

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

The following material discusses the functions, workloads, and proposed staffing levels for the Office of Inspector General for 2003.

APPROPRIATION HIGHLIGHTS (S&E)

The following table summarizes the funding sources and staffing levels.

	<u>ACTUAL</u> 2001	<u>ENACTED</u> 2002	<u>ESTIMATE</u> 2003	<u>INCREASE +</u> <u>DECREASE -</u> 2003 vs 2002
	(Dollars in Thousands)			
<u>Obligations</u>				
Funds Available:				
Budget Authority	\$52,541	\$66,555	\$74,804	+\$8,249
FHA Fund	\$22,294	\$22,343	\$22,880	+\$537
PIH Fund	\$9,978	\$5,000	...	-\$5,000
Unobligated Balance .....	...	...	...	...
Carryover from prior year ..	\$6,000	...	...	...
Legislative Proposals .....	...	...	\$3,911	+\$3,911
Emergency Relief Fund .....	...	<u>\$1,000</u>	...	<u>-\$1,000</u>
Subtotal	\$90,813	\$94,898	\$101,595	+\$6,697
Other Transfers:				
Consolidated Fee Account ...	<u>\$537</u>	<u>\$537</u>	...	<u>-\$537</u>
Subtotal	\$91,350	\$95,435	\$101,595	+\$6,160
Outlays (net)	\$57,000	\$60,000	\$64,000	+\$4,000
Full-Time Permanent				
Appointments (EOY)	676	675	675	...
Full-Time Equivalents	684	675	675	...

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 estimate of \$101,595 thousand represents an overall increase of \$6,160 thousand over fiscal year 2002. Most of this increase is reflected in personal services for the 2003 pay raise and for legislative proposals. In addition, our estimate includes a modest increase for ADP services and the estimated increase in rent costs related to the New York disaster.

STAFFING

The OIG staffing level for fiscal year 2003 remains at 675. In fiscal year 2002, the OIG is refocusing efforts from violent crime activities to investigations involving property flipping schemes and predatory lending practices. Accordingly, all FTEs previously devoted to violent crime will be used to investigate and assist in prosecuting individuals and companies engaging in these illegal activities. We are proposing to fund these FTEs from our general budget authority as opposed to requesting a transfer.

FUNDING BY OBJECT CLASS

The following table summarizes this request by object class.

	ACTUAL	ENACTED	ESTIMATE	INCREASE + DECREASE -
	2001	2002	2003	2003 vs 2002
	(Dollars in Thousands)			
Personal Services	\$64,461	\$66,825	\$69,431	+\$2,606
Legislative Proposals: ..				
Full Cost Active CSRS Emp. ...	\$0	\$0	\$1,902	+\$1,902
Full Cost Health Benefits	\$0	\$0	\$2,009	+\$2,009
Emergency Relief Fund		\$1,000	\$0	-\$1,000
Travel and Transportation Of				
Persons	\$5,800	\$5,603	\$5,603	...
Transportation Of Things	\$21	\$52	\$52	...
Rent, Communications, and				
Utilities	\$8,448	\$8,812	\$9,002	+\$190
Printing and Reproduction	\$135	\$65	\$65	...
Other Services	\$11,478	\$12,071	\$12,524	+\$453
Supplies and Materials	\$433	\$433	\$433	...
Furniture and Equipment	\$545	\$545	\$545	...
Insurance Claims and				
Indemnities	\$29	\$29	\$29	...
Total Obligations	\$91,350	\$95,435	\$101,595	+\$6,160

CHANGES FROM FISCAL YEAR 2002 TO FISCAL YEAR 2003

A description of the various object classifications that are used by the Office of Inspector General is provided below:

Personal Services

The fiscal year 2003 estimate of \$69,431 thousand is an increase of \$2,606 thousand from the 2002 enacted estimate for the 2003 pay-raise. This estimate does not include the legislative proposal estimate below.

Legislative Proposals

The full-cost estimate of active CSRS employees is \$1,902 thousand and the full-cost of health benefits for all OIG employees is \$2,009 thousand.

Travel

OIG staff travels extensively to carry out their audit and investigative responsibilities. The Audit staff travels to program participants and contractor offices to perform project audits, contract audits, evaluations of pricing proposals, and financial audits. Investigation staff requires extensive travel to interview witnesses and subjects of investigations and to examine records.

This object class covers training and conference travel, program execution travel and miscellaneous travel related to audit and investigative activities. The fiscal year 2003 estimate of \$5,603 thousand represents no change from the fiscal year 2002 enacted estimate.

Transportation of Things

This classification of expense includes the cost of reimbursement to OIG personnel who are authorized to move household effects or house trailers when transferred from one

permanent duty station to another. The fiscal year 2003 estimate of \$52 thousand remains unchanged from the fiscal year 2002 enacted estimate.

Rent, Communications and Utilities

Funds under this object classification provide for all rental costs, including space and equipment, as well as, communication and utility services. The fiscal year 2003 estimate of \$9,002 thousand is an increase of \$190 thousand for rent. This increase is related to the impact of the New York disaster, (terrorist bombing of the World Trade Center, September 11, 2001). Rent includes occupied space, security space, parking, and utilities.

Printing and Reproductions

Funds included in this object class are for the cost of printing and reproduction services, and related composition and binding operations performed by or through the Government Printing Office (GPO). The Inspector General's Semiannual Report to Congress is also covered under this object classification. The fiscal year 2003 estimate of \$65 thousand equals our fiscal year 2002 enacted estimate.

Other Services

A multitude of activities is funded under this object of expense. The most significant activities supported by these funds include professional training and development of OIG staff personnel, audit services, general support activities, and ADP maintenance and services. Audit services primarily include the cost of contracting for the audits of FHA and Ginnie Mae financial statements. The fiscal year 2003 estimate of \$12,524 thousand is an increase of \$453 thousand above the fiscal year 2002 enacted estimate of \$12,071 thousand. This request reflects an increase of \$453 thousand for ADP services.

The OIG has an Interagency Agreement with the Department of Justice for access to the National Crime Information Center (NCIC) for data related to HUD audit and investigative activities. In addition, the OIG has an Interagency Agreement with the Bureau of Public Debt for personnel, contracting/procurement services, and background checks/investigations on OIG staff. We also have an agreement with the National Finance Center for payroll processing and with HUD for continued support of the HUD ADP Systems.

These funds are also used for the purchase of goods and services where source identity or investigative techniques require confidentiality and normal procurement procedures might expose that confidentiality, such as during an undercover investigation.

In fiscal year 1999, we contracted with a firm to provide services under a new concept called Seat Management and have made great strides in implementing this system. Seat Management provides OIG with its own secure Local Area Network. Seat Management also provides a platform on which we are operating automated workflow applications. The system provides for sensitive communications and adds an encrypted data communications security to a full range of interoperable products. This ensures the confidentiality, integrity, and availability of OIG information resulting in more efficient and effective business processes. This contract also includes the procurement of all of OIG's hardware and software requirements.

Other funds in this object class include amounts for the professional training of OIG personnel, furniture and equipment maintenance, visual arts services, and other miscellaneous contractual requirements.

Supplies and Materials

Funds budgeted under this category of expense cover costs associated with the purchase of office supplies; training supplies; computer and associated supplies; subscriptions to professional magazines, publications and research materials; and other items that are consumed or expended generally within 1 year after purchase. The fiscal year 2003 estimate of \$433 thousand remains unchanged from the fiscal year 2002 enacted estimate.

Furniture and Equipment

The fiscal year 2003 estimate of \$545 thousand represents no change from the fiscal year 2002 enacted estimate. This object class includes purchase of furniture and fixtures, general office equipment, and special equipment/weapons for investigative activities.

Insurance and Indemnities

This category provides for payments made for or related to the repair or replacement of property (including loss by theft) or for personal injury deemed by law or regulation to be the responsibility of the OIG. This would normally include loss or damage of personal property being used for the benefit of the government. The fiscal year 2003 estimate remains at \$29 thousand.

SCOPE OF ACTIVITY

The Office of Inspector General is the Department's focal point for independent review of the integrity of Departmental operations and, therefore, is the central authority concerned with the quality, coverage, and coordination of the audit and investigation services of the Department. In directing these review activities, the Inspector General emphasizes both the detection and prevention aspects of these services within a comprehensive Departmental effort to attain improved management effectiveness. The Office of Inspector General has authority to inquire into all program and administrative activities of the Department and the related activities of all parties performing under contracts, grants, or other agreements with the Department. These inquiries may be in the nature of audits, investigations, or such other reviews as may be appropriate.

WORKLOAD

The principal workload of the Office of Inspector General consists of audits and investigations. The Inspector General Act of 1978 and Amendments of 1988 require the Inspector General to conduct, supervise, coordinate, and provide policy direction for audits and investigations relating to Departmental programs and operations; and to promote economy and efficiency in the administration of HUD programs and operations and to prevent and detect fraud and abuse.

The 1998 House Appropriations Bill called for the OIG to undertake a Housing Fraud Initiative. By agreement with the Congress, in September 1998, the OIG implemented this Initiative during fiscal year 1999.

At the close of December 2001, the Office of Investigation had 417 open single-family mortgage insurance cases, consisting of property flipping, and other loan origination frauds, with the average being 37 cases for each of our eleven respective districts. OIG analyzed HUD databases and isolated the locations where flipping appears to be the greatest. OIG is organizing its assets to deploy them in those areas where flipping is prevalent.

Currently, the OIG has two cases involving mortgage fraud and major fraud against the Government National Mortgage Association (GNMA), including predatory lending practices. Although there is an overlap with the Office of Fair Housing and Equal Opportunity relative to predatory lending cases, the OIG has mad such cases, as they relate to criminal conspiracies and false loan originations, a priority during this fiscal year.

OIG strives to eliminate material weaknesses in HUD programs. For example, the Office of Investigations prepares Systemic Implications Reports (SIRs) that identify weaknesses in HUD programs and sends the SIRs to the appropriate HUD Program Division. These weaknesses surface during the course of criminal, civil, or administrative investigations. SIRs serve the purpose of providing program officials with information sufficient to make a determination of whether to make changes in HUD program rules or regulations.

OIG's efforts are aimed at assisting HUD in making sure management reforms are effective and address Congressional and taxpayer concerns about program delivery and financial integrity. Detecting and preventing fraud, waste and abuse are integral components of this work. The scope of our efforts will expand on recent OIG evaluations

of HUD's management/organizational reforms, audits of HUD program delivery, financial and management systems audits, and also reflect the President's Management Agenda.

The Office of Audit efforts will focus on five major Management Challenges facing the Department. These issues are systemic and many have been examined in previous OIG evaluations and audits. The challenges reflect the current Administration's strong emphasis on effective delivery of government services and high standards of employee integrity and performance. They include:

- Completing management reforms.
- Improving financial management systems.
- Assuring adequate and sufficiently trained HUD staff.
- Strengthening FHA single-family loan origination and oversight of HUD-owned properties.
- Improving the effectiveness and efficiency of public and assisted housing program administration.

The OIG's overall objectives in these five areas are to aid HUD in making sure management reforms are effective and address Congressional and taxpayer concerns about program delivery and financial integrity. Detecting and preventing fraud, waste and abuse are integral components of this work.

The Office of Investigation and the Office of Audit meet monthly with HUD Program officials to discuss issues of concern, including those areas where OIG believes weaknesses exist. These OIG offices also met with the newly created HUD Regional Directors to address areas of mutual concern. OIG provided a two-hour block of OIG familiarization to the HUD Regional Directors as part of their orientation course. Emphasis was placed upon communication and cooperation in working together to address weaknesses in HUD programs, including employee misconduct investigations.

1. IMMEDIATE OFFICE OF THE INSPECTOR GENERAL

The Inspector General reports directly to the Secretary and has authority to inquire into all program and administrative activities of the Department. The inquiries are designed to provide constructive advice for Departmental management, to promote economy and efficiency in the administration of HUD programs, and to prevent and detect fraud and abuse in HUD programs and operations.

2. OFFICE OF COUNSEL

In fiscal year 1994, the Inspector General established the OIG Office of Counsel, which is responsible for independently providing the full range of professional legal services and advice with respect to the formulation, coordination, revision, and execution of the entire OIG program.

3. OFFICE OF AUDIT

a. Employment and Responsibilities

The Office of Audit plans and conducts reviews of Departmental activities and operations that include: (a) HUD Headquarters and field offices, (b) programs and initiatives, and (c) contractors and other program participants doing business with the Department. The Department's programs and activities are large and varied and entail over \$550 billion in mortgage insurance, over \$600 billion in mortgage-backed securities and over \$30 billion in annual program expenditures. There are some 45,000 organizations delivering HUD programs nationwide. The Department also incurs operating expenses for nearly 9,400 employees. The Office of Audit's workload can be divided into three primary categories.

1. Performance Audits are reviews of selected HUD management and program operations to evaluate efficiency and effectiveness of program results. They are often directed at determining whether management controls are sufficient to minimize program risks. Performance audits review the records and performance of organizations receiving financial assistance or benefits from the Department, such as various State and local

government grant recipients, insured multifamily housing project owners and management agents, mortgage lenders and borrowers, contractors, public housing authorities, and nonprofit sponsors. The audits are a means of ascertaining the degree of compliance with applicable statutes, regulations, and agreements under which Federal funds and other benefits are made available; the appropriateness of the disposition of funds granted, loaned, or claimed; and/or the adequacy of participant performance and results.

2. **Financial Audits** include financial statement and financial related audits. They provide reasonable assurances about whether the financial statements of an audited entity are free of material misstatements and are presented in accordance with generally accepted accounting principles. Financial related audits include determining whether financial information is presented in accordance with established or stated criteria, and whether the entity has adhered to specific financial reporting.

3. **Advisory and Assistance Services** encompass our: (1) input to the legislative and regulatory processes; (2) technical advice and assistance to HUD management on programs and systems; (3) program research; (4) quality control reviews of non-Federal audits of HUD program activities; (5) audit finding resolution; (6) assistance to U.S. Attorneys in developing criminal and civil cases for prosecution; (7) reviews of Hotline and other types of complaints; (8) joint efforts with the Office of Investigation or program officials in detecting or preventing fraud; and (9) responses to requests for information or assistance from audit clients in the Department, the Office of Management and Budget (OMB), the Congress, or the public.

b. **Workload**

Overview. Our Semiannual Reports to the Congress continue to show significant audit results.

The Office of Audit's long-range strategy is to assist the Department in addressing management challenges that have been identified by our Office and the General Accounting Office. HUD is faced with persistent resource management and data system problems, a variety of material weaknesses, and a difficult time overseeing critical functions performed by outside entities.

To provide the best possible services to HUD management and the Congress, we will: (1) emphasize the review and oversight of legislative, regulatory and policy changes resulting from an ever changing HUD and program environment; (2) pursue improvement in existing methods or development of new ways to conduct HUD's business; and (3) focus greater attention on those major audit areas that will improve HUD's stewardship of Federal financial resources. Key efforts will include financial audits, information systems and performance reviews, and the continued emphasis on combating fraud, waste and mismanagement in HUD programs.

Review and Oversight. Major legislative and organizational changes have been made in the Department. These changes are fundamentally affecting the way HUD does business and will significantly increase the workload in the Office of Audit. For example, the Quality Housing and Work Responsibilities Act of 1998 substantially changed the public housing program and required new implementing regulations and policies. As they are developed, each will require our review and input to assure that proper safeguards and internal controls are in place to reduce the likelihood of program fraud and abuse. Our review and programs are consistent with HUD's goals to increase home ownership, help homeless families and individuals achieve housing stability, improve safety and quality of public housing, and make affordable rental housing available for low-income households. With the reductions in HUD program staff due to downsizing, our reviews of regulatory and policy changes take on greater importance.

Major changes are being made in the manner in which the Federal Housing Administration (FHA) conducts business. The Department has obtained authority to substantially increase FHA insurance limits and is continuing to privatize its real estate-owned activities. Organizationally, with the reductions in the level of program staff, greater reliance is being placed on our audit work to assure that lenders, grantees, contractors, and other program participants are spending funds efficiently, effectively and in accordance with program requirements.

In Multifamily Housing, major program changes are underway or anticipated. Through a process of portfolio reengineering, the Department would bring higher than market rents on subsidized and insured multifamily projects down to a level where they are competitive in the marketplace. We are routinely involved in evaluating these types of efforts and the development and implementation of legislation.

Audit Emphasis. Our audit work has shown that some of the most vulnerable program and operational areas in the Department include: the development and implementation of ADP systems; Single Family loan origination and property disposition; overpayments in HUD's rental assistance programs; PHA management and revitalization; enforcement of program rules and regulations, including an increased emphasis on violations of housing quality standards; contract and grant administration; and the use of HUD's staff resources.

The following are some of our traditional workload measurements for the 6-month period ending March 31, 2001.

- Audit Memoranda Issued 21
- Internal Audit Reports Issued..... 9
- External Audit Reports Issued 23
- Collections from Audits Activities.....\$14.1 million
- Management Decisions on Audits with
 Questioned Costs\$13.5 million
- Equity skimming - Out of Court Settlements,
 Court Ordered Fines, Penalties and
 Restitution\$0.4 million
- Subpoenas Issued17

The Office of Audit's strategy is to: (1) continue assessing the Department's efforts to address its major management challenges with emphasis on the adequacy and reliability of financial and information systems used by the Department, evaluating the effectiveness of newly established organizational units; (2) evaluate if staffing levels are adequate; (3) continue assessing the Department's implementation of the Results Act; (4) assess how the Department is implementing the Quality Housing and Work Responsibilities Act of 1998; (5) assess the Department's efforts to eliminate mortgage fraud; and (6) continue the demonstrated success we have had in our equity skimming efforts and conducting HUD's Annual Financial Statement Audit.

We need to maintain our current staffing levels and undertake a variety of major program effectiveness audits in order to become more proactive. While we regularly review HUD funding requirements, we've lacked resources to perform sufficient audit work at the recipient level to determine if the funding is getting desired results. Most new programs or significantly revised programs have not been audited. We need to look closer at many of our troubled Public Housing Authorities (PHAs) to make informed recommendations to the Department and Congress. There are numerous areas that deserve greater audit exposure. In accordance with the Government Paperwork Elimination Act, we are moving to a paperless audit system and electronically distributing our final products to the maximum extent possible.

We are taking an active and aggressive role in ascertaining how the Department can better define its mission and carry out its Congressional mandates. The Inspector General continues to routinely testify before Congressional committees on HUD's mission, management and performance; high-risk problems; perspectives on reinvention; and problems in the Single Family Housing Programs. Preparation for each hearing typically requires the completion of detailed audit work as a basis for testimony.

Our audit plan targets the following major areas of emphasis where we believe our work can be of greatest value to the Department and Congress:

- **Information System Audits.** The work of the Information Systems (IS) Audit Division has become increasingly important as the Department expands the use of information technology for program delivery with a

reduced staff. Much of the work is devoted to supporting the mandated Financial Statement Audits by reviewing the general and application controls of automated financial systems. These controls affect programs and supporting applications for all system efforts. IS audit work also involves assisting the Department in establishing controls and standards for error prevention; efficient and effective operations; and deterrents to fraud or abuse during system development. A new IS audit priority involves assessing HUD's entity wide information security policies and plans, including security management structure and the roles and responsibilities of security personnel. Another area of audit work is providing technical support to other OIG auditors and investigators. This work includes retrieving and analyzing data from HUD systems, advising field auditors on automated tools for use in their work, and obtaining computer-based evidence for investigative purposes.

- **Performance Audits.** A major part of our staff time is spent conducting audits of high-risk programs and program participants. Some of the more critical areas include:
 - Insured Multifamily Operations;
 - Native American Housing and Assistance and Self-Determination Act;
 - PHA Operations and Modernization;
 - Troubled Agency Recovery Centers;
 - Real Estate Assessment Center;
 - Grants Management Center;
 - Section 8 Administration;
 - Single Family Origination, Servicing and Disposition;
 - Contracting Activities;
 - CDBG Grantees and Sub-grantees;
 - Homeless Program Providers; and
 - Technical Assistance.

- **Financial Audits.** For fiscal year 2003, we will continue to complete the consolidated financial audit of the Department using our own staff resources. This audit has better enabled the OIG to grasp the major problems facing the Department and thereby target our audit resources in areas of greatest concern. Another benefit of the financial audit is that it enables us to evaluate internal controls as a measure of HUD's progress in identifying and solving its management challenges. The Financial Audit Division conducts this audit with assistance from staff from all of our District Offices and the IS Audit Division. Additionally, we contract with independent public accountants to perform audits of the financial statements of both FHA and the Government National Mortgage Association (Ginnie Mae), which are included in the consolidated audit. It is a major commitment of staff, training, contracting, and travel resources.

- These financial statement audits are required by the Chief Financial Officers Act of 1990. We devote over 20 staff years to perform the consolidated financial audit and administer the contracted audits of FHA and Ginnie Mae.

Equity Skimming Efforts. The identification and pursuit of fraud in insured multifamily housing programs is a principal focus of audits and investigations. Our strategy is to obtain successful criminal and civil prosecution, sending a message to owners that defrauding the government will not be tolerated. We have focused on affirmative civil enforcement opportunities with direct referral of cases to the U.S. Attorneys. The burden of proof is less on these civil cases and provides for more immediate impact. We have reached settlement and judgment on 131 cases totaling \$105 million and had court convictions on another 32 cases totaling \$5.8 million. We must increase our aggressive pursuit of fraud cases.

4. OFFICE OF INVESTIGATIONS

a. Employment and Responsibilities

The Office of Investigation is responsible for the development and implementation of investigative activities focusing on fraud and abuse in connection with HUD programs and activities. Special agents assigned to Headquarters and to eleven district offices are responsible for conducting investigations. The Office of Investigation initiates investigations of possible violations of laws related to the administration of HUD programs and activities or serious misconduct on the part of HUD employees. These initiatives include investigations of possible criminal violations for criminal and/or civil prosecution and investigations of program irregularities for civil and/or administrative actions by HUD. In carrying out these responsibilities, the Office of Investigation works closely with other Federal law enforcement agencies, as well as with State and local law enforcement. Numerous successful investigations have occurred because of the combined efforts of more than one investigative agency. These efforts not only intensify the investigation, but also can broaden the scope of the inquiry and jurisdictional range of potential violations.

Headquarters, Office of Investigation directs the activities of the eleven districts and performs an investigative support function. In addition, the Office of Investigations has a Special Investigations Division that conducts sensitive, highly complex and/or nationwide fraud investigations. A Special Agent in Charge who is responsible for overseeing investigations within their respective geographic areas of responsibility supervises each district Office.

b. Workload

Our Semiannual Report to the Congress continues to show significant results from our investigative efforts. The following is a summary of our investigative results for the 6-month period October 1, 2000 through March 31, 2001.

WHITE-COLLAR INVESTIGATIVE RESULTS

WHITE-COLLAR FEDERAL ARRESTS	WHITE-COLLAR STATE ARRESTS	WHITE-COLLAR INDICTMENTS	WHITE-COLLAR CONVICTIONS	WHITE-COLLAR INVESTIGATIVE RECOVERIES	WHITE-COLLAR SUSPENSIONS /DEBARMENTS OF PERSONS/FIRMS DOING BUSINESS WITH HUD	WHITE-COLLAR SEARCH WARRANTS
82	60	146	125	\$31,143,725	98	35

Significant progress was made during fiscal year 2001 to update the case management and information systems of the Office of Investigation. A new computerized case management system (Auto-Investigation) was implemented to replace two database systems from 1979 that no longer meet the demanding requirements of the Office of Investigation. The new system provides headquarters staff with the capability of immediate review of the progress of ongoing investigations and substantially reduces the number of hard copy reports required from the field offices. During fiscal years 2002 and 2003, the Office of Investigations will expand the capabilities of Auto-Investigation to include an improved Investigation report module, an array of management reports, an inventory module and a training tracking module.

During fiscal year 2003, the Office of Investigation will continue working to maintain a balance between two major areas of investigative concern. First, resources will be focused on white-collar fraud investigations in those programmatic areas that hold the greatest potential for return. Second, resources will be focused on investigations that target property flipping schemes and predatory lending practices.

Maintaining and enhancing an aggressive, prioritized program of white-collar fraud investigations is one key performance goal of the Office of Investigation. These investigations, which are routinely supported by other law enforcement agencies (primarily the Federal Bureau of Investigations (FBI)) and the Office of Audit, are for the purpose of punishing abusers of HUD programs, recovering Federal funds, deterring others from committing illegal acts, and restoring public confidence in the integrity of HUD programs.

Our white-collar crime investigations will continue to yield significant prosecutive results such as loan origination fraud and property flipping schemes in the single family mortgage insurance program, equity skimming, embezzlement, and false claims violations in the multifamily insured and assisted housing programs, and embezzlement and false claims cases in public housing and community development grant programs. An increasing number of these investigations in these areas involve highly sophisticated fraudulent schemes perpetrated in an automated environment by multiple individuals and business entities operating in many jurisdictions. In order to adequately address this area in fiscal year 2003, the Office of Investigation is proposing to establish a specialized Electronic Crime Team consisting of two special agents to provide technology assistance and computer forensic support to other agents in conducting complex fraud investigations that frequently require the seizure and evaluation of digital evidence.

5. HOUSING FRAUD INITIATIVE (HFI)

In fiscal year 1998, Congress authorized an initiative to investigate, in conjunction with the FBI, possible fraud in all HUD programs. In consultation with the FBI, we established Housing Fraud Initiative task forces in various locations. These task forces undertake comprehensive assessments of HUD program vulnerabilities with the goal of maximizing fraud prosecutions.

In the last semi-annual report, those HFI task forces were responsible for 24 Federal arrests, 17 State arrests, 11 search warrants, 35 administrative sanctions, 41 indictments, 50 convictions, with individuals sentenced to a total of more than 47 years, court ordered recoveries of \$923,671, and collections of \$13,791,567. Those results are included in the workload "white-collar" crime investigative results table.

6. OFFICE OF MANAGEMENT AND POLICY (OMAP)

a. Employment and Responsibilities

The Office of Management and Policy provides OIG-wide administrative support such as budget and financial management, personnel management, employee training, internal policy development, ADP and automated office support services, reports preparation, and records management. It also maintains a Fraud Awareness and Program Integrity office, conducts internal management assessment reviews, and oversees the work of the Directorate of Internal Affairs.

b. Workload

OMAP continues to be the OIG focal point for streamlining support operations and developing OIG policies and procedures, particularly those related to administrative and human resources. OMAP is also responsible for the OIG quality assurance program that assesses OIGwide compliance with professional audit and investigative standards, and administrative policies. The program involves a comprehensive evaluation of one district each quarter for four evaluations per year so that each district is evaluated at least once every 3 years.

As part of an overall effort to improve mission performance, the OMAP information systems staff has taken the lead in reengineering the flow of information throughout the organization by automating the OIG workflow processes to the maximum extent possible. The OIG has outsourced automation support and established a secure virtual private network under the Seat Management program. Users now have greater access to information within each component office, and the sharing of information across the organization has been enhanced. We have also purchased commercial off-the-shelf (COTS) software packages that automate the work of auditors and special agents. Our strategy to

implement an independent secure network from the ground up has been a huge undertaking and required extensive coordination among participating agencies and the contractor.

The OIG has also contracted with the Bureau of Public Debt (BPD) to provide personnel and procurement services. Outsourcing these functions has enhanced OIG mission performance while allowing it to remain semi-autonomous from the Department. Outsourcing has enabled us to provide essential mission support activities without having to compete with other offices for the limited Departmental resources in these areas. Thus, we are able to devote our limited support resources to priority issues and needs immediately. The OIG must maintain a limited core staff with personnel and procurement expertise to provide interface, develop policy and provide contract oversight of BPD's performance.

The OIG's extensive budget and administrative services, reports preparation, and records management activities are conducted in-house with a relatively small staff that oversees OIG operations in the Headquarters as well as eleven districts and associated outlying offices across the United States and Puerto Rico. The semi-autonomous nature of the OIG stemming from the IG Act of 1978 poses significant challenges in ensuring the OIG has sufficient resources and support facilities to fulfill its mission.