Gertzman and William H. McMullen, Jr., Western District of North Carolina.)

COMMUNITY PLANNING AND DEVELOPMENT

• Six Indicted for Misuse of Community Development Block Grant Funds

Sixteen indictments were returned against six individuals on September 3, 1981, by a Grand Jury in Massachusetts. The indictments charged two city officials and four contractors with larceny, bribery, forgery, and conspiracy to commit larceny involving the misuse of Community Development Block Grant (CDBG) funds intended to assist eligible individuals with home improvements. The contractors were charged with allegedly conspiring to adjust bids on repair contracts in order to get the contracts. It was also charged that the two city officials, who were working as housing inspectors, allegedly signed contracts for jobs without receiving competitive bids, and that bids were submitted in the names of contractors whose signatures had been forged. The city officials were charged with mishandling over \$1 million in CDBG funds and the contractors were charged with mishandling over \$260,000. (United States v. Victor C. Scoppe, Frank A. Accolla, Edward Ryan, Denis J. Taylor, Paul J. Agoetino and John LaMonica.)

• City Community Development Director Indicted for Submitting False Statements

A City Community Development Director in Kansas was indicted on May 19, 1981, on ten counts of submitting false statements to HUD. The Director allegedly misappropriated Community Development Block Grant funds amounting to approximately \$80,000 from February 1979 to August 1980. He then allegedly converted these funds to his own use. The scheme involved purported rehabilitation work which was never completed. (United States v. William Lee Algiene, District of Kansas.)

• Former Town Administrator Sentenced for Interstate Transportation of Stolen Property

A former Town Administrator in Maryland was sentenced on May 13, 1981, for interstate transportation of stolen property. The former administrator diverted, under the Urban Renewal and Community Development Block Grant Programs, approximately \$47,000 in project funds to his own use. He also caused a fraudulently obtained check to be transported in interstate commerce. He was sentenced to eight years in prison, and has been prohibited from participating in HUD programs. (United States v. George D. Beauchamp, Jr., District of Maryland.)

- **Former Redevelopment Program Director and Former Chief of Police Sentenced for Submission of False Statements**

A former Redevelopment Program Director and a former Police Chief in Michigan were sentenced on July 13, 1981, for submitting false statements to HUD. The individuals were involved in a scheme whereby construction bids and claims for seven Community Development Block Grant Program rehabilitation projects were made. The former Chief of Police wrongfully obtained about \$25,000 by rigging the bids. In addition, the two submitted false statements verifying that rehabilitation work had been completed on the projects when, in fact, the projects had not been inspected. The former Police Chief was sentenced to two and one-half years in prison and fined \$10,000. The former Redevelopment Program Director was placed on probation for two years, fined \$2,500, and ordered to perform community service work for a minimum of eight hours a week for one and one-half years. (United States v. Thomas P. Gipson and John R. Stockwell, Western District of Michigan.)

- **Contractor and Employee Indicted for Submission of False Statements**

On July 14, 1981, a South Dakota contractor and one of his employees were indicted by a Federal Grand Jury on three counts of submitting false statements to the government. The contractor was awarded \$214,623 for the construction of water mains as part of a \$1.3 million Urban Development Action Grant awarded to a South Dakota city. The contractor and his employee allegedly set water gauges for the running of pressure tests, thereby concealing noncompliance with contract requirements. On September 8, 1981 the contractor's company was found guilty of submitting a false statement and fined \$1,000. Disposition of the individuals' indictments is pending. (United States v. Douglas S. Lind and Rick Allen Brownlee, District of South Dakota.)

- **Seven Urban Renewal Authority Employees Indicted for Conspiracy and Accepting Kickbacks**

On July 13, 1981, seven current and former employees of an Urban Renewal Authority in Oklahoma were indicted by a Federal Grand Jury in a kickback and fraud scheme which allegedly took place between April 1978 and January 1981 and which involved nearly \$20,000 in kickbacks. Each of the seven individuals was a rehabilitation officer for the Authority and was empowered to approve housing rehabilitation contracts between general contractors and homeowners. The contracts were awarded under the Neighborhood Development Program and were funded by HUD. The employees allegedly conspired to defraud the government by seeking kickbacks when contracts were awarded, sometimes helping contractors escalate project costs. The individuals were accused of the "wrongful use of fear" to obtain kickbacks. Each has been charged with one count of conspiracy to defraud the government and numerous counts of violating the Hobbs Act (accepting kickbacks). (United States v. Herbert H. Hunter, Leon M. Johnson, William A. Martin, William H. McKenney, Caludious G. Phillips, Edward R. Parker, and Ronald Walker, Northern District of Oklahoma.)

- **Four Businessmen Sentenced for Submission of False Statements**

Four Pennsylvania businessmen were sentenced on August 5, 1981, for submitting false statements to HUD in order to obtain Federal grants to refurbish their properties. The businessmen submitted false statements that work had been done on their establishments under a Downtown Revitalization Program. Each individual was placed on two years probation and fined \$1,000. Restitution of nearly \$4,300 has been made by the businessmen. (United States v. Sheldon J. Rothstein, Paul Ceccacci, Jr., Henry Sacchetti, and Leo A. Marti, Middle District of Pennsylvania.)

- **Construction Contractor Sentenced for Filing False Claims Against the Government**

A construction contractor in Rhode Island was sentenced on July 8, 1981, for filing false claims with the government. The contractor, who performed work for a local Home Improvement Program, filed claims for repair work which he never performed. He was sentenced to three months in prison and nine months probation, and was fined \$3,665. (United States v. Ronnie Germani, District of Rhode Island.)

NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION

- **Former Mortgagee Company Office Manager Sentenced for Violating the Real Estate Settlement Procedures Act**

A former office manager of a mortgage company in Colorado was sentenced on June 9, 1981, for unlawfully accepting an overpayment for the rendering of real estate settlement services in violation of the Real Estate Settlement Procedures Act of 1974. The former manager accepted an overpayment of an appraisal fee in connection with an FHA-insured loan. He was placed on probation for two years and fined \$1,000. In addition, he has been suspended from further participation in HUD programs. (United States v. Larry W. Smith, District of Colorado.)

HUD EMPLOYEES

- **Former HUD Employee Sentenced for False Claim to HUD**

On July 31, 1981, a former HUD employee was sentenced for submitting a false claim to HUD. He forged a Government Bill of Lading which allowed him to illegally ship household goods to a new residence after he had resigned his HUD employment. He was placed on five years probation and ordered to repay HUD \$5,289. (United States v. James T. Odum, Jr., Northern District of California.)

V. COOPERATIVE EFFORTS WITH FEDERAL AND STATE AGENCIES

Section 4(a)(4) of the Inspector General Act of 1978 provides, among other things, that the Inspector General conduct, supervise, or coordinate relationships between the Department and other Federal agencies, state and local governmental agencies, and nongovernmental entities with respect to matters relating to the promotion of economy and efficiency, the prevention and detection of fraud and program abuse, and the identification and prosecution of participants in such fraud and abuse.

During the current semiannual reporting period, we participated in several special cooperative efforts with other Federal and state agencies. Such efforts, as described in this section, are in addition to our regular cooperation and coordination with non-Federal auditors, other Offices of Inspector General and agencies such as the Department of Justice (referrals for investigation/prosecution), General Accounting Office (coordination of audit work), Office of Personnel Management (training, personnel security clearances, etc.), various other agencies and Congressional Committees, Intergovernmental Audit Forums, the Federal Executive Audit Council, and professional organizations and societies.

INTERAGENCY COOPERATIVE EFFORTS

1. AUDIT AND INVESTIGATION ACTIVITIES IN PUERTO RICO

Since fiscal year 1980, we have been involved in joint agency audit and investigation efforts in Puerto Rico. The focus of these efforts has included diversions of funds in Government National Mortgage Association (GNMA)-owned mortgage pools, poor and improper mortgagee origination practices, and a HUD-insured hospital. During the semiannual reporting period, we continued our special investigation of mortgagee origination practices in Puerto Rico in coordination with the Veterans Administration (VA). Three Special Prosecutors from the Fraud Section, U.S. Department of Justice, have been assigned to the investigation. The United States Attorney's Office in Puerto Rico has also assisted in this effort.

To date, our review of the mortgage banking industry in Puerto Rico has disclosed over 200 individual single family mortgage loans insured by HUD or guaranteed by VA which were based on false information. The effort has resulted in numerous criminal indictments of individuals for fraudulent statements, forgery and perjury. Investigative and prosecutive efforts were continuing at September 30, 1981.

2. INVESTIGATIVE COORDINATION WITH DEPARTMENTS OF AGRICULTURE AND HEALTH AND HUMAN SERVICES

In our previous Semiannual Report, we reported on a cross-match effort undertaken by Department of Agriculture auditors in Tennessee concerning recipients of food stamps in Memphis. More than 1,500 cases of potential fraud had been identified at that time. During the current semiannual reporting period, we participated in a joint investigative effort called Project MATCH, with the Offices of Inspector General of the Departments of Agriculture and Health and Human Services. A comparison of fraudulent food stamp cases with appropriate HUD tenant records resulted in our opening 112 cases for investigation. The investigations concerned the possible submission of false information to obtain rental subsidy payments.

Between June and September 1981, a Federal Grand Jury in Tennessee indicted 49 recipients of HUD Housing Assistance Payments for submission of false statements to the government. To date, the total amount of suspected fraud in these cases is \$176,814. An additional 65 indictments have been returned against individuals who allegedly furnished false information to the Departments of Agriculture and Health and Human Services. (See page 44).

3. COORDINATION WITH DEPARTMENTS OF AGRICULTURE AND HEALTH AND HUMAN SERVICES ON CONTROLS OVER RENT AND SUBSIDY PAYMENTS

In an effort similar to Project MATCH in Tennessee, we began preliminary work in August 1981, concerning a review of controls over rent and subsidy payments in Birmingham, Alabama. This effort is being coordinated with audit and investigative representatives of the Departments of Agriculture and Health and Human Services (HHS) in conjunction with their cross-match review of recipients of food stamps and aid-to-dependent children beneficiaries.

We have compared names provided by Agriculture and HHS auditors with our listings of tenants in low-rent public housing and Section 8 housing units in the Birmingham area. At September 30, 1981, we had tentatively matched to HUD listings, the names of 58 individuals who might be involved in program violations.

Also, 25 cases involving possible misreported income have been identified. In addition to referring those cases involving possible criminal violations to our Regional Inspector General for Investigation, our objectives in this effort are to prepare an internal audit report on matters requiring administrative actions by the HUD Area Manager in Birmingham and prepare a separate report on any findings and/or observations pertaining to the effectiveness of the income verification system prescribed by HUD.

4. COORDINATION WITH COMMUNITY SERVICES ADMINISTRATION ON EVALUATION OF INTERNAL CONTROLS

At the request of the Deputy Inspector General of the Community Services Administration (CSA), we provided assistance during the reporting period on an evaluation of CSA internal controls over budget execution and funds. The Department of Agriculture, Office of Inspector General, also participated in this project. The evaluation focused on internal controls over budget execution as reflected in policies, procedures, and practices for: (1) achieving accountability in the approval, allocation, and disbursement of funds; (2) establishing and maintaining accounting records; and (3) providing useful reports to management. The evaluation was made to accurately describe current financial control systems, identify soft spots which increase the vulnerability to fraud, waste, and abuse, and provide remedial recommendations to the CSA Director. The examination was generally limited to the review of transactions that occurred in fiscal year 1981. A draft report on the evaluation was released for review in August 1981.

5. PARTICIPATION IN INSPECTOR GENERAL ORIENTATION PROGRAM

In April 1981, we participated with other Offices of Inspector General and the Office of Management and Budget in an Inspector General Orientation Program at the FBI Academy, Quantico, Virginia. The program was designed to brief new Inspectors General on current and future efforts and accomplishments of the Inspectors General, and the direction for Inspector General offices under the current Administration. Topics such as organizational design, planning and monitoring, and the budgeting process were covered. Projects currently being undertaken by the President's Council on Integrity and Efficiency were discussed, including a briefing by the HUD Inspector General on the objectives, accomplishments, and goals of the Council's Training Committee. (See page 57).

6. MANAGEMENT CONTROL INITIATIVES BRIEFINGS

On numerous occasions during the semiannual reporting period, our Fraud Control Division staff briefed representatives from other Federal agencies on HUD's management control initiatives. (These initiatives are described in further detail on page 79.) During these briefings, particular emphasis was placed on our Management Control Assessment Guide issued in June 1981, which provides background information and procedural guidance for use in assessing management controls associated with HUD's existing programs and

activities. The guide is designed to assist management in identifying risks and determining the existence and/or effectiveness of controls in the functions necessary to carry out HUD programs. As a result of these briefings and later cooperative efforts, agencies such as the Departments of Labor and Interior and the Environmental Protection Agency have implemented control assessment systems within their agencies.

7. PARTICIPATION IN HOTLINE COUNCIL

Our Fraud Control Division is the focal point in HUD for the receipt and follow-up of employee hotline complaints. (See page 82.) Recent actions by Congress, the Office of Personnel Management, and the Office of Management and Budget have heightened interest in the hotline/whistleblower concept and its impact on OIG operations. In this regard, our staff cooperates not only on individual complaints involving other agencies, but also on broad policy issues affecting all agencies. The Hotline Council serves as a mechanism to discuss and resolve common problems relating to significant policy issues such as whistleblower confidentiality, protection and reprisal. Our staff will continue to participate in and contribute to the cooperative efforts undertaken by the Hotline Council.

8. AUDIT REPORTS PREPARED BY OTHER AGENCIES

Some Federal agencies (including HUD) have audit cognizance responsibilities with respect to specific program participants receiving funds from more than one Federal agency, either under a grant or a contract arrangement. In HUD's case, these agencies are responsible for auditing any HUD-financed activities carried out by these participants. As such, they are reimbursed for their audit services. The principal agencies performing audit work for HUD are the Defense Contract Audit Agency and the Department of Health and Human Services. In fiscal year 1981, we accepted 31 audit reports covering HUD activities which were prepared by other Federal agencies.

9. ASSISTANCE TO OFFICE OF PERSONNEL MANAGEMENT ON AUDITOR TASK STANDARDS

At the request of the Office of Personnel Management (OPM), we provided assistance during the reporting period on the formulation and review of a list of tasks that would potentially be performed by auditors at the GS-5/7/9 levels. A list of tasks originally drafted by OPM was based on comments offered by auditors from seven Federal agencies. Once appropriate supervisors and incumbents at these agencies have reviewed and commented on the proposed task list, OPM plans to use this information for research purposes to develop a new rating schedule for auditors.

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, which is chaired by the Deputy Director, Office of Management and Budget, and includes 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, was established as an integral part of a broader plan to attack fraud, waste, and inefficiency in Federal programs. The functions of the Council include: (1) developing plans for coordinated governmentwide activities to attack fraud and waste; (2) developing standards for the management, operation, and conduct of Inspector General-type activities; (3) developing policies to ensure a corps of well-trained and highly skilled auditors and investigators; (4) developing interagency audit and investigation programs and projects to deal with fraud and waste; and (5) assuring that all of these efforts are accomplished with consistency so that the Federal Government speaks with one voice on fraud and waste matters.

During the current semiannual reporting period, we directed and/or participated in several projects in coordination with the PCIE. Those projects in which the HUD Office of Inspector General is participating include: (1) Payroll Operations; (2) Government Furnished Material and Property; (3) Excess Cash on Hand; (4) Government Employees Receiving Government Assistance; (5) Computer Matching; (6) Construction Contract Change Orders; and (7) Computer Security. Those projects for which the HUD Office of Inspector General served as the designated focal point for direction and organization are described below.

10. REVIEW OF UNLIQUIDATED OBLIGATIONS

In July 1981, we began work on an interagency project to review at 17 Executive Branch departments and agencies, construction-related obligations that were unliquidated at September 30, 1980. On-site survey work was conducted at the Departments of Defense, Transportation, Housing and Urban Development, the Environmental Protection Agency, and the Veterans Administration. We also requested relevant statistical information, obligation processes, audit reports, and applicable program descriptions from 12 additional agencies. Based on agency responses, we also performed additional work at the Departments of Commerce and Interior and surveyed selected accounts and operations at the Departments of Agriculture and Commerce.

A survey guide was prepared with objectives focusing on the gathering and evaluating of sufficient information about agency systems of accounting and management controls over the obligating, liquidating, and deobligating of funds for construction-related projects. Additionally, survey results were analyzed to identify agencies that may warrant future audit work and to formulate a comprehensive audit guide.

For the agencies reviewed, we estimated the unliquidated obligations for construction-related activities to be approximately \$235 billion, or 54 percent of the agencies' reported \$435 billion of unliquidated obligations. This information was determined from data in the Treasury Combined Statement as of September 30, 1980.

We are currently drafting: (1) a report on the results of our survey; (2) an audit guide which will provide direction for future reviews in the area of unliquidated obligations; and (3) a proposed issuance which will implement the recommended actions contained in the survey report. These efforts should be accomplished during the next semiannual reporting period.

11. REVIEW OF SUSPENSION AND DEBARMENT PROCESSES IN FEDERAL HOUSING PROGRAMS

As reported in our last Semiannual Report, we completed in February 1981, a review of activities relating to the suspension and debarment of Federal housing program participants.* The review was coordinated with the Offices of Inspector General of the Department of Agriculture and the Veterans Administration. The primary objectives of the review were to: (1) compare the suspension and debarment statutes, rules, regulations, and operating procedures at the three agencies and identify both similar and dissimilar characteristics; (2) determine methods for providing prompt exchanges of information among the agencies; and (3) evaluate whether a compatible housing suspension and debarment system could be developed for and adopted by each agency. Since the three agencies included in the review deal directly or indirectly with firms or individuals involved in housing programs, improved administration of suspension and debarment procedures by the agencies, better coordination among the agencies, and ultimately a uniform and compatible housing suspension and debarment system, would protect the government and the public from entities who abuse Federal housing programs.

The review disclosed that, in order to achieve a suspension and debarment process for housing programs which is uniform and compatible among the three agencies involved, it would be necessary to: (1) ensure implementation of improved interagency communication and cooperation to exchange sanction information among the agencies, use information exchanged, and facilitate exchange of information at field levels; and (2) identify agency regulations needing revision to achieve consistent and uniform suspension and debarment terminology, criteria for application, and periods of applicability of sanctions among the agencies. We have developed a schedule for completion of these project tasks, including studying applicable agency regulations and statutes, recommending the issuance of directives to achieve the necessary

* During the period April 1 to September 30, 1981, HUD issued 176 debarments and 203 suspensions of persons/firms participating in HUD programs.

regulatory changes, monitoring and tracking implementation of agency actions to improve communications and exchange information, and working to integrate housing suspension and debarment processes into a governmentwide system.

12. REVIEW OF OWNERSHIP AND CONTROL ELIGIBILITY OF SMALL BUSINESS ADMINISTRATION 8(a) FIRMS

Under the auspices of the President's Council on Integrity and Efficiency, we are participating with other Offices of Inspector General in a review of the eligibility of firms enrolled in the Section 8(a) Program of the Small Business Administration (SBA). The Section 8(a) Program is legislated by the Small Business Act, which empowers SBA to enter into contracts with other agencies to furnish equipment and supplies to the government, and to subcontract on a negotiated basis the performance of the contracts to small business concerns or others. SBA, in Part 124 of its Rules and Regulations, has established a policy of limiting its Section 8(a) authority to assist small businesses owned and controlled by disadvantaged persons. The objective of the review is to determine whether the actual ownership, control, and daily business operations of Section 8(a) firms are being exercised by the disadvantaged persons upon whom program eligibility is based. The review is designed to be conducted at the Section 8(a) owner's place of business by interview with the disadvantaged owner and other business firm officials, and the examination of financial, ownership, and other Section 8(a) business firm records.

13. COORDINATION ON TRAINING COMMITTEE ACTIVITIES

The President's Council on Integrity and Efficiency consists of four committees: (1) Performance Evaluation; (2) Integrity and Follow-Up; (3) Investigations-Law Enforcement; and (4) Training. The Training Committee, which is chaired by the HUD Inspector General, includes representatives from the Departments of Health and Human Services, Defense, and Education, the Veterans Administration, the Merit Systems Protection Board, the Office of Personnel Management, the National Aeronautics and Space Administration, the Internal Revenue Service, and the Federal Home Loan Bank Board. In addition, the Federal Law Enforcement Training Center (FLETC) and the Interagency Auditor Training Program (IATP) have integral roles in the activities of the Committee. The objectives of the Training Committee are to develop and implement training which is responsive to the needs of auditors and investigators and to build upon and improve available and appropriate training programs. To this end, the Committee plans to: (1) increase the amount and quality of investigator training; (2) improve training for auditors in detecting and preventing fraud; and (3) initiate and expand training for Office of Inspector General executives in special project areas.

During the reporting period, we worked closely with other agency Training Committee members in formulating a set of long-and short-term goals for fiscal year 1982--goals which focus on the most pressing training needs of auditors and investigators. These goals include: (1) developing a series of investigative job aides; (2) establishing a repository of investigative training resources; (3) developing a training course for auditing control systems; (4) developing a plan and schedule to present IATP training in detecting fraud; (5) developing a plan and methodology for presenting an FLETC white collar crime seminar; (6) developing a plan and methodology for the presentation of special courses on personnel management for executives by the U.S. Army; and (7) exploring sources and developing appropriate executive training programs for Inspector General personnel.

In conjunction with the Training Committee, the HUD Office of Inspector General compiled a comprehensive source document entitled: "Training and Development Sources: A Compendium for Offices of Inspector General." The Compendium identifies current training and development activities offered by various Federal agencies, professional organizations, higher education institutions and others. It also contains material on individual development plans and training and development courses for Department of Defense auditors and investigators.

14. PARTICIPATION IN PROGRAM INNOVATIONS REPORT

As part of its effort to combat fraud and waste in the Federal Government, the President's Council on Integrity and Efficiency periodically publishes a Program Innovations Report. This Report, which is compiled by the Council, describes efforts and innovations undertaken by such agencies to prevent and detect fraud. During the semiannual reporting period, we participated with other agencies in preparing these reports by providing appropriate examples of HUD efforts and accomplishments in the area of fraud detection and prevention.

15. REVIEW OF LEGISLATION IN COORDINATION WITH PRESIDENT'S COUNCIL COMMITTEE

In conjunction with our review of proposed legislation, we have worked closely with the Inspector General of the Small Business Administration (SBA), who serves as Chairman of the Legislation Committee, President's Council on Integrity and Efficiency. Legislation reviewed included bills which would significantly impact on the operations of Inspector General offices, or which would serve to deter fraud and waste in government programs, e.g., amendments to the Inspector General Act of 1978, revisions to the Criminal Code, the Waste, Fraud, and Abuse Reduction Act of 1981, etc. We have provided our comments on these and other legislative proposals to the SBA Inspector General on several occasions. (See Section VII).

VI. OTHER PRESIDENTIAL AND CONGRESSIONAL CONCERNS

Both the President and the Congress have expressed the utmost interest in the areas described in this section. Such areas are currently the focus of close oversight and monitoring by the Congress, the Office of Management and Budget (OMB) and Federal agencies. For each area described, HUD management, at the direction of the Secretary, is taking aggressive actions to remedy problems and improve Departmental performance. We are closely monitoring each of the areas described and will continue to report on HUD's progress in implementing corrective action and new initiatives.

1. COLLECTION OF DELINQUENT DEBT

The Supplemental Appropriations and Rescission Act of 1980 and related Appropriations Act for 1981 with respect to HUD and other independent agencies required each applicable agency to take immediate action to: (1) improve collection of overdue debts; (2) bill interest on delinquent debts as required by the Federal Claims Collection Standards; and (3) reduce amounts of such debts written off as uncollectible. The Senate Appropriations Committee report on the 1980 bill also directed Inspectors General to include in their reports to the Congress, progress on these matters and a summary of the total amounts due, overdue and written off.*

In addition, the President's Memorandum to Agency Heads, dated April 23, 1981, directed agencies to get more aggressive in collecting amounts overdue. Agencies were ordered to:

- Designate an official responsible for debt collection.
- Prepare a detailed review of current debt issuers and submit a plan, with timetables, for resolving the debt.
- Develop a plan for improved debt management in the future.
- Submit status and progress reports each September.

In compliance with the directive, the Office of Management and Budget (OMB) issued Bulletin No. 81-17, "Debt Collection," on April 27, 1981. The bulletin states that it is the policy of the Administration that Executive Branch agencies ensure the timely and economical collection of all monies owed the government.

* The proposed Debt Collection Act of 1981 (H.R. 2811) would require Offices of Inspector General to conduct annual reviews of agencies' debts in certain cases and to report to Congress on such reviews.

STATUS OF OUTSTANDING DEBT AT CLOSE OF REPORTING PERIOD

The table on page 61 provides data for major HUD areas of debt collection as of September 30, 1981. The amounts are estimates which HUD furnished to OMB pursuant to OMB Bulletin No. 81-17. Briefly, the table shows that at September 30, 1981:

- HUD's estimated outstanding debt was \$19.5 billion:
- Estimated delinquent debt was \$1.3 billion.*
- The largest area of delinquent debt was Federal Housing Administration (FHA) Multifamily Mortgage Notes which amounted to an estimated \$1.1 billion.

SPECIAL TASK FORCE ON DEPARTMENTAL DEBT COLLECTION AND LOAN SERVICING

On March 31, 1981, the Secretary established a Special Task Force on Debt Collection and Loan Servicing to determine the nature and extent of HUD's delinquent indebtedness and to develop an action plan for dealing with such indebtedness. The Task Force is chaired by the Assistant to the Secretary for International Affairs and includes membership from the Offices of the Secretary and Under Secretary. The Task Force has three principal goals:

- To analyze and review procedures for collecting and servicing debt and to make recommendations for action.
- To reduce the debt owed HUD and prevent unnecessary new delinquencies.
- To support fully the initiatives of the President on the subject of debt collection by fully meeting the requirements of the Office of Management and Budget.

FINDINGS OF THE TASK FORCE

One of the overall goals of the Task Force on Departmental Debt Collection and Loan Servicing was to bring together general recommendations for departmentwide action based on an analysis of the debt by its geographic location, by the size of the amounts owed, and by the nature of the debtor: consumer, business, or public/non-profit entities. The resulting analysis revealed that HUD's delinquent debt does not represent a uniform problem; rather, there are problems in a few programs, in a few geographic areas, and with only certain classes of debtors.

* In our prior Semiannual Report to the Congress, we reported that HUD's delinquent debt amounted to \$434 million at March 31, 1981. Since that time, the Department has decided to include as delinquent debt, Secretary-held Multifamily Mortgage Notes which are in foreclosure. This accounts for most of the difference between the reported March 31 data and the September 30 data.

September 30, 1981			
	Outstanding Debt (a)(b)	Written Off(c)	Delinquent(b)(f)
I. <u>FIRST TIER</u>	(Dollars in Millions)		
HOUSING:			
Multifamily Mortgage Notes	\$ 4,518.4	\$ 0	\$1,087.8
Title I Defaulted Notes	150.0	20.0	56.0
Single Family Mortgage Notes	540.2	0	58.3
Section 312 Defaulted Loans	793.6	1.6	17.6
Section 202 Defaulted Loans	3,037.1	0	10.0
II. <u>SECOND TIER</u>			
HOUSING:			
Multifamily			
106b Nonprofit Loans	4.5	0	1.0
Premiums	157.3	0	
Single Family			
Delinquent Rents	16.1	.4	5.7
Premiums	718.1	0	3.5
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION:			
Emergency Mortgage Purchase Asst.	2,176.9	.3	.3
Mortgage Backed Securities	7.0	.02	4.1
Special Assistance Fund	4,480.9	.2	.3
Management & Liquidation	151.7	10.5	.03
III. <u>THIRD TIER</u>			
NEW COMMUNITIES DEVELOPMENT CORPORATION:	33.6	25.9	24.5
HOUSING:			
Public Housing (86X4015)	512.4	1.8	8.0
Single Family			
Fees and Charges	.1	.1	.1
Title I Premiums	41.1	0	.01
Multifamily			
Appalachian Housing Assistance	.4	0	.4
MULTI-TIER FUND APPROPRIATIONS			
Public Housing Loan Fund (86X4098)	2,127.6	.3	12.2
Housing Payments (86X0139)	33.0	.0	2.5
Administration	6.0	.2	.5
GRAND TOTAL (d)(e)	<u>\$19,506.0</u>	<u>\$61.3</u>	<u>\$1,293.1</u>

Table. Debt Centers Ranked by Priority Tiers at
September 30, 1981 (Dollars in Millions)

Footnotes

- (a) Outstanding debt is the amount of defaulted notes assumed and serviced by HUD under claims for insurance benefits from lending institutions. Section 312 loans are stated at the gross amount owed by direct borrowers as serviced by FNMA and seriously delinquent loans (see Footnote (b)) assigned to HUD for direct servicing.
- (b) Delinquency was considered as payments overdue for 90 or more days except for 60 days for Multifamily Mortgage Notes and 150 days for Section 312 Rehabilitation Loans.
- (c) Write-off policies vary for each program debt classification. No write-offs are permitted for Multifamily Mortgage Notes. Write-off policies for other programs are unknown in some instances. Amounts include other adjustments.
- (d) Does not include monies due from sustained audit findings, delinquent rents, or deficiency judgments.
- (e) September 30, 1981 amounts are estimated amounts furnished to OMB pursuant to OMB Bulletin No. 81-17. The Outstanding Debt, Delinquent, and Written Off columns were developed prior to the actual closing of the accounting records; and, in addition, the estimates provided were not based on adequate historical information because the accounting systems had not been modified at that time to provide all the debt collection requirements.
- (f) Amounts for the Outstanding Debt and Delinquent columns are gross figures. The amounts shown have not been reduced by collections, conversions, reclassifications, and sales.

The major problems identified were:

- Origination and collection functions are too often combined under the same offices and personnel, with the inevitable result that collections receive a lower priority than they should.
- Program managers and accounting personnel are so separated institutionally that both can successfully point to the other for failure to report critical data.
- Settlement, write-off and termination policies are diffused within each program, and often each geographic office follows separate individual policies.
- Organizational responsibility for debt collection is so broadly distributed throughout HUD that in the past, few persons have been held accountable.

Most of the needed changes recommended by the Task Force would probably involve redistributing resources and centralizing program-specific corrective actions in those areas having maximum problems. For example, some of the characteristics of the 50 categories of debt identified are as follows:

- Three programs: Secretary-held Mortgages, and Title I and Section 312 Loans, account for 8 percent of the debt owed to HUD.
- Four programs represent 23 percent of the delinquent accounts and 11 percent of the delinquent debt (Title I, Section 312, Secretary-held Mortgages and Section 202). These debtors are primarily consumers.
- While 11 percent of the amount delinquent stems from the four programs mentioned above, another 84 percent of the delinquencies are from multifamily housing programs where the debtors are primarily private business organizations. The balance of the delinquencies are owed by public sector entities at the state and local levels.

ACTION PLAN FOR DEBT COLLECTION

In response to OMB Bulletin 81-17, the Department assembled new data and plans, being prepared for the debt collection effort, into an Action Plan for Debt Collection. This Plan was submitted to OMB on June 15, 1981. The Plan tentatively identified 11 major issues of Departmental significance which required attention by top-level management:

- Aggressive actions to recover that portion of the current backlog deemed collectible
 - Assign a high and continuing priority to loan servicing and debt collection.

- Contract out loan processing.
- Review and revise settlement, write-off and termination policies.
- Implementation of effective credit management procedures to prevent unnecessary new delinquencies
 - Examine feasibility of separating the functions of debt origination from those of debt collection.
 - Invest program offices with enhanced accounting information.
 - Fix employee accountability.
 - Plan for rapid implementation of the Debt Collection Act of 1981, if adopted.
 - Allocate resources to meet needs.
 - Examine feasibility of securing prompt collection of HUD/FHA mortgage insurance premiums.
- Action to recover newly occurring delinquencies and defaults
 - Differentiate collection policies by magnitude of debt and for private vs. public debtors.
 - Seek appointment of special U.S. attorneys.

Implementation of any initiatives in conjunction with the above issues will be under the auspices of the chairman of the Debt Collection Task Force.

In order to sensitize all Headquarters and field offices to the importance of debt collection, the Action Plan was printed and circulated throughout the Department. In addition, the Deputy Under Secretary for Field Coordination instituted a vigorous campaign among HUD field offices to place a high priority on debt collection by reallocating resources.

DEPARTMENTAL SYMPOSIUM ON DEBT COLLECTION

On September 2, 1981, a Departmental Symposium on Debt Collection was held with the participation of OMB and GAO. Top and mid-level managers presented the initiatives of their offices in the area of debt collection. A primary theme of the conference was that debt management must be seen as encompassing a comprehensive range of the Department's activities including loan origination, loan servicing, and loan termination through write-off, foreclosure or other means. The impact of increased foreclosure activity on sales of acquired properties was also examined.

ACTION PLAN UPDATE

With the perspective acquired through the Debt Collection Symposium and six months of study, the Department, on September 30, 1981, submitted to OMB an update of the Action Plan for Debt Collection. The update established a three-tier hierarchy for the approximately 50 HUD debt centers. Programs in the first tier account for 95 percent of the Department's delinquent debt and will be given the highest priority for collections and related activity. Programs in the second tier have accumulated smaller amounts of debt but one of a continuous nature and thus require action to minimize accumulation of future debt. Programs in the third tier are responsible for very small amounts of debt and/or they have been terminated, thus they require no actions to prevent future debt. (See page 61.)

The update expands on and highlights the component plans for programs in the first tier as follows:

Mortgage Insurance Notes (Multifamily)

- Initiation of third-party servicing program.
- Use of fee attorneys to collect diverted project funds.
- Training field staff to implement decentralization of workout agreement responsibility.

Title I Property Improvement and Mobile Homes Defaulted Loans

- Top priority assigned by the Under Secretary and Assistant Secretary-Federal Housing Commissioner, to monthly tracking of loans under HUD's Executive Management Reporting System.
- Increased staffing effort by field managers through reassignments, details and overtime. Additional travel funds allocated by Headquarters to be used in contacting delinquent debtors.
- Undertaking of a collection work measurement by HUD's Office of Housing Operations and Field Monitoring. New standards will recognize activity level, travel requirements and minimum staffing needs of small stations.

Section 312 Rehabilitation Loans

- Request for Proposal (RFP) for accounting and management tracking to be advertised.
- Procurement to be executed with Washington-based services to provide collection, accounting, legal and management services.
- Assignment of all legal action to private attorneys.
- Performance of a study to determine the feasibility of assigning all property disposition to private mortgage banks.

- Performance of a study concerning the sale of charge-offs to collection agencies at discounted rates.
- RFP for automated system to be developed (completed).
- Analysis to be made concerning the employment of private debt collectors.
- Additional defaulted loan officer to be hired to improve monitoring.

Secretary-Held Home Mortgages (Single Family)

- Training session to be held on new HUD procedural handbook when issued and on assignment acceptance criteria.
- RFP developed for procurement of system which is to interface with HUD-Mortgage Insurance Accounting System (MIAS).

202 Elderly and Handicapped (Multifamily)

- Establishment of a plan of action to address accounting/program procedural issues and automated systems. This will permit HUD to investigate the full extent of the delinquency problem for the first time.

The major obstacle to HUD's collection of data on debts has been the lack of an automated accounting system for multifamily mortgage notes which represents 84 percent of the Department's delinquent debt. As a result of the debt collection project, top priority has been given to reconciliation of two existing HUD systems: the Multifamily Insurance Direct Loan Information System (MIDLIS), and the Multifamily Mortgage Servicing System (MMSS). Combining the individual project tracking capability of MIDLIS with the financial data of MMSS will provide for the first time a reporting capability on the number and value of accounts broken down by project status: accounts not delinquent, accounts delinquent not in plan, accounts delinquent under workout agreement, accounts current under workout agreement, and projects in foreclosure. This data will provide the Department with its single most critical management decision tool. This new reporting capability is expected to be operational by October 30, 1981.

CHARGING AND COLLECTING INTEREST ON SUSTAINED MONETIZED AUDIT FINDINGS

The Office of Inspector General recently completed a review concerning the need to develop administrative procedures in HUD for assessing interest charges on sustained disallowed costs reported in conjunction with audit findings. This review was made in light of the Supplemental Appropriations and Rescission Act of 1980 and the 1981 Appropriations Act for HUD and Other Independent Agencies which calls for agencies to bill interest on delinquent debts.

The objectives of the review were to identify the administrative procedures that would be required for HUD to assess and collect interest charges on sustained costs disclosed in conjunction with audit findings and to

determine the potential problems and factors that must be considered in implementing such a policy. The report discussed HUD's need to clarify and expedite the implementation of a proposed policy to charge interest on sustained audit findings and disclosed a number of matters to be considered in implementing such a policy. We believe that, by assessing and collecting interest on sustained costs associated with audit findings, additional cash recoveries of about \$2.9 million could be realized (based on the prevailing Treasury interest rate at the time). Moreover, such a practice could help spur the future payment of debts due to HUD as a result of audits. HUD management has since adopted a policy on the charging of interest on sustained disallowed costs from audit findings and will implement the policy upon development of the necessary procedural requirements.

OFFICE OF INSPECTOR GENERAL SCHEDULED AUDIT

To objectively assess the Department's response to the appropriations' legislation, prior audit reports and OMB Bulletin No. 81-17, we have planned an audit of HUD's claims collection procedures. This audit is scheduled for the last half of fiscal year 1982 so as not to conflict with the Department's current Task Force efforts. The objectives of the audit will be to review the Department's detailed action plan to strengthen debt collection practices, evaluate work done by the Special Task Force for Debt Collection and Loan Servicing, and determine whether or not additional action will be required to accomplish significant improvements in collections of amounts due HUD. This audit will be in addition to other regularly scheduled audits of HUD's Regional Accounting Divisions and other audits involving HUD's accounting operations.

2. RESOLUTION OF AUDIT FINDINGS

The Supplemental Appropriations and Rescission Act of 1980 and Appropriations Act for 1981 relating to HUD and other independent agencies required that all unresolved audits at the enactment dates of the acts be resolved not later than September 30, 1981, and that any new audits involving questioned costs, arising after enactment of the acts, be resolved within six months. This includes audit findings from the OIG and GAO reports. Also, OMB Circular A-73 Revised (TM No. 1), "Audit Followup," provides that written determinations be made within a maximum of six months after issuance of the report. The circular calls for final resolution as soon as possible.

The intent of Congress and OMB is not to require that collections or actions be completed within a six-month period. Instead, Congress and OMB expect managers to make decisions within six months as to whether or not funds are due the Federal Government, or to otherwise agree on the actions that are to be taken to resolve audit findings, and to initiate the actions as rapidly as possible.

The Senate Committee on Appropriations report on the Supplemental Appropriations and Rescission Bill of 1980 directs the Inspectors General to include in their reports to the Congress: a summary of unresolved audits, including total numbers, dollar amounts, status, age, and other related information. The tables on pages 68 and 69 provide a summary of this information.

CASH RECOVERIES OR SAVINGS AND COSTS ASSOCIATED WITH AUDIT FINDINGS

During the semiannual reporting period, Office of Inspector General and non-Federal audits of HUD program participants were instrumental in recovering significant amounts of improperly spent funds and in identifying possible waste, noncompliances and program abuses. Highlights are as follows:

- Cash recoveries/savings* resulting from audits amounted to about \$23.9 million for the six-month period ended September 30, 1981. For the entire fiscal year 1981, such cash recoveries amounted to \$38.2 million. (See page 69.)
- Questioned/disallowed costs associated with audit findings in the amount of about \$92.8 million were concurred in by HUD management during the semiannual reporting period. For the entire fiscal year 1981, questioned/disallowed costs associated with audit findings in the amount of \$145.4 million were concurred in by HUD management. (See page 68.)
- The value of unresolved audit findings at September 30, 1981, was \$96 million. This amount represents a potential for future recoveries. (See page 68.)

AUDITS MANAGEMENT SYSTEM - FOLLOW-UP ON AUDIT FINDINGS

The Department's Audits Management System was established on December 22, 1977. It provides for the continued interest of HUD managers who are responsible for taking closing actions and assuring that all audit recommendations are satisfactorily resolved and implemented. The final authority for resolving internal and external audit findings is vested in

* Cash recoveries and cash savings on questioned or disallowed costs include those HUD sustained questioned or disallowed costs for which money is: (1) returned to HUD; (2) reimbursed to programs or projects funded by HUD; (3) reimbursed to projects whose mortgage loans are made by or insured by HUD; or (4) offset against future grants. These amounts occur primarily from external audit reports (i.e., reports of audits involving HUD program participants) but may also be generated by internal audits. The recoveries are not reported until the Office of Inspector General is advised in writing of actual recovery, collection, or offset of the monies involved. In many cases, the recoveries or savings again become available for authorized program or project users.

(Dollars in Thousands)

	Dollar Value of Reported Audit Findings			Audit Findings Sustained			Audit Findings Not Sustained			Audit Findings Not Resolved		
	Non-			Non-			Non-			Non-		
	OIG	Federal	Total	OIG	Federal	Total	OIG	Federal	Total	OIG	Federal	Total
Over Twelve-Months												
Housing	\$ 23,645	\$ 33,810	\$ 57,455	\$ 11,171	\$ 31,876	\$ 43,047	\$ 9,190	\$ 2,002	\$ 11,192	\$ 3,583	\$ -	\$ 3,583
CPD *	44,106	53,485	97,591	18,212	13,205	31,417	23,881	40,673	64,554	137	393	530
Admin.	3,808	-	3,808	1,010	-	1,010	2,798	-	2,798	-	-	-
Other	80	-	80	-	-	-	-	-	-	-	-	-
Subtotal	\$ 71,639	\$ 87,295	\$ 158,934	\$ 30,393	\$ 45,081	\$ 75,474	\$ 35,869	\$ 42,675	\$ 78,544	\$ 3,720	\$ 393	\$ 4,113
Six to Twelve-Months												
Housing	\$ 14,137	\$ 4,130	\$ 18,267	\$ 5,282	\$ 3,135	\$ 8,417	\$ 7,208	\$ 1,023	\$ 8,231	\$ 1,688	\$ 77	\$ 1,765
CPD	23,033	157,749	180,782	3,573	34,993	38,566	18,892	121,953	140,845	992	1,383	2,375
Admin.	139	-	139	-	-	-	-	-	-	139	-	139
Other	20	-	20	3,856	-	3,856	16,544	-	16,544	-	-	-
Subtotal	\$ 37,329	\$ 161,879	\$ 199,208	\$ 12,711	\$ 38,128	\$ 50,839	\$ 42,644	\$ 122,976	\$ 165,620	\$ 2,819	\$ 1,460	\$ 4,279
Under Six-Months												
Housing	\$ 4,145	\$ 4,029	\$ 8,174	\$ 899	\$ 1,431	\$ 2,330	\$ 55	\$ 672	\$ 727	\$ 3,191	\$ 1,927	\$ 5,118
CPD	22,500	101,592	124,092	482	16,237	16,719	5,157	20,529	25,686	16,871	65,195	82,066
Admin.	379	-	379	-	-	-	-	-	-	379	-	379
Other	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ 27,024	\$ 105,621	\$ 132,645	\$ 1,381	\$ 17,668	\$ 19,049	\$ 5,212	\$ 21,201	\$ 26,413	\$ 20,441	\$ 67,122	\$ 87,563
Total	\$ 135,992	\$ 354,795	\$ 490,787	\$ 44,485	\$ 100,877	\$ 145,362**	\$ 83,725	\$ 186,852	\$ 270,577	\$ 26,980	\$ 68,975	\$ 95,955

Table : Summary of Resolved and Unresolved Audit Findings
FY 1981 (Ending September 30, 1981)

* CPD - Community Planning and Development

** The \$145,362 is an annual figure. The value of audit findings sustained by HUD during the semiannual reporting period was \$92.8 million.

(Dollars in Thousands)

	Cash Recoveries/Savings			Amounts Written off			Amounts Due		
	OIG	Non-Federal	Total	OIG	Non-Federal	Total	OIG	Non-Federal	Total
Over Twelve-Months									
Housing	\$ 1,582	\$ 2,428	\$ 4,010	\$ 16	\$ 12	\$ 28	\$ 9,569	\$ 29,516	\$ 39,085
CPD	11,144	12,292	23,436	-	15	15	9,388	8,467	17,855
Admin.	6	-	6	-	-	-	1,003	-	1,003
Other	80	-	80	-	-	-	-	-	-
Subtotal	\$ 12,812	\$ 14,720	\$ 27,532	\$ 16	\$ 27	\$ 43	\$ 19,960	\$ 37,983	\$ 57,943
Six to Twelve-Months									
Housing	\$ 2,074	\$ 1,884	\$ 3,958	\$ -	\$ 2	\$ 2	\$ 3,495	\$ 1,433	\$ 4,928
CPD	547	2,100	2,647	-	1	1	3,046	39,795	42,841
Admin.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Subtotal	\$ 2,621	\$ 3,984	\$ 6,605	\$ -	\$ 3	\$ 3	\$ 6,541	\$ 41,228	\$ 47,769
Under Six-Months-HUD									
Housing	\$ 224	\$ 923	\$ 1,147	\$ 7	\$ -	\$ 7	\$ 467	\$ 103	\$ 570
CPD	11	140	151	-	50	50	-	6,283	6,283
Admin.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Subtotal	\$ 235	\$ 1,063	\$ 1,298	\$ 7	\$ 50	\$ 57	\$ 467	\$ 6,386	\$ 6,853
Under Six Months-Project									
Housing	\$ 185	\$ 73	\$ 258				\$ 487	\$ -	\$ 487
CPD	184	2,330	2,514				287	7,435	7,722
Admin.	-	-	-				-	-	-
Other	-	-	-				-	-	-
Subtotal	\$ 369	\$ 2,403	\$ 2,772				\$ 774	\$ 7,435	\$ 8,209
Total	\$ 16,037	\$ 22,170	\$ 38,207*	\$ 23	\$ 80	\$ 103	\$ 27,742	\$ 93,032	\$120,774

Table : Summary of Audit Cash Recoveries/Savings, Amounts Written Off and Amounts Due - Fiscal Year 1981 (Ending September 30, 1981)

* Cash recoveries/savings for the current semiannual reporting period 4/1/81 to 9/30/81 amounted to \$24 million.

the Under Secretary who is HUD's designated audit follow-up official.* The HUD Headquarters Audits Review Group, chaired by the Assistant Secretary for Administration, and the Field Audits Review Group, chaired by the Deputy Under Secretary for Field Coordination, assist the Under Secretary in resolving audit findings. Audit findings not resolved within prescribed time frames are automatically referred to Headquarters and then to the Under Secretary for final resolution.

At March 31, 1981, there were 3,251 open audit findings in the Department's Audits Management System. During the semiannual reporting period, we issued 4,567 audit findings and resolved 5,204 audit findings.** In addition, 269 issued audit findings were referred back to our Office of Audit for disposition either because the program office disagreed with the recommended actions, or because the Audits Management System's time frame for resolving the findings had expired. At September 30, 1981, there were 2,347 open audit findings in inventory.

To verify the actual implementation of General Accounting Office and Office of Inspector General audit recommendations, the Audits Management System requires post-audit review and verification of selected audit findings within six months after they are closed. The Office of Inspector General is responsible for selecting audit recommendations for post-audit verification and for advising the Deputy Under Secretary for Field Coordination and Headquarters action officials on a monthly basis of such decisions. Our office has also initiated audits which involve reviewing the adequacy of corrective actions taken on selected closed audit findings.

Both the President and the Congress have stressed that resolution of audits is to be given a high priority by Federal managers at all levels. The Secretary of HUD has made it clear that audits resolution will be a performance evaluation factor for responsible managers.

RESOLUTION OF GENERAL ACCOUNTING OFFICE (GAO) RECOMMENDATIONS

In addition to internal and external audit finding follow-up and clearance, HUD managers are responsible for taking appropriate action on the recommendations addressed to the Department in GAO reports. The corrective actions are to be initiated promptly on recommendations in draft as well as published reports. Our GAO Liaison Officer acts as a focal point for accumulation of information from primary organization heads on actions promised and/or taken by HUD on GAO recommendations. Using the input from various offices in HUD, we furnish the Under Secretary with a summary report each quarter on the status of corrective actions on all GAO report recommendations. Information furnished is measured against established criteria for resolving GAO findings. When HUD's response satisfactorily

* The President has directed each department and agency head to designate an individual who would be responsible for following up on Inspector General and General Accounting Office recommendations.

** The number of audit findings resolved includes findings from the current semiannual reporting period and prior reporting periods.

addresses a GAO recommendation, or when HUD management concurs 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.

On April 1, 1981, there were 70 GAO recommendations outstanding. Between April 1 and September 30, 1981, 20 recommendations were closed and 45 new recommendations were reported. Prior to review of actions taken during the quarter ending September 30, 1981, there were 95 GAO audit recommendations requiring Departmental action.

3. ADMINISTRATIVE ACTIONS AGAINST HUD EMPLOYEES AND OTHERS

In its report on the Fiscal Year 1980 Supplemental Appropriations and Rescission Bill, the Senate Committee on Appropriations indicated that if fraud within the 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. Accordingly, the Committee directed the Inspector General to recommend administrative action against employees who have engaged in fraudulent or other improper activities associated with the execution of their official duties.

While it is not our policy to recommend, on a case by case basis, the specific administrative actions to be taken against employees, we do make recommendations that managers and supervisors determine the proper administrative actions that should be taken for poor performance or misconduct (e.g., see page 12). We believe that the Department is taking appropriate actions against employees who act improperly and that the administrative actions taken have been generally sufficient to impress on other HUD employees that fraudulent activities will not be tolerated.

Examples of administrative actions taken against both HUD employees and others during the semiannual reporting period, in conjunction with audits and investigations, are shown below.

- An employee failed to disclose a prior criminal record on his application for employment. The employee was terminated.
- A clerk submitted false time and attendance reports which failed to disclose the use of 187 hours of annual and sick leave. The clerk was fired.
- A loan specialist was terminated from employment because she accepted a \$600 personal unsecured loan from a mortgagee doing business with HUD.
- A clerk was removed from office for altering two U.S. Treasury checks and being absent without leave for over two months.

- A clerk stole two blank U. S. Government memorandum books from HUD for his personal use and mailed the books to his house using a false company name. The theft was discovered when the package used to mail out the books was returned to the mailroom. The clerk resigned.
- An equal opportunity specialist obtained and used a Visa credit card with another person's name. The employee resigned.
- An appraiser was suspended for 45 days for the unauthorized use of a GSA car. He used the car to transport an unauthorized person on non-Federal business.
- An employee was suspended for 30 days for filing a false travel voucher and misusing a GSA car. The employee submitted inflated motel expenses on his voucher and used a GSA car for other than official business.
- A Housing Division Director was suspended for 14 days without pay for filing a false travel voucher. The Director claimed travel and meal costs incurred which did not reflect the costs actually incurred. HUD has made a request for repayment of \$141.30.
- A construction analyst submitted a false accident report to GSA, local police and HUD regarding the circumstances surrounding damage done to a GSA car. The employee was suspended for 30 days.
- A realty specialist was suspended for 14 days without pay and ordered to repay \$3,201 for wages received during the period he was absent without leave. The employee served as a juror only 3 1/2 days during a two-month court term. On those days he was dismissed by the court, he did not report to work.
- A HUD Area Manager who continually disregarded the Regional Administrator's instructions not to travel outside the Region's boundaries on official HUD business without prior permission was given a 15-day suspension and transferred to another HUD Regional Office.
- Three employees violated HUD's Standards of Conduct when they accepted golf tournament fees from a housing association. The fees were subsequently repaid and each employee received a letter of reprimand.
- Four employees violated HUD's Standards of Conduct by accepting tickets to a baseball game and a free lunch from a firm doing business with HUD. Two letters of reprimand and two letters of caution were issued.
- A deputy supervisor was issued a letter of reprimand for violating HUD's Standards of Conduct by accepting golf tournament fees from a building association. The fees were subsequently repaid by the deputy supervisor.
- A deputy chief property officer was issued a letter of caution concerning his misuse of overtime.

- A program advisor was accused of misusing a GSA car, abusing time and attendance policies and submitting questionable travel vouchers. The allegations were not substantiated but the investigation disclosed poor judgment on the part of the employee and a letter of reprimand was issued.
- An equal opportunity specialist violated HUD's Standards of Conduct by creating the appearance that he used his official position to promote the interests of a consulting firm doing business with the government. The employee was given a letter of caution.
- A loan specialist allegedly violated HUD's Standards of Conduct by creating the appearance that preferential treatment was given to a management firm.
- A clerk violated HUD's Standards of Conduct by giving the appearance of attempting to defraud the government. The clerk altered financial information in a letter to be sent to a bank. The clerk received a letter of reprimand.
- A Title I representative received a letter of caution and suspension of his government driver's license for 18 months for not disclosing his past driving record.
- A loan specialist was given a letter of warning as a result of his processing two applications submitted by the same person concerning the refinancing of one HUD-insured property mortgage and the attempted purchase of another HUD property. The applications contained false statements.
- An appraiser misused a GSA car when driving it to a local park in the company of an unidentified female during work hours. A report has been provided to management for action.
- A letter of caution was issued to an architect who submitted a false property inspection report indicating on-site repairs had been completed.
- A fee appraiser submitted an inspection report which indicated that certain repairs had been completed. A subsequent inspection disclosed that not all repairs were made. The appraiser was removed from the local fee panel.
- A fee appraiser performed an FHA appraisal. When the realtor complained that the appraisal was low, the fee appraiser suggested a Veterans Administration (VA) appraisal be obtained. The same appraiser then performed the VA appraisal of the property and gave it a higher value. It has been recommended that the fee appraiser be removed from the local fee panel.

In addition, during the current semiannual reporting period, HUD issued 176 debarments and 203 suspensions of persons and firms participating in HUD programs.

VII. REVIEW OF LEGISLATION AND REGULATIONS

Section 4(a)(2) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed legislation and regulations relating to programs and operations of the Department and to make recommendations concerning the impact of such legislation and regulations on the economy and efficiency in the administration of programs and operations or the prevention and detection of fraud and abuse in such programs and operations.

During the reporting period April 1, 1981 to September 30, 1981, we reviewed 30 proposed new regulations or revisions to existing regulations, an undetermined number of existing regulations and statutes in conjunction with audits, and 81 proposed new legislative bills or revisions to existing bills. Our reviews resulted in many comments and recommendations, many of which directly impacted on the economy, efficiency and effectiveness of Office of Inspector General operations.

Examples of the proposed legislative bills which we reviewed are as follows:

- Criminal Code Reform (S. 1630 and H.R. 1647)
- Inspector General Act Amendments of 1981 (S. 1327)
- Debt Collection Act of 1981 (H.R. 2811)
- Amendments to the Federal Property and Administrative Services Act of 1949 (H.R. 2580)
- Waste, Fraud, and Abuse Reduction Act of 1981 (S. 1120)
- Employment of Experts and Consultants
- Federal Assistance Improvement Act of 1981 (S. 807)
- Legislative Oversight Act of 1981 (S. 866)
- Section 1703 of Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35)
- Prohibition of Federal Housing Assistance for Certain Classes of Aliens.

VIII. OBTAINING REQUIRED INFORMATION OR ASSISTANCE

Section 5(a)(5) of the Inspector General Act of 1978 provides for including in each Semiannual Report to the Congress a summary of each report made to the head of the agency concerning information or assistance requested by the Inspector General which, in the judgment of the Inspector General, was unreasonably refused or not provided.

Also, Section 6(a)(4) of the Inspector General Act provides the Inspector General with authority to require by subpoena the production of all information, documents, reports, answers, accounts, papers, and other data and documentary evidence necessary to carry out the performance of his or her assigned functions. The subpoena is enforceable by order of any appropriate United States district court.

1. UNREASONABLE REFUSAL OR NON-PROVISION OF REQUESTED INFORMATION OR ASSISTANCE

There were no instances reported to the HUD Secretary during the current semiannual reporting period wherein information or assistance requested by the Inspector General was unreasonably refused or not provided.

2. SUBPOENAS ISSUED

During the semiannual reporting period, we found it necessary to exercise our subpoena authority with respect to four persons or firms. Three of the subpoenas were issued in conjunction with an investigation, while one was issued to obtain information in connection with an audit. In all instances, the use of the subpoena authority resulted in obtaining the necessary records or documents.

IX. FRAUD PREVENTION AND MANAGEMENT CONTROL EFFORTS

Our office has been instrumental in obtaining the involvement of Departmental management and employees in the fight against fraud and program abuse. Several of our fraud detection and prevention initiatives, discussed in prior Semiannual Reports to the Congress, have received renewed emphasis and priority during this reporting period. For example, on June 19, 1981, a memorandum was issued to Principal Staff declaring the Secretary and Under Secretary's personal commitment to eliminating fraud, waste, and mismanagement in the use of HUD program funds. The memorandum also details a comprehensive fraud control program that was developed to meet this objective. The key elements of this strategy emphasize: employee awareness, sound management controls, evaluation techniques, and program manager accountability. Top management stressed that to minimize the potential for fraud and program abuse, a close coordination between the Inspector General and those responsible for program design and execution would be required. It also described the roles to be played by various HUD disciplines in this program.

In addition, on August 13, 1981, HUD's Under Secretary chaired a meeting, attended by Principal Staff and their designated representatives, to seek their cooperation in: (1) installing effective management policies and techniques; (2) holding employees accountable for the proper administration of the taxpayers' dollars; and (3) intensifying efforts to assure that limited resources are not wasted. The Under Secretary stressed the importance that the Secretary has placed on analyzing, and revising, where necessary, Departmental policies relating to the objectives of HUD's fraud control program.

Several fraud deterrent activities embarked upon during the last six months are worthy of mention. They fall into the areas encompassing the Committee on Fraud, Waste, and Mismanagement, management control improvement activities, HUD's employee awareness program, and hotline activities.

1. COMMITTEE ON FRAUD, WASTE, AND MISMANAGEMENT

The Committee on Fraud, Waste, and Mismanagement advises the Secretary on policy matters associated with minimizing occurrences of fraud, waste, and mismanagement in HUD programs and activities. The Committee is composed of representatives from all major offices in HUD, including managers from Regional and Area Offices. The Inspector General, as Chairperson, coordinates and guides Committee activities. The Office of Inspector General's Fraud Control Division provides technical assistance and support to the Committee in undertaking its various projects.

During the last few months, the Secretary has reemphasized the Committee's importance and expanded its responsibilities. The most significant activities of the Committee during the semiannual reporting period are described below.

HUD'S MONITORING OF PROGRAM PARTICIPANTS

One of HUD's most persistent problems has been the quality and effectiveness of its monitoring systems. (See page 34.) Consequently, a Committee work group conducted a study to identify specific areas that need to be addressed by various HUD disciplines. The group reviewed and analyzed data from numerous sources including monitoring requirements, resources allocated and used, and various reports which criticized past monitoring performance.

The review was limited to monitoring in two program areas: the Community Development Block Grant Program, and the Low-Income Housing Modernization Program. About 100 Headquarters and field staff members were interviewed to evaluate their concerns and problems with a view toward relating such concerns and problems to monitoring functions in all HUD programs. The study surfaced four major issues that must be resolved in order to improve HUD's monitoring systems:

- Program managers responsible for monitoring generally do not believe monitors should do the type of reviews that would surface fraud, waste, or mismanagement.
- HUD currently attempts to monitor all participants in all areas, rather than targeting resources to high risk participants and vulnerable areas.
- Monitors have conflicting duties which deter them from looking for problem areas.
- Monitors need training to enable them to identify serious problems.

The Committee's report emphasizes the necessity of using monitoring systems as a "first line of defense" against abuse in HUD programs and funds. This effort is required to protect not only the Department, but also program participants. Early detection of problems, which would otherwise lead to costly sanctions, is a strategy based on prevention. Early detection would also help fulfill the Department's stewardship role to the taxpayer for the use of HUD funds.

In April 1981, the Secretary approved the report recommendations and asked the Under Secretary to oversee the implementation of revised monitoring policies and procedures. Subsequently, the Deputy Under Secretary for Field Coordination was designated as Chairperson of a task force to coordinate such activities between and among program managers in Headquarters and field offices. Several steps have been taken to carry out this effort:

- Distributing the report to Headquarters and field managers.
- Establishing contact points in each office to enhance communication and interchange of ideas.

- Providing interim guidance to field offices while program managers develop detailed changes. (This includes developing and distributing a listing of vulnerable activities in each major program area, based on Inspector General trends of audit findings and potential fraudulent schemes.)
- Establishing an element regarding their efforts to curb fraud, waste, and mismanagement in field managers' Executive Performance Appraisals.
- Providing coordination and advice to program managers concerning ways to proceed with changes to their monitoring systems.
- Assisting in the development of training to increase monitors' skills and abilities to conduct on-site reviews.

The Inspector General has assigned the Fraud Control Division staff full time to advise and assist the task force in carrying out its duties. Also, Regional Inspectors General have been advised to assist field staff in their efforts to upgrade monitoring efforts.

REVISIONS TO BASIC REGULATORY AND MANAGEMENT AGENT AGREEMENTS

A Committee work group, consisting of representatives from HUD's Offices of Housing, General Counsel, and Inspector General, made substantial contributions in revising the agreements that govern multifamily housing management operations. This task received impetus because experience has shown that multifamily operations is an area highly vulnerable to fraud and abuse. For a variety of reasons, the current agreements have seldom been enforced in the past.

The revised agreements are viewed as a positive step in curtailing the types of abuses that have occurred. Once these agreements become effective, HUD's ability to measure performance and apply sanctions when necessary will be improved greatly. Moreover, program participants will be better informed of their rights and responsibilities when obtaining HUD mortgage insurance or when managing HUD-insured projects. As discussed in our prior report, although the revised agreements were approved by the Secretary, their implementation has been delayed for various reasons (e.g., changes in top management, the freeze on regulations, etc.).

On November 19, 1980, the Committee forwarded the revised Management Agent Agreement to the Secretary. It was approved on November 28, 1980, and as with the Regulatory Agreement, the Assistant Secretary for Housing-Federal Housing Commissioner was requested to review the document and take actions to implement it. The Office of Housing is currently considering various alternatives regarding the management of multifamily projects. One such alternative would negate the need for a standard management agent agreement form. Under that alternative, owner-agents would be permitted to draft their own agreement so long as key clauses specified by HUD were included in the agreement. Some of those clauses would be extracted from the Committee's draft agreement.

WORK GROUP PROJECTS IN PROGRESS

On August 20, 1981, the Committee held its first work meeting under HUD's new Administration. At that meeting, four working group assignments were initiated as follows:

- Revisions to the Committee Handbook and charter were needed to reflect the changes in membership and the expanded roles of Committee members. These revisions have been drafted and will be placed in Departmental clearance.
- A Planning and Agenda Building group was formed to gather information and ideas on significant matters the Committee should address in the future. A key aspect of this assignment is meetings with new Principal Staff members to solicit their input and to stress the importance of the overall fraud control program. It is hoped that these meetings will generate several significant policy related projects for the Committee during fiscal year 1982.
- Another work group was formed to monitor the progress of Congressional proposals to recodify the criminal code. Several proposed revisions, to both HUD's specific and general statutes, may have a material impact on the Department's policies and procedures regarding fraud detection and prevention. This group will be responsible for developing position papers on proposed revisions and for assisting in efforts to make HUD views known to the appropriate Congressional committees involved in the recodification.
- The fourth work group has initiated a research study to review and analyze current and recently proposed HUD policies and procedures concerning income and asset eligibility and verification requirements. The basic objective of the group is to establish a series of suggested actions that HUD might take to improve its ability to ensure that program benefits are provided to only eligible recipients. It is hoped that by the end of calendar year 1981, the group will be prepared to identify specific areas for improvement such as legislative changes, management information systems and handbook procedural instructions.

2. MANAGEMENT CONTROL IMPROVEMENT ACTIVITIES

The Office of Inspector General's Fraud Control Division serves as a coordinator and advisor on two HUD management systems designed primarily to analyze and improve HUD's management controls. The first, known as the Fraud Vulnerability Assessment System (FVAS), applies to all new or substantially revised programs. The other system, called the Management Control Assessment System (MCAS), is designed to test the effectiveness of controls in existing programs and functions. Both systems provide that program managers conduct the assessments, identify weaknesses, and take corrective measures to offset any weaknesses identified.

The Fraud Control Division also participates in all assessments by providing needed information or technical assistance prior to and during the assessments and by reviewing the assessments when completed. Moreover, the Division periodically evaluates, and reports to top management, on the results and effectiveness of the systems. A summary of FVAS and MCAS activities during this reporting period follows.

FRAUD VULNERABILITY ASSESSMENT SYSTEM

The Administration's mandated freeze on regulations and related materials resulted in few applications of the FVAS in this reporting period. However, activity has accelerated recently and several significant program revisions or program proposals have been the subjects of assessments. In this regard, the FVAS was used to prepare revised HUD regulations concerning Section 214 of the Housing and Community Development Act of 1980 (nonimmigrant student aliens) and is being used as guidance in preparing regulations and related HUD procedural guidance to comply with this year's amendment that applies to other classes of aliens.

In addition, at top management's direction, a vulnerability assessment is being performed currently on proposals to implement future "housing vouchers" and "housing bounty" programs.* A working group, consisting of Housing, General Counsel, Administration, Policy Development and Research, Field Coordination and Inspector General staff, has been formed to perform the assessment on an accelerated basis. This endeavor represents the first time the FVAS has been applied to a proposed program and illustrates a commitment to design programs with adequate front-end consideration of needed management controls.

MANAGEMENT CONTROL ASSESSMENT SYSTEM

The Management Control Assessment System is designed to ensure that HUD management provides adequate attention to the existence and effectiveness of management controls by conducting periodic assessments of those functions under their jurisdiction that may be susceptible or vulnerable to mismanagement or abuse. Currently, each Headquarters Primary Organization Head is required to perform two assessments in each quarter.

One of the basic objectives of MCAS is to make program managers recognize their responsibility to evaluate, and correct when necessary, their management control systems on a regular and consistent basis. Our experience with the system, which has been operational for about a year, indicates that MCAS can serve as an important management tool. In this regard, the Under Secretary issued a memorandum to Principal Staff on June 15, 1981, which

* Housing vouchers or consumer housing assistance payments are being considered by Congress to replace several current programs as the basic means for meeting the housing needs of lower-income households. This program would involve modifications to what is now the Section 8 existing housing program. Under the housing bounty demonstration program, lower-income families would receive bounty payments to assist in meeting rental payments. The Federal subsidy would be tied to the level of effort of the recipient family, with no subsidy for families paying less than 20 percent of their income.

stressed the need to complete assessments and take corrective actions timely and assure the responsibility for conducting assessments is properly delegated to qualified and specified individuals.

During the last six months, we have continued to coordinate the assignment of assessments, provide technical guidance, monitor MCAS implementation, and evaluate assessment results. In addition, we issued an evaluation report on the system on March 31, 1981, and suggested that certain improvements be implemented. During the reporting period, 50 assessment assignments were made and 42 assessments were completed.

3. EMPLOYEE AWARENESS PROGRAM

The HUD Employee Awareness Program coordinates the Department's resources to strengthen and improve those systems and procedures that are designed to minimize losses from fraud or program abuse. The objectives of this Program are to make all HUD employees aware of their responsibilities to detect and prevent fraud and program abuse and report related indications or allegations; and point out specific areas of potential irregularities for which HUD employees should be alert. To meet these objectives during the reporting period, we issued Fraud Information Bulletins and Fraud Alert Memorandums, and presented our Fraud Training Course.

FRAUD INFORMATION BULLETINS

Fraud Information Bulletins alert HUD disciplines, primarily program managers, to schemes used by program participants to divert or misuse HUD funds for personal gain. Based on our audit and investigation experience, case examples are described in the bulletins showing how various fraudulent schemes occur, and how such schemes can be detected and prevented in the future. While the bulletins are not intended to replace current operating procedures, they should prove useful to those HUD employees responsible for monitoring HUD programs.

Five bulletins were issued during fiscal year 1981. The two bulletins issued during this reporting period concern schemes associated with single family insured mortgage underwriting and problems in local administration of rehabilitation activities funded under the Community Development Block Grant Program.

FRAUD ALERT MEMORANDUMS

As a supplement to our Fraud Information Bulletins which address major programs or functions in-depth, we initiated a series of memorandums that can be quickly disseminated to appropriate HUD program staff. These Fraud Alert Memorandums are issued on an as-needed basis to program managers. They serve as a means to discuss potential risks in specific prevalent schemes.

FRAUD TRAINING COURSE

In November 1980 and again in January 1981, we presented our training course on the "Detection and Prevention of Fraud and Program Abuse." The courses were attended by 75 of our auditors, investigators, and HUD program personnel to increase their awareness of common fraudulent schemes in HUD programs and to sharpen their knowledge and skills in detecting and preventing fraud and abuse.

The training courses covered topics such as Office of Inspector General fraud initiatives, common fraud schemes, Federal fraud statutes, and subpoenas, and included comprehensive case studies. In the November 1980 course, guest lecturers were used to exchange information and ideas with representatives of various departments on future approaches for protecting the integrity of HUD programs.

Based on the positive reaction to these courses, we plan to present to all Office of Inspector General professionals a similar three-day course during the next fiscal year. In fiscal year 1982, we will also present certain portions of these courses to HUD program managers as part of their continuing training programs.

4. HOTLINE ACTIVITIES

ESTABLISHMENT OF SYSTEMS AND PROCEDURES

Under the Inspector General Act of 1978, employees can bring matters to the attention of the Inspector General or designated representatives without fear of reprisal and with assurance that complaints will be kept confidential, unless disclosure is unavoidable during the course of an investigation.

As reported in our previous Semiannual Reports, HUD, during fiscal year 1979, established an employee telephone hotline within the Office of Inspector General and established a process to coordinate with the General Accounting Office (GAO) concerning referrals from the GAO hotline.

HOTLINE WORKLOAD

During the reporting period, we received 226 calls through the hotline. Of the 226 calls, 121 were received directly through the HUD hotline (62 from HUD employees and 59 from the public), 54 were referred to the Office of Inspector General from the GAO via its hotline, and 51 were received from the Office of Management and Budget.

The table below summarizes hotline calls received during the semiannual reporting period by the program area affected and the office responsible for following up on the complaint after preliminary screening by the Office of Inspector General.

By Program	Received	Hotline Complaints Follow-up Office	
		OIG	Program Office
Housing	118	71	47
Community Planning and Development	38	20	18
Administration	47	24	23
Other HUD Offices	6	2	4
Non-HUD	17	17	0
TOTALS	226	134	92

Table. Hotline Workload by Affected Program Area and Action Office
For the Period April 1, 1981 to September 30, 1981

Of the 226 hotline calls received during the six-month period, 29 were referred for action to our Office of Audit, 38 were referred to our Office of Investigation, 67 were handled directly by our Fraud Control Division and 92 were referred to HUD program offices.

A breakdown by program organization showing types of recurring complaints since inception of the hotline that indicate possible programmatic problems is shown below.

● Housing (401)

The majority of Housing complaints involved the questionable eligibility of tenants receiving aid under HUD's multifamily programs; 196 such complaints have been received to date. Also, 93 complaints have been received pertaining to the processing of applications for multifamily mortgage insurance and the quality or reasonableness of project construction.

● Community Planning and Development (233)

The prevalent complaints concerning Community Planning and Development involved rehabilitation loans and grants and the Community Development Block Grant Program. Eighty-one complaints have been received involving rehabilitation loans and grants. Shoddy workmanship, bidding irregularities, contractor favoritism, and local agency mismanagement are the subjects most often mentioned. These complaints parallel the results of our Special Operational Survey of Community Development Block Grant rehabilitation activities that was completed in fiscal year 1980. Eighty-nine complaints questioned the administration of the Community Development Block Grant Program at the local level. Matters such as ineligible activities, improper aspects of third party contracting, and questionable contractor performance have been alleged.

● Administration (205)

Eighty-four of the complaints in the Administration area concerned personnel matters such as misuse of leave and overtime, merit staffing irregularities, and payroll problems associated with HUD's automated payroll system.

HOTLINE ACTIONS TAKEN

During the reporting period, 184 hotline complaints were closed. Of these complaints, 142 (77 percent) were found to be nonsubstantive and required no further action, and 42 (23 percent) were found to be valid. With respect to the latter, HUD management took actions such as assuring that construction deficiencies were corrected, debarring or denying program participants from doing business with HUD for various periods of time, requiring local agency personnel to improve program administration and correcting administrative problems encountered by HUD employees.

X. AUDIT REPORTS ISSUED

REPORTS ISSUED BY THE OFFICE OF INSPECTOR GENERAL

Section 5(a)(6) of the Inspector General Act of 1978 provides for a listing of each audit report completed by the OIG during the reporting period.

During the current semiannual reporting period April 1, 1981 to September 30, 1981, we issued 61 internal audit and survey reports and 591 external audit and accounting system evaluation reports. These reports are listed below.

INTERNAL AUDIT AND SURVEY REPORTS

HOUSING (31)

<u>Report No.</u>	<u>Title</u>	<u>Issue Date</u>
81-SF-111-0012	Survey of Flexible Subsidy for Multifamily Projects	08/05/81
81-CH-111-0019	Section 236 - Excess Rental Income - Chicago and Minneapolis/St. Paul AOs	09/18/81
81-FW-111-0007	Review of Application Data for Providing Mortgage Insurance on Delta Towers Apartments/Sections 207/223(f)	05/06/81
81-BO-111-0007	Limited Review of Boston Area Office's Processing of Requests for Rent Increases	09/14/81
81-TS-111-0009	Inspection Procedures and Practices for Multifamily Projects During Construction	07/07/81
81-TS-113/123-0015	Review of the Property Disposition Branch in the Field Offices	09/23/81
81-NY-113-0009	Disposition of MF Acquired Properties	08/13/81
81-CH-119-0013	AO Administration of Contract for Guard Services	04/16/81
81-NY-101-0010	Review of Contracting for IPAs by PHAs	08/14/81
81-TS-101-0012	Utility Checkmetering and Allowances	08/06/81
81-TS-101-0013	Review of PHA Turnkey Program	08/07/81
81-CH-101-0018	Survey of Public Housing Agency Contracting for Independent Public Accountant Audits	07/30/81
81-KC-101-0001	Survey - Contracting for IPA Audits by PHAs	04/14/81
81-TS-101-0007	Development Funding Information and Repayment of Excess Development Funds - Low-Income Housing Projects	05/20/81
81-AT-101-0008	Public Housing Agency Contracting for IPA Audits	08/31/81
81-FW-101-0008	Assisted Housing - Contracting for IPA Audits by PHAs	06/29/81
81-SE-101-0008	Architect Fees Paid by Indian Housing Authorities	09/22/81
81-PH-101-0009	Survey of PHA Contracting for IPA Audits	07/10/81
81-SF-101-0009	Contracting for Independent Public Accountant Audits of Public Housing Authorities	07/16/81
81-TS-103-0011	Allowances for Utilities in the Section 8 Program	07/20/81
81-CH-103-0017	Processing Section 8 Proposals - Chicago AO	07/23/81
81-FW-103-0006	Survey - Tax Exempt Bond Financing for Section 8 Projects	04/29/81
81-NY-103-0008	Allowances for Utilities in Section 8 Program	06/25/81
81-AT-108-0009	Report on Survey of PHA Construction Change Orders - Atlanta and Columbia AOs	09/24/81
81-DE-109/145/156-0001	Comprehensive Audit of Office of Regional Indian Programs Region VIII	07/31/81
81-CH-109-0015	Service Contract on Multifamily Acquired Properties - Chicago AO	05/21/81
81-CH-122-0014	Section 312 Rehabilitation Loan Program (Multifamily)	04/21/81

HOUSING (Continued)

<u>Report No.</u>	<u>Title</u>	<u>Issue Date</u>
81-TS-123/113-0006	Property Disposition Contracting Activities	04/20/81
81-CH-123-0016	Review of Loan Management and Property Disposition Activities - Flint Service Office	06/23/81
81-BO-129-0006	Section 518(b) and (d) Structural Repair Program - Boston Area Office	07/21/81
81-TS-129-0008	Report on Internal Audit of Refinancing Transactions of Single Family Mortgages	06/09/81

COMMUNITY PLANNING AND DEVELOPMENT (4)

81-SF-141-0011	Monitoring and Controlling Operating Agencies	07/29/81
81-FW-142-0009	Limited Internal Audit - Waiving of Audit Requirements in the Closeout of Discretionary CDBGs - Dallas AO	07/06/81
81-KC-143-0004	Review of Urban Development Action Grant Program St. Louis and Omaha AOs	09/25/81
81-SF-151-0003	Councils of Governments, Comprehensive Planning Assistance and Area-wide Housing Opportunity Plan Programs Region IX	05/29/81

ADMINISTRATION (9)

81-DE-161-0003	Regional Accounting Division Operations - Denver RO	09/24/81
81-BO-161-0005	Regional Accounting Division	07/08/81
81-PH-161-0007	Implementation of HUD Claims Collections Procedures	06/15/81
81-PH-162-0011	Control Over Receipts and Deposits of Funds - Richmond and Baltimore AOs	08/31/81
81-SF-162-0014	Adequacy of Controls over Receipts and Deposits of Funds - San Francisco AO	09/15/81
81-SF-162-0015	Adequacy of Controls over Receipts and Deposits of Funds - Region IX	09/15/81
81-BO-162-0004	Imprest Fund - Manchester, NH Service Office Hartford, CT Area Office Providence, RI Service Office Boston, MA Regional Office Boston, MA Area Office	04/09/81
81-AO-162-0007	Working Capital Fund	05/27/81
81-AO-163-0009	HUD's Procurement Process, Including Consulting Service Contracts	07/07/81

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (1)

81-AO-171-0008	Government National Mortgage Association's Cash Management Procedures	06/26/81
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NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION (2)

81-SF-173-0010	Lead-Based Paint Poisoning Prevention Program	07/17/81
81-TS-173-0010	NVACP - Housing Counseling Program	07/17/81

FAIR HOUSING AND EQUAL OPPORTUNITY (1)

<u>Report No.</u>	<u>Title</u>	<u>Issue Date</u>
81-AO-174-0010	Urban Development Action Grant Program	09/14/81

FRAUD CONTROL AND MANAGEMENT OPERATIONS (2)

81-SF-181-0007	Report on Administrative Deficiencies Disclosed by Operational Survey of Sacramento Service Office	05/19/81
81-PH-181-0008	Administrative Deficiencies Disclosed by Operational Survey of Washington AO	06/22/81

DEPARTMENT-WIDE ASSISTANCE (11)

81-KC-197-0003	Review of Allegations - Springfield, Missouri Area	07/27/81
81-NY-198-0011	Field Office Control and Use of IPA Reports - Caribbean AO	09/01/81
81-PH-198-0010	Field Office Control and Use of IPA Audit Reports Not Reviewed/Accepted by the RIGA	08/28/81
81-AT-198-0010	Field Office Control and Use of IPA Audit Reports Not Subject to Review/Acceptance by Office of Audit - Jackson and Birmingham AOs	09/30/81
81-SF-198-0013	Field Office Control and Utilization of Independent Public Accountant's Audit Reports Which are Not Subject to RIGA Review/Acceptance	08/27/81
81-DE-198-0002	Field Office Control and Use of Independent Public Accountant Audit Reports Not Reviewed/Accepted by the RIGA - Denver RO	09/11/81
81-KC-198-0002	Field Office Control and Use of IPA Audit Reports Not Reviewed/Accepted By The RIGA (Kansas City Regional Office; St. Louis Area Office; and Des Moines Service Office - Omaha Area Office)	06/02/81
81-SE-198-0007	Field Office Control and Use of IPA Audit Reports Not Reviewed/Accepted by the RIGA - Anchorage AO	09/22/81
81-BO-198-0008	Field Office Control and Utilization of Independent Public Accountants Audit Reports Not Subject to RIGA Review and Acceptance - Boston AO	09/15/81
81-BO-198-0009	Field Office Control and Utilization of Independent Public Accountant Reports Not Subject to RIGA Review and Acceptance Providence Service Office	09/15/81
81-CH-198-0020	Field Office Control and Utilization of IPAs Audit Reports Not Subject to Review or Acceptance by the RIGA- Chicago RO; Minneapolis/St. Paul AO, Cincinnati and Grand Rapids Service Offices	09/22/81

GRAND TOTAL - INTERNAL AUDIT AND SURVEY REPORTS - 61

EXTERNAL AUDIT AND ACCOUNTING SYSTEM EVALUATION REPORTS

HOUSING (TOTAL - 83)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-PH-201-1028	Limited Review of Allegheny Housing Authority	Pittsburgh, PA	04/15/81
81-SF-201-1038	Public Housing Agency of the County of Los Angeles	Los Angeles, CA	08/07/81
81-SE-201-1002	Special Review of Cash Handling Procedures, Lummi Housing Authority	Bellingham, WA	02/26/81
81-NY-202-1050	Housing Authority of Plainfield	Plainfield, NJ	06/09/81
81-NY-202-2256	Village of Ilion Housing Authority	Ilion, NY	07/02/81
81-NY-202-2257	Long Beach Housing Authority	Long Beach, NY	07/02/81
81-NY-202-2265	H/A of the Borough of Highland Park	Highland Park, NJ	07/14/81
81-NY-202-2275	H/A of the Borough of Collingswood	Collingswood, NJ	07/14/81
81-NY-202-2276	H/A of the Town of Irvington	Irvington, NJ	07/14/81
81-NY-202-2279 1066	H/A of the City of Rahway	Rahway, NJ	07/14/81
81-AT-202-1136	South Carolina Regional Housing Authority #3	Barnwell, SC	08/27/81
81-CH-202-1038	Hamtramck Housing Commission	Hamtramck, MI	04/20/81
81-SF-202-1026	Te-Moak Western Shoshone Housing Authority	Elko, NV	05/14/81
81-FW-202-1059	Housing Authority of the City of Beaumont	Beaumont, TX	05/13/81
81-FW-202-1061	Housing Authority of Gainesville	Gainesville, TX	06/05/81
81-NY-203-1080	Municipality of Trujillo Alto	Trujillo Alto, PR	08/27/81
81-CH-203-1040	Indiana State Housing Board	Indianapolis, IN	04/30/81
81-FW-203-1048	Housing Authority of Bexar Co.	San Antonio, TX	04/23/81
81-FW-203-1077	Housing Authority of the City of San Marcos	San Marcos, TX	07/02/81
81-FW-209-1052	City of Stephens	Stephens, AR	04/29/81
81-DE-209-1028	City of Lakewood Housing Authority	Lakewood, CO	06/11/81
81-PH-209-1065	Whitman Park Townhouses	Philadelphia, PA	09/28/81
81-AT-211-1122	Woodridge Apts.	Athens, AL	07/24/81
81-FW-211-1095	St. John Alexander Tower, Inc.	Pine Bluff, AR	07/23/81
81-NY-211-1083	Eagle Rock Senior Citizens	West Orange, NJ	09/02/81
81-NY-212-1033	Cooperative de Viviendas Torres de de Carolina	Carolina, PR	04/03/81
81-NY-212-1047	Frederick Douglas Apartments	Asbury Park, NJ	05/29/81
81-NY-212-1056	Park Apartments	Trenton, NJ	07/16/81
81-PH-212-1026	Mayfair Mansions Apartments	Washington, DC	04/09/81
81-PH-212-1031	Va. Terrace Project #033-44035-LD	Baden, PA	05/05/81
81-PH-212-1033	Village Green Mutual Homes	Landover, MD	05/12/81
81-AT-212-1044	Westbridge Apts.	Atlanta, GA	06/19/81
81-AT-212-1115	Neptune Apts.	Memphis, TN	07/17/81

HOUSING (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-BO-212-1042	Pavilion Associates	Hartford, CT	08/14/81
81-CH-212-1052	Apollo Village Apartments	Milwaukee, WI	05/22/81
81-CH-212-1072	Oakdale Residents Cooperative Housing, Inc.	Royal Oak Township, MI	06/05/81
81-CH-212-1135	Lisbon Square Apartments	Milwaukee, WI	07/30/81
81-CH-212-1136	Hope Manor, Inc.	Toledo, OH	08/19/81
81-CH-212-1138	Park Club Apartments	Milwaukee, WI	08/31/81
81-CH-212-1139	4640 N. Sheridan Bldg.	Chicago, IL	08/31/81
81-AT-212-1044	Tyler Apartments	Johnson City, TN	04/10/81
81-FW-212-1091	Aristocrat Manor, Ltd.	Hot Springs, AR	07/15/81
81-DE-212-1006	Tolstoi House Apartments	Denver, CO	04/09/81
81-DE-212-1008	Sierra Mobile Home Park	Gillette, WY	04/22/81
81-SF-212-1025	Tumon Village Apartments	Tamuning, GU	04/30/81
81-SF-212-1030	Harriet Tubman Terrace	Berkeley, CA	06/18/81
81-SF-212-1031	Posada Associates	Santa Cruz, CA	06/19/81
81-SE-212-1021	Review of Operations of Multifamily Insured Projects	Portland, OR	09/22/81
81-SF-212-1040	The Lorenze (Project) The Lorenze Company (Mortgagor)	Redding, CA	09/08/81
81-CH-212-1141	Park Tower Apartments	Madison, WI	09/14/81
81-CH-212-1142	Ralphe Bunche Cooperative Homes	Detroit, MI	09/29/81
81-KC-212-1093	Cody Plaza	Leavenworth, KS	09/03/81
81-KC-212-1094	Walnut Plaza	Wellsville, KS	09/08/81
81-AT-214-1046	Continental Management Corp. Multi-Project Management Agent	Charleston, SC	05/12/81
81-SF-214-1028	Infinity Management, Inc.	San Francisco, CA	05/28/81
81-NY-215-1053	Truitt Management Corp.	New York, NY	06/23/81
81-AT-215-1130	Empire Realty	Atlanta, GA	08/10/81
81-CH-215-1034	Lincoln Square Townhouses, Ltd.	Youngstown, OH	04/03/81
81-SF-215-1029	Lincoln Apartments and Meridian Park Apartments	San Bernadino, CA	05/29/81
81-CH-215-1140	Sanbreen Company, Inc.	Birmingham, MI	09/04/81
81-BO-219-1024	Excelon Security Services	Boston, MA	04/08/81
81-BO-219-1025	Black Star Security, Inc.	Roxbury, MA	04/09/81
81-TS-221-1025	Yerke Mortgage Co.	Columbus, OH	09/01/81
81-TS-221-1026	Mortgage Plus, Inc.	Englewood, CO	09/18/81
81-NY-221-1049	Albany Savings Bank	Albany, NY	06/02/81
81-TS-221-1024	Midland Mortgage Corp.	Detroit, MI	08/19/81
81-CH-221-1037	Coldwell Banker Residential Mortgage Co.	Oak Brook, IL	04/15/81
81-FW-221-1041	Sessions Mortgage Company	Corpus Christi, TX	04/09/81
81-FW-221-1042	Pool Mortgage Company	Chickasha, OK	04/09/81
81-FW-221-1079	Richard Gill Company	San Antonio, TX	07/08/81
81-KC-221-1022	Gateway National Bank	St. Louis, MO	05/04/81
81-KC-221-1092	Charles F. Curry Company	Kansas City, MO	08/24/81
81-SF-221-1023	Stanwell Mortgage	Concord, CA	04/15/81
81-SE-221-1020	Bancshares Mortgagee Co.	Spokane, WA	06/18/81
81-NY-222-1071	Guayacon Realty	Guayacon, PR	08/05/81
81-CH-222-1131	Neighborhood Housing Services Inc.	Chicago, IL	07/20/81
81-CH-222-1036	Doug Rife & Company Realtors	Columbus, OH	04/13/81
81-CH-222-1039	Petrella Realty & Management Co.	Detroit, MI	04/27/81
81-CH-222-1042	Carl L. Collins Realty Co., Inc.	Detroit, MI	05/06/81
81-CH-222-1107	Nations Real Estate	Detroit, MI	06/25/81
81-TS-229-1021	First Federal Savings and Loan Assoc. of Bucks Co.	Bristol, PA	05/12/81
81-TS-229-1022	Third Federal Savings and Loan Association	Philadelphia, PA	05/12/81
81-SF-229-1022	Mr. Presto Printing Co.	Compton, CA	04/13/81

COMMUNITY PLANNING AND DEVELOPMENT (Total - 454)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-BO-241-1040	Town of Hamden	Hamden, CT	08/13/81
81-NY-241-1077	Town of Irvington	Irvington, NJ	08/27/81
81-NY-241/244-1030	City of Clifton	Clifton, NJ	04/03/81
81-NY-241-1038	Town of Little Falls	Little Falls, NY	04/29/81
81-NY-241/243/244-1040	City of Peekskill	Peekskill, NY	05/07/81
81-NY-241-1044	Township of Union	Union, NJ	05/19/81
81-NY-241/244-1046	CDBG Program	Gloversville, NY	05/28/81
81-NY-241/244-1066	Fulton CDBG	Fulton, NY	07/24/81
81-PH-241-1037	Township of Chester	Chester, PA	05/29/81
81-AT-241/242/243-1058	City of Eufaula	Eufaula, AL	05/21/81
81-CH-241-1134	City of East Cleveland	East Cleveland, OH	07/24/81
81-CH-241-1035	Montgomery County	Montgomery Co., OH	04/07/81
81-CH-241-1053	City of Muncie	Muncie, IN	05/22/81
81-CH-241-1055	City of Aurora	Aurora, IL	05/28/81
81-FW-241-1051	City of Pine Bluff	Pine Bluff, AR	04/24/81
81-FW-241-1054	City of Muskogee	Muskogee, OK	05/07/81
81-DE-241/243/244-1022	City of Helena	Helena, MT	05/22/81
81-SF-241-1024	City of Napa	Napa, CA	04/17/81
81-SF-241-1032	City of Compton	Compton, CA	06/25/81
81-SF-241-1034	City of Phoenix	Phoenix, AR	07/16/81
81-SF-241-1035	City of San Jose	San Jose, CA	07/14/81
81-SF-241-1036	City of Richmond	Richmond, CA	07/27/81
81-SF-241-1037	City of Pasadena	Pasadena, CA	07/28/81
81-BO-241-1043	City of Medford	Medford, MA	09/14/81
81-FW-241-1113	City of Tyler	Tyler, TX	09/11/81
81-SF-241-1041	City of Oakland	Oakland, CA	09/11/81
81-NY-241-1081	City of Poughkeepsie	Poughkeepsie, NY	09/02/81
81-SF-241-1043	City of Burbank	Burbank, CA	10/02/81
81-NY-242/244-1034	Village of Dolgeville	Dolgeville, NY	04/15/81
81-NY-242/244/259-1037	Village of Hoosick Falls	Hoosick Falls, NY	04/29/81
81-NY-242-1054	City of New Brunswick	New Brunswick, NJ	06/30/81
81-AT-242-1114	City of Claxton	Claxton, GA	07/07/81
81-NY-242-1082	City of Elizabeth	Elizabeth, NJ	08/24/81
81-BO-243-1026	City of Everett	Everett, MA	04/15/81
81-BO-243-1036	North Andover	North Andover, MA	06/23/81
81-AT-243-1043	County of Dallas	Selma, AL	04/06/81
81-FW-243-1058	City of Big Spring	Big Spring, TX	05/08/81
81-FW-243-1076	City of Cleburne	Cleburne, TX	07/02/81
81-FW-243-1092	City of Donna	Donna, TX	07/15/81
81-FW-243-1100	City of Clint	Clint, TX	08/10/81
81-FW-243-1105	City of Ozark	Ozark, AR	08/19/81
81-FW-243-1106	Starr Co., Rio Grande City	Rio Grande City, TX	08/01/81
81-FW-243-1114	Town of Anthony	Anthony, TX	09/15/81
81-FW-243-1118	Bowie County	Texarkana, TX	09/29/81
81-FW-243-1045	Town of Charlotte	Charlotte, TN	04/20/81
81-CH-243-1105	City of Cambridge	Cambridge, OH	06/23/81
81-BO-244-1030	Town of Windsor	Windsor, CT	05/05/81
81-BO-244-1029	Municipality of Utuado	Utuado, PR	04/02/81
81-BO-244-1048	Village of South Glens Falls	South Glens Falls, NY	05/29/81
81-BO-244-1072	Municipality of Maricao	Maricao, PR	08/07/81
81-BO-244-1074	Village of Hudson Falls	Hudson Falls, NY	07/14/81
81-BO-244-1060	Village of Granville	Granville, NY	07/14/81
81-NY-248-1061	Town of Waterford	Waterford, NY	07/15/81

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-CH-248-1102	Jefferson County	Jefferson Co., IL	06/18/81
81-CH-248-1103	Village of Beecher City	Beecher City, IL	06/18/81
81-CH-248-1104	City of Greenfield	Greenfield, OH	06/19/81
81-CH-248-1106	City of Oakland	Oakland, IL	06/25/81
81-CH-248-1108	City of Bicknell	Bicknell, IN	06/25/81
81-CH-248-1109	City of Lebanon	Lebanon, IN	06/25/81
81-CH-248-1111	City of Urbana	Urbana, OH	06/25/81
81-CH-248-1112	Coal Township	Coal Township, OH	06/25/81
81-CH-248-1113	City of Olney	Olney, IL	07/01/81
81-CH-248-1114	Village of Beaver	Beaver, OH	07/01/81
81-CH-248-1115	City of Cairo	Cairo, IL	07/01/81
81-CH-248-1117	Village of Peoria Heights	Peoria Heights, IL	07/06/81
81-CH-248-1118	Saline County	Saline Co., IL	07/06/81
81-CH-248-1119	Village of Hamletsburg	Hamletsburg, IL	07/06/81
81-FW-248-1088	Iberville Parish Policy Jury	Laquemie, LA	07/09/81
81-FW-248-1089	Town of Washington	Washington, LA	07/09/81
81-FW-248-1090	Town of Kentwood	Kentwood, LA	07/09/81
81-FW-248-1093	Sulphur Springs	Sulphur Springs, AR	07/17/81
81-FW-248-1094	City of Tatum	Tatum, TX	07/21/81
81-FW-248-1096	City of Dardanelle	Dardanelle, AR	07/23/81
81-FW-248-1097	City of Crosbyton	Crosbyton, TX	08/05/81
81-FW-248-1098	City of Mount Pleasant	Mt. Pleasant, AR	08/07/81
81-FW-248-1101	City of Hamlin	Hamlin, TX	08/11/81
81-FW-248-1102	County of Johnson	Clarksville, AR	08/18/81
81-FW-248-1103	City of Bronson	Bronson, TX	08/18/81
81-FW-248-1104	City of Greenway	Greenway, AR	08/19/81
81-KC-248-1021	City of Glasco	Glasco, KS	07/01/81
81-KC-248-1023	City of Columbus	Columbus, KS	05/15/81
81-KC-248-1024	City of Williamsburg	Williamsburg, KS	05/15/81
81-KC-248-1025	Gas City	Gas City, KS	05/15/81
81-KC-248-1026	City of Cartersville	Cartersville, MO	05/22/81
81-KC-248-1027	City of Monette	Monette, MO	05/28/81
81-KC-248-1028	City of Louisville	Louisville, NE	07/01/81
81-KC-248-1029	Cowley County	Winfield, KS	06/16/81
81-KC-248-1030	City of Deepwater	Deepwater, MO	06/16/81
81-KC-248-1031	City of Whitewater	Whitewater, KS	06/16/81
81-KC-248-1032	City of Gilliam	Gilliam, MO	06/17/81
81-KC-248-1033	Saline County Court	Marshall, MO	06/17/81
81-KC-248-1034	City of Dexter	Dexter, KS	06/17/81
81-KC-248-1035	City of Sterling	Sterling, KS	06/17/81
81-KC-248-1036	City of Englewood	Englewood, KS	06/18/81
81-KC-248-1037	City of Windom	Windom, KS	06/18/81
81-KC-248-1038	City of Kiowa	Kiowa, KS	06/18/81
81-KC-248-1039	City of Sarcoxie	Sarcoxie, MO	06/18/81
81-KC-248-1040	City of Diagonal	Diagonal, IA	06/19/81
81-KC-248-1041	Osage City	Osage City, KS	06/19/81
81-KC-248-1042	City of Osceola	Osceola, IA	06/19/81
81-KC-248-1043	Village of Abie	Abie, NE	07/02/81
81-KC-248-1044	Village of McCool Junction	McCool Junction, NE	07/02/81
81-KC-248-1045	Village of Bee	Bee, NE	07/02/81
81-KC-248-1046	Village of Oakview	Oakview, MO	07/07/81
81-KC-248-1047	City of Goodland	Goodland, KS	07/07/81
81-KC-248-1048	City of Fairmont	Fairmont, NE	07/07/81
81-KC-248-1049	City of Weeping Water	Weeping Water, NE	07/08/81
81-KC-248-1050	City of Preston	Preston, IA	07/08/81
81-KC-248-1051	City of Wakeeney	Wakeeney, KS	07/09/81
81-KC-248-1052	Cerro Gordo County	Mason City, IA	07/10/81
81-KC-248-1053	City of Earlville	Earlville, IA	07/10/81
81-KC-248-1054	City of Keosauqua	Keosauqua, IA	07/14/81
81-KC-248-1055	City of Hampton	Hampton, IA	07/14/81

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-KC-248-1056	City of Toledo	Toledo, IA	07/14/81
81-KC-248-1057	City of Clayton	Clayton, IA	07/14/81
81-KC-248-1058	City of Buffalo	Buffalo, IA	07/15/81
81-KC-248-1059	City of Cresco	Cresco, IA	07/15/81
81-KC-248-1060	City of Guttenberg	Guttenberg, IA	07/15/81
81-KC-248-1061	City of Monticello	Monticello, IA	07/15/81
81-KC-248-1062	City of Hopkinton	Hopkinton, IA	07/15/81
81-KC-248-1063	City of Wheatland	Wheatland, IA	07/15/81
81-KC-248-1064	City of Lost Nation	Lost Nation, IA	07/15/81
81-KC-248-1065	City of Kahoka	Kahoka, MO	07/24/81
81-KC-248-1066	City of Eminence	Eminence, MO	07/24/81
81-KC-248-1067	City of Portageville	Portageville, MO	07/24/81
81-KC-248-1068	City of Princeton	Princeton, MO	07/29/81
81-KC-248-1069	City of Livonia	Livonia, MO	07/29/81
81-KC-248-1070	City of Mountain View	Mountain View, MO	07/29/81
81-KC-248-1071	Queen City	Queen City, MO	07/29/81
81-KC-248-1072	Wilson City	Wilson City, MO	07/30/81
81-KC-248-1073	City of Crawford	Crawford, NE	07/31/81
81-KC-248-1074	City of Hardy	Hardy, NE	07/31/81
81-KC-248-1075	City of Reynolds	Reynolds, NE	07/31/81
81-KC-248-1076	City of Niotaze	Niotaze, KS	07/31/81
81-KC-248-1077	City of Bayard	Bayard, NE	07/31/81
81-KC-248-1078	City of Erie	Erie, KS	07/31/81
81-KC-248-1079	City of Sibley	Sibley, IA	07/31/81
81-KC-248-1081	City of Mitchell	Mitchell, NE	07/31/81
81-KC-248-1080	City of Cassville	Cassville, MO	07/31/81
81-KC-248-1082	Oregon County	Alton, MO	08/06/81
81-KC-248-1083	City of Franklin	Franklin, MO	08/06/81
81-KC-248-1084	City of Stanberry	Stanberry, MO	08/11/81
81-KC-248-1085	City of Lenox	Lenox, IA	08/11/81
81-KC-248-1086	City of Barnard	Barnard, MO	08/12/81
81-KC-248-1087	City of Tarkio	Tarkio, MO	08/12/81
81-KC-248-1088	Burlington Junction	Burlington Junc., MO	08/12/81
81-KC-248-1089	City of Sharpsburg	Sharpsburg, IA	08/12/81
81-KC-248-1090	City of Logan	Logan, IA	08/12/81
81-DE-248-1007	Lake County	Leadville, CO	04/13/81
81-DE-248-1009	Town of Red Cliff	Red Cliff, CO	04/27/81
81-DE-248-1010	Town of Silt	Silt, CO	04/27/81
81-DE-248-1011	City of Wellington	Wellington, UT	04/29/81
81-DE-248-1012	City of Clearfield	Clearfield, UT	04/28/81
81-DE-248-1013	City of Red Lodge	Red Lodge, MT	04/29/81
81-DE-248-1014	City of Helper	Helper, UT	04/29/81
81-DE-248-1015	City of Libby	Libby, MT	04/29/81
81-DE-248-1016	Town of Plains	Plains, MT	05/08/81
81-DE-248-1017	Town of Darby	Darby, MT	05/04/81
81-DE-248-1018	City of Delta	Delta, CO	05/07/81
81-DE-248-1019	Mineral County	Superior, MT	05/07/81
81-DE-248-1020	City of Black Hawk	Black Hawk, CO	05/12/81
81-FW-248-1099	Town of Fulton	Fulton, AR	08/05/81
81-CH-248-1116	City of Kokomo	Kokomo, IN	07/01/81
81-CH-248-1120	City of Lewistown	Lewistown, IL	07/07/81
81-CH-248-1121	LaPorte County	LaPorte County, IN	07/07/81
81-CH-248-1122	Town of Winona Lake	Winona Lake, MN	07/08/81
81-CH-248-1123	City of Kendallville	Kendallville, IN	07/08/81
81-CH-248-1124	Village of Sardonia	Sardonia, OH	07/08/81
81-CH-248-1125	Village of Higginsport	Higginsport, OH	07/08/81
81-CH-248-1126	County of Miami	Miami, IN	07/08/81
81-CH-248-1127	City of Nappanee	Nappanee, IN	07/08/81

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-CH-248-1128	Town of Kingsford Heights	Kingsford Heights, IN	07/08/81
81-CH-248-1129	Madison County	Madison County, IN	07/09/81
81-CH-248-1132	Wadena County	Wadena County, MN	07/21/81
81-CH-248-1133	Anoka County	Anoka County, MN	07/21/81
81-FW-248-1099	Town of Fulton	Fulton, AR	08/05/81
81-CH-248-1046	City of Mount Pleasant	Mount Pleasant, MI	05/13/81
81-CH-248-1047	City of Greenville	Greenville, MI	05/13/81
81-CH-248-1048	City of Aitkin	Aitkin, MN	05/13/81
81-CH-248-1049	City of Muskegon, Dept. of Public Works	Muskegon, MI	05/14/81
81-CH-248-1050	City of Grand Rapids	Grand Rapids, MN	05/14/81
81-CH-248-1054	Township of Oneida	Oneida, MI	05/28/81
81-CH-248-1056	County of Kane	Geneva, IL	05/28/81
81-CH-248-1057	City of South Beloit	South Beloit, IL	05/28/81
81-CH-248-1058	City of Brainerd	Brainerd, MN	05/28/81
81-CH-248-1059	City of Tracy	Tracy, MN	05/28/81
81-CH-248-1060	City of Cottonwood	Cottonwood, MN	05/28/81
81-CH-248-1061	Madison Township	Madison, MI	05/28/81
81-CH-248-1062	City of Foreston	Foreston, MN	05/29/81
81-CH-248-1063	City of Dixon	Dixon, IL	05/29/81
81-CH-248-1064	Clay County	Clay County, MN	05/29/81
81-CH-248-1065	City of Galena	Galena, IL	05/29/81
81-CH-248-1066	Wakefield Township	Wakefield, MI	06/02/81
81-CH-248-1067	Forsyth Township	Forsyth, MI	06/02/81
81-CH-248-1068	City of Ishpeming	Ishpeming, MI	06/02/81
81-CH-248-1069	City of Hancock	Hancock, MI	06/02/81
81-CH-248-1070	City of Springfield	Springfield, MI	06/02/81
81-CH-248-1071	City of Allegan	Allegan, MI	06/02/81
81-CH-248-1073	Village of Alger	Alger, OH	06/05/81
81-CH-248-1074	Village of Empire	Empire, OH	06/05/81
81-CH-248-1075	Village of Carlisle	Carlisle, OH	06/09/81
81-CH-248-1076	City of Dunkirk	Dunkirk, IN	06/10/81
81-CH-248-1077	Ottawa County	Ottawa County, OH	06/12/81
81-CH-248-1078	City of Goshen	Goshen, IN	06/12/81
81-CH-248-1079	City of Hartford City	Hartford City, IN	06/12/81
81-CH-248-1080	City of Galion	Galion, OH	06/12/81
81-CH-248-1081	Village of Glouster	Glouster, OH	06/12/81
81-CH-248-1082	City of Lancaster	Lancaster, OH	06/16/81
81-CH-248-1083	Village of Jamestown	Jamestown, OH	06/16/81
81-CH-248-1084	Board of Greene County Commissioners (for Bowersville, Ohio)	Xenia, OH	06/16/81
81-CH-248-1085	City of Sterling	Sterling, IL	06/16/81
81-CH-248-1086	Henry County	Cambridge, IL	06/16/81
81-CH-248-1087	Village of Darbyville	Darbyville, OH	06/16/81
81-CH-248-1088	Village of Murray City	Murray City, OH	06/16/81
81-CH-248-1089	Village of Martinsburg	Martinsburg, OH	06/16/81
81-CH-248-1090	Village of Magnolia	Magnolia, IL	06/17/81
81-CH-248-1091	City of Silvis	Silvis, IL	06/17/81
81-CH-248-1092	City of Wamac	Wamac, IL	06/17/81
81-CH-248-1093	Village of Aberdeen	Aberdeen, OH	06/17/81
81-CH-248-1094	Village of Bureau	Bureau, IL	06/17/81
81-CH-248-1095	Village of Montpelier	Montpelier, OH	06/17/81
81-CH-248-1096	Porter County	Porter Co., IN	06/17/81
81-CH-248-1097	Town of Vevay	Vevay, IN	06/17/81
81-CH-248-1098	Town of Clarksville	Clarksville, IN	06/17/81
81-CH-248-1099	City of Pontiac	Pontiac, IL	06/17/81
81-CH-248-1100	Sangamon County	Springfield, IL	06/18/81

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-CH-248-1101	City of Rockport	Rockport, IL	06/18/81
81-AT-248-1079	Town of Douglas	Douglas, AL	06/15/81
81-AT-248-1080	Colbert County	Colbert Co., AL	06/15/81
81-AT-248-1081	Town of Franklin	Franklin, AL	06/15/81
81-AT-248-1082	City of Gallatin	Gallatin, TN	06/18/81
81-AT-248-1085	City of Watertown	Watertown, TN	06/18/81
81-AT-248-1086	Town of Autaugaville	Autaugaville, AL	06/22/81
81-AT-248-1087	Town of Grove Hill	Grove Hill, AL	06/22/81
81-AT-248-1088	City of Decatur	Decatur, TN	06/22/81
81-AT-248-1089	Lincoln County	Lincoln, TN	06/22/81
81-AT-248-1090	City of Westmoreland	Westmoreland, TN	06/24/81
81-AT-248-1091	City of Soddy-Daisy	Soddy-Daisy, TN	06/24/81
81-AT-248-1092	Yazoo County	Yazoo, MS	06/24/81
81-AT-248-1093	Town of Hilliard	Hilliard, FL	06/25/81
81-AT-248-1094	Town of Baldwin	Baldwin, FL	06/26/81
81-AT-248-1095	City of Waldo	Waldo, FL	06/26/81
81-AT-248-1096	Town of Orange Park	Orange Park, FL	06/29/81
81-AT-248-1097	City of Largo	Largo, FL	06/29/81
81-AT-248-1098	City of Perry	Perry, FL	06/29/81
81-AT-248-1100	City of Durant	Durant, MS	06/29/81
81-AT-248-1101	Town of Gloster	Gloster, MS	06/29/81
81-AT-248-1102	Pike County	McComb, MS	06/30/81
81-AT-248-1103	City of Martin	Martin, TN	06/30/81
81-AT-248-1104	Town of Billingsley	Billingsley, AL	06/30/81
81-AT-248-1105	Town of Mosses	Mosses, AL	06/30/81
81-AT-248-1106	City of Butler	Butler, AL	06/30/81
81-AT-248-1107	Pickens County	Pickens Co., AL	06/30/81
81-AT-248-1108	Town of Ohatchee	Ohatchee, AL	07/02/81
81-AT-248-1109	City of High Springs	High Springs, FL	07/01/81
81-AT-248-1110	Hardin County	Savannah, TN	07/01/81
81-AT-248-1111	Beaver Dam	Beaver Dam, KY	07/01/81
81-AT-248-1112	City of Evergreen	Evergreen, AL	07/02/81
81-AT-248-1113	Town of Cruger	Cruger, MS	07/02/81
81-AT-248-1116	City of Nashville	Nashville, NC	07/13/81
81-AT-248-1117	Holmes County	Holmes Co., FL	07/13/81
81-AT-248-1119	Claiborne County	Tazewell, TN	07/17/81
81-AT-248-1120	City of Vanceburg	Vanceburg, KY	07/22/81
81-AT-248-1121	City of Bellevue	Bellevue, KY	07/22/81
81-AT-248-1123	City of Shephardsville	Shephardsville, KY	07/24/81
81-AT-248-1124	Christian County	Christian Co., KY	07/28/81
81-AT-248-1125	Cabarrus County	Cabarrus Co., NC	07/31/81
81-AT-248-1126	Columbia County	Columbia Co., FL	08/04/81
81-AT-248-1127	Town of Cornelius	Cornelius, NC	08/04/81
81-AT-248-1128	City of Glasgow	Glasgow, KY	08/04/81
81-AT-248-1129	City of Jenkins	Jenkins, KY	08/04/81
81-AT-248-1131	Jefferson County	Monticello, FL	08/07/81
81-AT-248-1132	Walton County	DeFuniak Springs, FL	08/06/81
81-AT-248-1133	City of Salyersville	Salyersville, KY	08/13/81
81-AT-248-1137	City of Milton	Milton, FL	08/27/81
81-AT-248-1138	Jackson County	Jackson Co., NC	08/28/81
81-AT-248-1140	Town of Taylorsville	Taylorsville, NC	08/31/81
81-NY-248-1062	Greene County	Cairo, NY	07/15/81
81-NY-248-1063	Village of Round Lake	Round Lake, NY	07/15/81
81-NY-248-1076	Borough of Hopewell	Hopewell, NJ	08/20/81
81-NY-248-1078	Township of Carney's Point	Carney's Point, NJ	08/20/81
81-NY-248-1079	Township of Buena Vista	Buena Vista, NJ	08/20/81
81-AT-248-1048	Dorchester County	St. George, SC	05/19/81
81-AT-248-1049	Ashland City	Ashland City, TN	05/19/81

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-AT-248-1050	City of Erin	Erin, TN	05/19/81
81-AT-248-1051	Town of Prosperity	Prosperity, SC	05/19/81
81-AT-248-1052	Florence County	Florence, SC	05/19/81
81-AT-248-1053	Town of DeKalb	DeKalb, MS	05/20/81
81-AT-248-1054	Village of Pachuta	Pachuta, MS	05/20/81
81-AT-248-1055	Town of Waterloo	Waterloo, AL	05/20/81
81-AT-248-1056	Town of Leighton	Leighton, AL	05/21/81
81-AT-248-1057	Town of Enterprise	Enterprise, MS	05/21/81
81-AT-248-1059	Town of Scooba	Scooba, MS	06/01/81
81-AT-248-1060	City of Russellville	Russellville, AL	06/01/81
81-AT-248-1061	City of Clinton	Clinton, SC	06/04/81
81-AT-248-1062	Dillon County	Dillon, SC	06/04/81
81-AT-248-1063	Crab Orchard	Crab Orchard, TN	06/04/81
81-AT-248-1064	Roane County	Kingston, TN	06/04/81
81-AT-248-1066	Chattahoochee County	Chattahoochee, GA	06/10/81
81-AT-248-1067	City of Blue Ridge	Blue Ridge, GA	06/10/81
81-AT-248-1068	City of Clayton	Clayton, GA	06/10/81
81-AT-248-1069	Town of Hickory	Hickory, MS	06/10/81
81-AT-248-1070	Franklin County	Russellville, AL	06/10/81
81-AT-248-1071	City of LaVergne	LaVergne, TN	06/10/81
81-AT-248-1072	City of Lumpkin	Lumpkin, GA	06/10/81
81-AT-248-1073	City of Unadilla	Unadilla, GA	06/12/81
81-AT-248-1074	City of Harlem	Harlem, GA	06/12/81
81-AT-248-1075	Marion County	Marion, SC	06/18/81
81-AT-248-1076	City of Ellaville	Ellaville, GA	06/12/81
81-AT-248-1077	Town of Kilnichael	Kilnichael, MS	06/15/81
81-AT-248-1078	Town of Hodges	Hodges, AL	06/15/81
81-PH-248-1038	Township of Mount Carmel	Atlas, PA	06/19/81
81-PH-248-1039	Borough of Giraidville	Giraidville, PA	06/19/81
81-PH-248-1041	Borough of Stockertown	Stockertown, PA	06/24/81
81-PH-248-1042	Borough of Slatington	Slatington, PA	06/25/81
81-PH-248-1043	Franklin Township	Leighton, PA	06/25/81
81-PH-248-1044	Borough of Great Bend	Great Bend, PA	06/25/81
81-PH-248-1045	Borough of Susquehanna Depot	Susquehanna Depot, PA	06/26/81
81-PH-248-1046	Borough of Lanesboro	Lanesboro, PA	06/26/81
81-PH-248-1047	City of Dover	Dover, DE	06/29/81
81-PH-248-1048	Borough of Hop Bottom	Hop Bottom, PA	07/10/81
81-PH-248-1050	Town of Port Deposit	Port Deposit, MD	07/13/81
81-PH-248-1051	Borough of Throop	Throop, PA	07/13/81
81-PH-248-1052	Borough of Hawley	Hawley, PA	07/13/81
81-PH-248-1056	Borough of South Renova	South Renova, PA.	07/24/81
81-PH-248-1057	Queen Anne's County	Chestertown, MD	07/24/81
81-PH-248-1058	Carroll County	Westminster, MD	07/23/81
81-PH-248-1059	Town of Kitzmiller	Kitzmiller, MD	08/05/81
81-CH-248-1041	City of Leslie	Leslie, MI	05/05/81
81-CH-248-1043	City of Long Lake	Long Lake, MN	05/07/81
81-DE-248-1021	City of Polson	Polson, MT	05/11/81
81-DE-248-1023	City of Killdeer	Killdeer, ND	05/27/81
81-DE-248-1024	Sweetwater County	Green River, WY	06/04/81
81-DE-248-1025	Town of Hudson	Hudson, WY	06/09/81
81-DE-248-1026	Town of Basin	Basin, WY	06/09/81
81-DE-248-1027	City of Lander	Lander, WY	06/09/81
81-DE-248-1029	City of Portland	Portland, ND	06/16/81
81-DE-248-1030	Salina City	Salina, UT	06/17/81
81-DE-248-1031	City of Casselton	Casselton, ND	06/19/81
81-DE-248-1032	City of Hope	Hope, ND	06/23/81
81-DE-248-1033	City of Rolla	Rolla, ND	06/23/81
81-DE-248-1034	Town of Antimony	Antimony, UT	06/26/81

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-DE-248-1035	Hanson County	Alexandria, SD	06/30/81
81-DE-248-1036	Town of Manzanola	Manzanola, CO	07/02/81
81-DE-248-1037	Town of Onaka	Onaka, SD	07/14/81
81-DE-248-1038	County of Beadle	Huron, SD	07/16/81
81-DE-248-1039	City of Wauby	Waubay, SC	07/16/81
81-DE-248-1041	Town of Egan	Egan, SD	07/23/81
81-SF-248-1027	Cities of Fortuna, Weed, Ceres, Riverbank, Escalon, Big Lagoon Rancheria, CA	Fortuna, CA Weed, CA Ceres, CA Riverbank, CA Escalon, CA Big Lagoon Rancheria, CA	05/20/81
81-SF-248-1033	Cities of Placerville & Colfax Robinson & Grindstone Indina Rancherias Placer County	Placerville, CA	07/10/81
81-SF-248-1039	City of Capitola	Capitola, CA	08/20/81
81-SE-248-1013	Bingham County	Blackfoot, ID	04/03/81
81-SE-248-1014	Twin Falls County	Twin Falls, ID	04/06/81
81-SE-248-1015	City of Meridian	Meridian, ID	04/07/81
81-SE-248-1016	City of Glendale	Glendale, OR	04/07/81
81-SE-248-1017	City of Dayton	Dayton, WA	05/28/81
81-SE-248-1018	Adams County	Ritzville, WA	05/28/81
81-SE-248-1019	Chelan County	Wenatchee, WA	05/28/81
81-SE-248-1022	City of Bingen	Bingen, WA	09/15/81
81-DE-248-1042	Town of Coal Creek	Coal Creek, CO	09/15/81
81-DE-248-1043	City of Laramie	Laramie, WY	09/22/81
81-DE-248-1044	City of Elgin	Elgin, ND	09/28/81
81-NY-248-1084	Boro of West Cape May	West Cape May, NJ	09/04/81
81-KC-248-1095	Village of Palmyra	Palmyra, NE	09/15/81
81-FW-248-1107	City of DeQueen	DeQueen, AR	09/03/81
81-FW-248-1108	Town of Grannis	Grannis, AR	09/03/81
81-FW-248-1109	City of Wilmar	Wilmar, AR	09/03/81
81-FW-248-1110	City of El Dorado	El Dorado, AR	09/03/81
81-FW-248-1111	City of Horatio	Horatio, AR	09/04/81
81-FW-248-1112	County of Sevier	DeQueen, AR	09/04/81
81-FW-248-1115	City of Diaz	Diaz, AR	09/24/81
81-FW-248-1116	City of Sulphur Rock	Sulphur Rock, AR	09/24/81
81-FW-248-1117	City of Sidney	Sidney, AR	09/24/81
81-AT-248-1141	Town of New Ellenton	New Ellenton, NC	09/01/81
81-AT-248-1142	Johnston Co.	Johnston Co., NC	09/01/81
81-AT-248-1143	City of Milan	Milan, TN	09/04/81
81-AT-248-1144	Town of Social Circle	Social Circle, GA	09/14/81
81-AT-248-1145	Town of Monroe	Monroe, GA	09/14/81
81-AT-248-1146	Town of Wrightsville	Wrightsville, GA	09/15/81
81-AT-248-1147	Town of Mooresville	Mooresville, NC	09/15/81
81-AT-248-1148	Town of Bloomingdale	Bloomingdale, GA	09/15/81
81-AT-248-1149	Town of Hinesville	Hinesville, GA	09/15/81
81-AT-248-1150	Town of Abbeville	Abbeville, AL	09/16/81
81-AT-248-1151	Town of Brookford	Brookford, NC	09/17/81
81-AT-248-1152	Town of Walthourville	Walthourville, GA	09/17/81
81-AT-248-1153	Town of Clayton	Clayton, AL	09/17/81
81-AT-248-1154	Town of Gordon	Gordon, AL	09/17/81
81-FW-248-1037	City of Florence	Florence, TX	04/09/81
81-FW-248-1038	City of Granger	Granger, TX	04/09/81
81-FW-248-1039	City of Kenedy	Kenedy, TX	04/10/81
81-FW-248-1040	City of Natalia	Natalia, TX	04/10/81
81-FW-248-1043	City of Odem	Odem, TX	04/10/81
81-FW-248-1044	Jim Hogg County	Hebbroville, TX	04/10/81

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-FW-248-1045	Zapata County	Zapata, TX	04/10/81
81-FW-248-1046	City of Alton	Alton, TX	04/15/81
81-FW-248-1047	City of Rio Hondo	Rio Hondo, TX	04/15/81
81-FW-248-1049	Town of Keota	Keota, OK	04/23/81
81-FW-248-1050	Fannin County	Bonham, TX	04/23/81
81-FW-248-1053	City of Cushing	Cushing, OK	04/30/81
81-FW-248-1055	City of Mangum	Mangum, OK	05/08/81
81-FW-248-1056	City of Claremore	Claremore, OK	05/08/81
81-FW-248-1057	Town of Wellston	Wellston, OK	05/08/81
81-FW-248-1060	City of Royce City	Royce City, TX	05/14/81
81-FW-248-1062	Town of Okmulgee	Okmulgee, OK	06/05/81
81-FW-248-1063	Town of Dewar	Dewar, OK	06/05/81
81-FW-248-1064	City of Tecumseh	Tecumseh, OK	06/23/81
81-FW-248-1066	City of Langston	Langston, OK	06/16/81
81-FW-248-1067	City of Sanger	Sanger, TX	06/18/81
81-FW-248-1068	City of Clarksville	Clarksville, TX	06/26/81
81-FW-248-1069	City of Bogata	Bogata, TX	06/26/81
81-FW-248-1070	City of Italy	Italy, TX	06/26/81
81-FW-248-1071	City of Hempstead	Hempstead, TX	07/01/81
81-FW-248-1072	City of Snook	Snook, TX	07/01/81
81-FW-248-1073	City of Levelland	Levelland, TX	07/01/81
81-FW-248-1074	City of Lockney	Lockney, TX	07/01/81
81-FW-248-1075	City of Seminole	Seminole, TX	07/01/81
81-FW-248-1078	City of Gladewater	Gladewater, TX	07/08/81
81-FW-248-1080	Houston County	Crockette, TX	07/10/81
81-FW-248-1081	City of Blooming Grove	Blooming Grove, TX	07/10/81
81-FW-248-1082	City of Tenaha	Tenaha, TX	07/10/81
81-FW-248-1083	Town of Glenmora	Glenmora, LA	07/10/81
81-FW-248-1084	Tonn of Elton	Elton, LA	07/10/81
81-FW-248-1085	Town of Benton	Benton, LA	07/09/81
81-FW-248-1086	Tangipahoa Parish Police Jury	Amite, LA	07/09/81
81-FW-248-1087	Points Coupee Parish Police Jury	New Roads, LA	07/09/81
81-AT-248-1155	Pamlico Co.	Pamlico Co., NC	09/23/81
81-AT-248-1156	Town of Wadesboro	Wadesboro, NC	09/28/81
81-AT-248-1157	City of Newton	Newton, NC	09/28/81
81-AT-248-1158	Marlboro Co.	Marlboro Co., SC	09/29/81
81-AT-248-1159	Town of Rutherfordton	Rutherfordton, NC	09/29/81
81-AT-248-1160	Lenoir Co.	Lenoir Co., NC	09/29/81
81-AT-248-1161	Town of Kenansville	Kenansville, NC	09/29/81
81-AT-248-1162	Town of Morven	Morven, NC	09/30/81
81-NY-249-1035	City of Newark, Surplus Properties	Newark, NJ	04/20/81
81-CH-249-1051	City of Hammond	Hammond, IN	05/21/81
81-NY-252-1039	City of Jersey City	Jersey City, NJ	04/29/81
81-NY-252-1042	Municipality of Arecibo	Arecibo, PR	05/14/81
81-NY-252-1045	Municipality of Cabo Rojo	Cabo Rojo, PR	05/21/81
81-NY-252-1051	Indirect Cost Allocation Plan for the City of Atlantic City	Atlantic City, NJ	06/10/81
81-NY-252-1052	Indirect Cost Rate Proposals - Office of Planning, Municipality of San Juan	San Juan, PR	06/19/81
81-NY-252-1068	PRUR&H Corporation	Rio Piedras, PR	07/30/81
81-NY-252-1069	Municipality of San Juan, Hsg. & Comm. Dev.	San Juan, PR	08/04/81
81-NY-252-1070	Municipality of San Juan Public Works	San Juan, PR	08/04/81
81-NY-252-1073	Municipality of San Juan, Environmental Control	San Juan, PR	08/05/81

COMMUNITY PLANNING AND DEVELOPMENT (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-NY-252-1086	P.R Planning Board	Santurce, PR	09/11/81
81-CH-257-1137	Town of Lockport	Lockport, IL	08/19/81
81-BO-257-1027	Boston Redevelopment Authority	Boston, MA	04/27/81
81-BO-257-1031	Hartford Redevelopment Agency	Hartford, CT	05/07/81
81-BO-257-1034	City of North Adams	North Adams, MA	05/18/81
81-BO-257-1075	City of Newark, Certified Area	Newark, NJ	08/24/81
81-NY-258-1041	Township of Ewing	Ewing, NJ	05/08/81
81-NY-258-1059	Village of Gouveneur	Gouveneur, NY	07/15/81
81-NY-259-1047	State of North Carolina	Raleigh, NC	05/15/81

ADMINISTRATION (Total - 49)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-BO-261-1037	Milton Lewis Howard Associates Inc. Architects	Hartford, CT	06/25/81
81-NY-261-1067	Yunque Development Corporation	New York, NY	07/24/81
81-PH-261-1027	National Paralegal Institute	Washington, DC	04/09/81
81-PH-261-1036	Comprehensive Marketing System	Washington, DC	05/26/81
81-PH-261-1064	Urban Institute HC-3372	Washington, DC	09/22/81
81-BO-262-1041	OKM Associates, Inc.	Boston, MA	08/13/81
81-BO-262-1028	Artists Foundation, Inc.	Boston, MA	04/28/81
81-BO-262-1029	Contract Research Corp.	Belmont, MA	04/28/81
81-BO-262-1032	New England Municipal Center	Durham, NH	05/07/81
81-BO-262-1033	Neighborhood Housing, Inc.	New Haven, CT	05/18/81
81-BO-262-1035	State of Connecticut - Office of Policy and Management Energy Division Solar Grant Program	Hartford, CT	06/23/81
81-BO-262-1038	Harold Russell Associates, Inc.	Waltham, MA	07/21/81
81-BO-262-1039	Governors Council on Energy	Concord, NH	07/23/81
81-NY-262-1028	Raymond Parish Pine & Weiner Inc. Robert W. Jones & Assoc., Inc.	Tarrytown, NY	04/01/81
81-CH-262-1044	Municipal Finance Officers Assoc.	Chicago, IL	05/07/81
81-CH-262-1045	Chicago Rehabilitation Network	Chicago, IL	05/08/81
81-CH-262-1110	Project for Pride-in-Living, Inc.	Minneapolis, MN	06/25/81
81-CH-262-1130	The Academy for Contemporary Problems	Columbus, OH	07/08/81
81-NY-262-1031	National Urban League	New York, NY	04/07/81
81-NY-262-1036	Manpower Demonstration Research Corp.	New York, NY	04/28/81
81-NY-262-1043	Urban League of Westchester City, Inc.	White Plains, NY	05/14/81
81-NY-262-1055	Metropolitan Action Institute	New York, NY	07/20/81
81-NY-262-1064	Raymond, Parish, Pine & Weiner	Tarrytown, NY	07/31/81
81-NY-262-1065	Forward Management	New York, NY	07/31/81
81-PH-262-1029	Anthony M. Carely	Baltimore, MD	04/24/81
81-PH-262-1030	Citizen Involvement Network	Washington, DC	04/24/81
81-PH-262-1032	National Council of LaRaza H-0002CA	Washington, DC	05/12/81
81-PH-262-1034	James H. Edmondson H-4489	Washington, DC	05/13/81
81-PH-262-1035	The Commonwealth of Pennsylvania Department of Community Affairs H-4451CA	Harrisburg, PA	05/14/81

ADMINISTRATION (Continued)

<u>Report No.</u>	<u>Auditee</u>	<u>Location</u>	<u>Issue Date</u>
81-PH-262-1040	National Association of Housing & Redevelopment Officials Contract #H-0009-CA	Washington, DC	06/19/81
81-PH-262-1049	National Association of Housing & Redevelopment Officials	Washington, DC	07/13/81
81-PH-262-1053	National Citizens Participation Council	Washington, DC	07/20/81
81-PH-262-1054	National Citizens Participation Council	Washington, DC	07/20/81
81-PH-262-1055	National Citizens Participation Council	Washington, DC	07/20/81
81-PH-262-1060	Henry J. Kaufman & Assoc., Inc.	Washington, DC	08/07/81
81-PH-262-1061	Center for Community Change	Washington, DC	08/07/81
81-AO-262-1001	National Center for Economic Alternatives	Washington, DC	06/12/81
81-AO-262-1002	Richardson Associates	Washington, DC	07/15/81
81-AO-262-1003	National Corporation for Housing Partnership	Washington, DC	07/31/81
81-AT-262-1065	Kentucky Rural Housing and Development Foundation, Inc.	Louisville, KY	06/09/81
81-AT-262-1083	Southern Christian Leadership Conference	Atlanta, GA	06/17/81
81-AT-262-1134	Community Design Center	Atlanta, GA	08/13/81
81-AT-262-1139	South DeKalb Center, Inc.	Decatur, GA	08/28/81
81-KC-262-1091	Stolar, Heitzmann, Eder, Seigel and Harris	St. Louis, MO	08/21/81
81-AO-262-1004	Pabon, Sims, Smith	Washington, DC	09/17/81
81-PH-262-1062	Civic Action Institute	Washington, DC	09/11/81
81-PH-262-1063	National Center for Urban Ethnic Affairs	Washington, DC	09/18/81
81-NY-262-1087	Shereff, Friedman, Hoffman and Goodman	New York, NY	09/23/81
81-NY-262-1085	NAACP - National Housing Corp.	New York, NY	09/08/81

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (3)

81-NY-271-1058	Essex & Union Mortgage Co.	Linden, NJ	07/13/81
81-TS-271-1020	Prudential Mortgage Corp.	Santurce, PR	04/01/81
81-TS-271-1023	Mortgage Plus, Inc.	Englewood, CO	08/19/81

OTHER (Total - 2)

81-NY-278-1032	South Bronx Development Organization, Inc.	New York, NY	04/09/81
81-SF-278-1042	Chinese-American Golden Age Association, Congregate Housing Service Program	Monterey, CA	09/14/81

GRAND TOTAL - EXTERNAL AUDIT AND ACCOUNTING
SYSTEM EVALUATION REPORTS - 591

AUDITS RESULTING IN MEMORANDUMS
RATHER THAN FORMAL AUDIT REPORTS

<u>Assignment Number</u>	<u>Audit Title</u>	<u>Location</u>	<u>Date Memo Issued</u>
1211008	Appraisals and Credit Reports	Region IV	04/24/81
1210004	Refinancing Transactions-Single-Family Mortgages	Region IX	06/09/81
1221005	Title I - Property Improvement Loans	Region III	04/01/81
1651093	Special Review of Travel	Region X	08/17/81
2121032	Golden Rain Foundation	Region IX	07/06/81
2191035	The Park Lane	Region IX	07/06/81
2571041	Economic Housing Development Corporation	Region IX	08/14/81
2691007	National Hispanic Housing Coalition	Headquarters	09/09/81

TERMINATED AUDITS--NO REPORT ISSUED

<u>Assignment Number</u>	<u>Audit Title</u>	<u>Location</u>	<u>Date Terminated</u>
1111010	Coordinated Audit-Multi Location, Program Managers	Region V	04/20/81
1231013	Insurance Claims Foreclosed Single- Family	Region V	07/01/81
1451042	Guarantee Assessments Community Development Block Grant Effectiveness	Region VIII	08/13/81
2030016	Public Housing Authority Somer City Section 8	Region VI	07/22/81
2111013	Lucas Heights Mortgagor Cost	Region VII	06/30/81
2121023	Woodhaven Garden Phase II	Region III	05/08/81
2121056	2200 Sheridan Apartments	Region VI	05/15/81
2121058	Park Tower Apartments	Region II	08/20/81
2141138	Center Management	Region V	09/28/81
2151027	Mitchell Realty-Property Manager	Region I	05/20/81
2191042	Angeles Apartments I and II	Region IX	09/28/81
2211012	Mid-America Equity Mortgagee	Region VII	05/14/81
2221145	Carmen Realty and Investment Company	Region V	09/25/81

DESCRIPTION OF MAJOR TERMS

Internal Audits. These are independent reviews of programs and operations designed to determine and report whether: (1) financial operations are conducted properly; (2) financial reports are presented fairly; (3) applicable laws and regulations have been complied with; (4) operating procedures are effective and are being carried out; (5) resources are managed and use in an economical and efficient manner; and, (6) desired results and objectives are being achieved in an effective manner. A given internal audit may provide a top to bottom review of a particular activity or program at all HUD organizational levels responsible for the activity or program (vertical audit), or the audit may encompass all or several field locations (horizontal audit). An internal audit may also include various combinations of these approaches.

External Audits. These are reviews or examinations made of the records and performance of grantees, borrowers, mortgagors, mortgagees and other contractors in accordance with generally accepted auditing standards and to the extent practicable, the GAO standards for audit of governmental organizations, programs, activities and functions. These audits are made as a means of ascertaining the degree of compliance with the statutes, regulations, and terms and conditions of the agreements under which the Federal funds are made available. Determination is also made as to the appropriateness of the disposition of funds granted, loaned, or contributed. These audits also provide HUD management with information on the effectiveness of its administration of program operations. External audits also encompass pricing proposal evaluations which are reviews made for the purpose of determining the reasonableness of estimates of costs and profit supporting all types of proposals submitted by contractors in connection with the award, administration, modification or repricing of Government contracts. Another category of external audit is a cost reimbursable contract audit. These audits include a review of incurred costs and overhead (indirect costs) and contractor's policies, procedures, and practices which influence and control contract costs. In addition, external audits include accounting evaluations. The objective of an accounting evaluation is to determine whether the recipient's accounting system is capable of furnishing accurate financial reports on a timely basis consistent with the requirements of the Department.

Surveys. These are fact-finding reviews designed to obtain and analyze working information on an activity or program for the purpose of identifying matters warranting detailed examination or analysis. When conditions disclosed by a survey are in need of immediate attention and corrective action, the survey report, or a summary of such conditions noted, are usually provided to the official responsible for taking the needed corrective action. Otherwise, survey data are used by us in planning audit work.

Operational Surveys. Operational Surveys, encompassing the operations of field offices, were first introduced by the OIG in June 1972. These surveys are made to identify specific program areas, Departmental operations, and participants therein, for the purpose of ascertaining any incidences of

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fraud, bribery, kickbacks, favoritism and/or administrative irregularities. Such surveys are also designed to reveal patterns of operations conducive to irregularities. Operational Surveys provide a basis for the coordination and referral of allegations or indications of possible criminal violations to the Department of Justice, and assist in identifying matters or areas requiring further audit/investigative attention.

Investigations. An investigation consists of gathering of information, statements from informed persons, and a review of related records in order to ascertain whether a possible irregularity or violation of law exists. The general types of investigations made by the OIG are: (1) investigations of criminal matters, e.g., false statements/fraud against the Government; (2) violations of the Interstate Land Sales Full Disclosure Act (OILSR); and, (3) violations of the HUD Standards of Conduct regulations.

National Agency Check and Inquiry (NACI). An NACI is the minimum type of personnel security investigation conducted of potential applicants to Government positions. It consists of a check of the fingerprint and investigative files of the FBI, investigative files of the Office of Personnel Management and other applicable Government agencies, as well as written inquiries to law enforcement agencies, former employers and supervisors, references, and schools.

Full Field Investigation (FFI). An FFI, which is conducted by Office of Personnel Management investigators, is the maximum type of personnel security investigation. In addition to a check of FBI, Office of Personnel Management and other Government agency files, it includes interviews with present and former knowledgeable associates, and checks of credit and other pertinent records. An FFI is required for all occupants of critical-sensitive Government positions, as well as some noncritical-sensitive positions.

Debarment. Debarment means an exclusion from participation in HUD programs for a reasonable, specified period of time commensurate with the seriousness of the offense or failure, or the inadequacy of performance. However, in connection with Executive Order 11246 on Equal Employment Opportunity, the term debarment also means an exclusion from contracting or subcontracting for an indefinite period of time pending the elimination of the circumstances for which the exclusion was imposed.

Suspension. Suspension means a disqualification from participation in HUD programs for a temporary period of time because a contractor or grantee is suspected upon adequate evidence of engaging in criminal, fraudulent, or seriously improper conduct.

Consolidated List. A list of all contractors and grantees against whom any or all of the measures referred to in this part have been invoked. It includes past performance data and the status of a participant on any debarment, suspension, or ineligibility list.

APPENDIX 1

Fraud. Fraud is an intentional deception to cause a person or party to give up property or some lawful right. Fraud includes all acts, omissions, and concealments involving a breach of legal or equitable duty, trust, or confidence justly reposed which result in damage to another or by which undue and conscienceless advantage is taken of another.

Mismanagement. Mismanagement means the failure to accomplish the goals and objectives of the activity or organization through the personal fault of those entrusted with managing or administering the activity or organization including its resources.

Waste. Waste means to spend monies or use resources carelessly and inefficiently without gaining a proper, reasonable, or normal return.

Program Abuse. Program Abuse literally means to use Federal programs improperly through deceitful, deceptive, fraudulent or other similar practices, usually for the purpose of improperly benefiting oneself financially.

Questioned Costs. These are costs charged to a HUD-financed or insured program or activity whose eligibility cannot be determined at the time of audit. These costs require a future decision on the part of HUD program officials regarding their eligibility. This decision can involve a legal interpretation or clarification of Departmental policies and procedures.

Questioned costs may be applicable to development or construction-type expenditures, operating or administrative-type expenses, fund reserves, distributions or project equity, or revenue activities that could cause higher net expenses.

Disallowed Costs. These are costs charged to a HUD-financed or insured program or activity which are not allowable by law, contract, or Federal, state or local policies or regulations.

Disallowed costs may be applicable to development or construction-type expenditures, operating or administrative-type expenditures, fund reserves, distributions of project equity, or revenue activities that could cause higher net expenses. The auditor removes disallowed costs from the Schedule of Project or Audited Costs included in the audit report and recommends that HUD officials direct the auditee to adjust the project records and reimburse the project or HUD for any amounts due as a result of the disallowance. If management does not sustain a disallowance, it must: (a) provide a legal opinion that the costs disallowed are eligible program costs, (b) demonstrate that there has been a misapplication of criteria used in disallowing costs, or (c) obtain Departmental waivers for disallowances from the Under Secretary or Secretary.

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