

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

The following material discusses the scope of work, proposed staffing levels, budget estimates, and justification for the Office of Inspector General (OIG) for fiscal year 2004.

APPROPRIATION HIGHLIGHTS

The following table summarizes the funding sources and staffing levels.

	ESTIMATE 2002	ESTIMATE 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
	(Dollars in Thousands)			
<u>Budget Authority</u>				
Funds Available:				
Budget Authority .....	\$66,550	\$74,341	\$76,080	+\$1,739
Transfer from FHA Fund ...	22,343	23,343	24,000	+657
Transfer from PIH				
Operating Fund .....	5,000	...	...	...
Emergency Response Fund ..	1,000	...	...	...
Subtotal .....	94,893	97,684	100,080	+2,396
Other Transfers:				
Consolidated Fee Account .	537	...	...	...
Audit of Section 514				
Technical Assistance				
Grants .....	100	...	...	...
Subtotal .....	637	...	...	...
Subtotal .....	95,530	97,684	100,080	+2,396
Outlays (net) .....	70,000	73,000	76,000	+3,000
Full-Time Permanent				
Appointments (EOY) .....	638	675	675	...
Full-Time Equivalents .....	649	675	675	...

NOTE: The fiscal year 2003 estimate does not include Legislative Proposal costs of \$3,911 thousand as previously identified in the fiscal year 2003 Congressional Justification.

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2004 estimate of \$100.1 million represents an increase of \$2.4 million over the current fiscal year 2003 estimate. Most of this increase (\$2.0 million) is for personal services, which includes the fiscal years 2003 and 2004 pay-raise factors. Additional budget justification and estimates are provided below.

STAFFING

For fiscal year 2004, the OIG staffing level remains at 675.

During fiscal year 2002, the OIG refocused its efforts from violent crime activities to investigations involving Federal Housing Administration (FHA) single-family mortgage fraud, including property flipping schemes and predatory lending practices. In support of this strategy, specialized training classes have been developed to transition Special Agents from illegal drug and violent crime investigations to FHA mortgage fraud, and to refresh Agents and Auditors who have not been recently involved in FHA mortgage audits or investigations. In addition, Office of Investigations (OI) has analyzed the delivery of HUD program funds nationwide and re-deployed FTEs to those areas of the country receiving the greatest HUD funding and where the potential for fraud is highest.

FUNDING BY OBJECT CLASS

The following table summarizes this request by object class.

	ESTIMATE 2002	ESTIMATE 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
	(Dollars in Thousands)			
Personal Services .....	\$65,215	\$70,520	\$72,509	+\$1,989
Travel and Transportation Of				
Persons .....	4,980	5,401	5,482	+81
Transportation Of Things .....	123	120	122	+2
Rent, Communications, and				
Utilities .....	8,811	8,853	8,986	+133
Printing and Reproduction .....	100	113	115	+2
Other Services .....	13,420	11,307	11,476	+169
Supplies and Materials .....	619	598	606	+8
Furniture and Equipment .....	1,205	755	767	+12
Insurance Claims and				
Indemnities .....	57	17	17	...
Emergency Response Fund .....	<u>1,000</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total Obligations .....	95,530	97,684	100,080	+2,396

NOTE: The fiscal year 2003 estimate does not include legislative proposal costs of \$3,911 thousand as previously identified in the fiscal year 2003 Congressional Justification.

CHANGES FROM FISCAL YEAR 2003 TO FISCAL YEAR 2004

A description of the various object classes that are used by the OIG and explanations for the fiscal year 2004 requests are provided below.

Personal Services

The fiscal year 2004 estimate of \$72.5 million reflects an increase of \$2.0 million over the current fiscal year 2003 estimate. This increase includes the fiscal years 2003 and 2004 pay-raise factors.

Travel and Transportation of Persons

The OIG staff travels extensively to carry out their audit and investigative responsibilities. The Audit staff travels to program participants and contractor offices to conduct project, contract, and financial audits, and evaluations of pricing proposals. Investigation staff requires extensive travel to interview witnesses and subjects of investigations, and to examine records. This object class also covers training and conference travel, program execution travel, and miscellaneous travel related to audit and investigative activities, and leased vehicles. The fiscal year 2004 estimate of \$5.5 million reflects an increase of \$0.1 million for the non-personal services adjustment factor.

Transportation of Things

This object class 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. In fiscal year 2002, OI began re-deploying Special Agents to those areas of the country with high FHA mortgage endorsements or default rates. The fiscal year 2004 estimate reflects a slight increase for the non-personal services adjustment.

Rent, Communications and Utilities

Funds under this object class provide for all rental costs, including space and equipment, as well as communication and utility services. Rent includes occupied space, security space, parking, and utilities. The fiscal year 2004 estimate of \$9.0 million represents an increase of \$0.1 million for the non-personal services adjustment factor.

Printing and Reproduction

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. The OIG's Semiannual Reports to the Congress is also covered under this classification. The fiscal year 2004 estimate includes a slight increase for the non-personal services adjustment factor.

Other Services

A multitude of activities is funded under this object class, including professional training and development of OIG staff personnel, audit services, general support, and information technology (IT) maintenance and services. Audit services consist primarily of the cost of contracting for the audits of the FHA and Ginnie Mae financial statements.

The fiscal year 2004 estimate of \$11.5 million includes an increase of \$0.2 million for the non-personal services adjustment factor.

OIG has various Interagency Agreements. One such agreement is with the Department of Justice for access to National Crime Information Center (NCIC) data related to OIG investigative activities. Another with the U.S. Customs Service provides nationwide radio communications support. OIG also has agreements with the Bureau of Public Debt for personnel, contracting/procurement services, and background checks/investigations on OIG staff; with the National Finance Center for payroll processing; and with HUD for continued support of HUD information systems.

Funds from this object class are also used for the purchase of goods and services where source identity or investigative techniques require confidentiality and normal procurement procedures might compromise that confidentiality, e.g., undercover investigations.

Since fiscal year 1999, the OIG has outsourced its automation services to a contractor under a concept called seat management. We have made significant progress in implementing a stable and reliable network. The seat management contract provides OIG with its own secure local area network and a platform on which automated workflow applications can be employed. The system accommodates sensitive communications and adds encrypted data communications security to a full range of interoperable products. This ensures the confidentiality, integrity, and availability of OIG information and results in more efficient and effective business processes.

Other funds in this object class include amounts for 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; automation-related supplies; subscriptions to professional magazines, publications and research materials; and other items that are generally consumed or expended within 1 year after purchase. The fiscal year 2004 estimate includes a slight increase for the non-personal services adjustment factor.

Furniture and Equipment

This object class includes the purchase of furniture and fixtures, general office equipment, and special equipment/weapons for law enforcement investigative activities. The fiscal year 2004 estimate includes a slight increase for the non-personal services adjustment factor.

Insurance Claims and Indemnities

This expense 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 normally includes loss or damage to personal property being used for the benefit of the government. The fiscal year 2004 estimate remains unchanged from the current fiscal year 2003 estimate.

SCOPE OF ACTIVITY

The OIG is the Department's primary source for obtaining independent reviews of the integrity, efficiency, and effectiveness of Departmental programs and operations. In directing these review activities, the OIG emphasizes both the detection and prevention aspects of these services within a comprehensive Departmental effort to attain improved management effectiveness. OIG also 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 form of audits, investigations, or other such reviews, as may be appropriate.

WORKLOAD

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

As of June 21, 2002, OI had 594 open single-family mortgage insurance cases, consisting of property flipping and other loan origination frauds, an increase of 28 percent since the beginning of the fiscal year. OIG has analyzed HUD databases and isolated the locations where flipping appears to be most prevalent, and is organizing and deploying its assets to those areas.

The OIG strives to eliminate material weaknesses in HUD programs. For example, OI prepares Systemic Implications Reports (SIRs) that identify weaknesses that surface during the course of criminal, civil, or administrative investigations. SIRs are submitted to the appropriate HUD program office and provide program officials with sufficient information to determine whether changes in HUD program rules or regulations are required.

The OIG focuses its efforts on assisting HUD in ensuring management reforms are effective and addressing Congressional and taxpayer concerns about program delivery and financial integrity. Detecting and preventing waste, fraud, and abuse are integral components of this work. The scope of OIG's efforts will expand based on recent evaluations of HUD's management/organizational reforms, audits of HUD program delivery, financial and management systems audits, and to accommodate the President's Management Agenda and Presidential initiatives aimed at increasing housing opportunities for more Americans.

Audit will focus its efforts primarily on two areas. First, they will conduct audits that assist the Department in meeting the President's Management Agenda and new Presidential initiatives. Each audit will emphasize important issues such as human capital, financial performance, systems integration, or competitive sourcing. Second, they will focus on HUD's management challenges that are reported to the Congress semiannually. The challenges identified below are tied to HUD's management and performance issues related to the President's Management Agenda.

- Complete Departmentwide organizational changes.
- Improve financial management systems.
- Assure adequate and sufficiently trained HUD staff.
- Improve FHA singlefamily origination and real estate owned property oversight.
- Improve the effectiveness and efficiency of public and assisted housing program administration.

The OIG's overall objective in these five areas is to aid HUD in operating more efficiently and effectively by auditing various program operations and making comprehensive recommendations.

In order to harmonize OIG efforts and achieve the maximum output from OIG resources, members of the Audit and Investigation staff meet with HUD program officials monthly to discuss issues of concern, including those areas where OIG believes weaknesses exist. In addition, these OIG

offices meet with HUD's regional directors to address areas of mutual concern. OIG provides a two-hour familiarization block to the HUD regional directors as part of their orientation course. Emphasis is placed on communication and cooperation in working together to address weaknesses in HUD programs.

1. IMMEDIATE OFFICE OF THE INSPECTOR GENERAL

The Inspector General reports directly to the Secretary and the Congress, and has authority to inquire into all program and administrative activities of the Department. 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 waste, fraud, and abuse in HUD programs and operations.

2. OFFICE OF LEGAL COUNSEL

The OIG Office of Legal Counsel (OLC) is responsible for providing the full range of independent professional legal services and advice with respect to the formulation, coordination, revision, and execution of the OIG program. Specifically, OLC Attorneys:

- Render oral and written legal opinions and provide legal advice to the IG, OIG staff, and Auditors and Special Agents;
- Review and comment on existing or proposed legislation and regulations;
- Draft proposed legislation and regulations in conjunction with OIG audit and investigative activities;
- Materially assist in the preparation and prosecution of criminal and/or civil fraud cases referred by or affecting the OIG;
- Oversee and assist in the preparation, issuance, and enforcement of subpoenas required during an audit, investigation, or other activity;
- Conduct the litigation of Merit Systems Protection Board proceedings initiated by the OIG staff as a consequence of administrative decisions by OIG managers;
- Represent the OIG staff at legal proceedings related to audits, investigations, or other OIG activities;
- Represent the IG and OIG staff in discussions with other components of the Department;
- Provide legal advice on requests received by OIG pertaining to the Freedom of Information Act (FOIA) and the Privacy Act; and
- Provide other legal assistance to the IG as requested.

3. OFFICE OF AUDIT (OA)

a. Employment and Responsibilities

Audit plans and conducts reviews of Departmental activities and operations that include: (1) Headquarters programs and operations, and the activities of approximately 80 HUD field offices; (2) hundreds of HUD programs and initiatives; and (3) contractors and program participants doing business with the Department. HUD's outlays are generally in the range of \$35 billion annually. When compared to other Federal civil agencies, the Department is fairly large in terms of its budget outlays. However, in terms of Federal exposure, HUD is one of the largest Federal agencies in that the FHA insures over \$100 billion in mortgages annually with an outstanding mortgage insurance portfolio of approximately \$600 billion. There are some 45,000 organizations delivering HUD programs nationwide. The Department also incurs operating expenses for approximately 10,000 employees. Audit's significant workload is generally divided into three primary categories.

1. Performance Audits are reviews of the efficiency and effectiveness of selected HUD management and program operations. These audits are directed at determining the adequacy of management controls and minimizing program risks. These audits are focused on assuring that housing assistance programs are handled efficiently and effectively. Performance audits also include reviews of the records and performance of those organizations receiving financial assistance or benefits from the Department, such as various State and local government grant recipients and sub-recipients, multifamily owners and management agents of insured projects, mortgage lenders and borrowers, contractors, public housing authorities, and nonprofit sponsors. Performance 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

audits also examine 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 of various HUD operations. The objective of these audits is to provide reasonable assurance that the entity's financial statements are free of material misstatements and are presented in accordance with generally accepted accounting principles. Financial-related audits include determination of whether financial information is presented in accordance with established or stated criteria, and whether or not the entity has adhered to specific financial reporting requirements established by law or regulation.

3. Advisory and Assistance Services include: (a) input to the legislative and regulatory processes; (b) technical advice and assistance to HUD management on programs and systems; (c) program research; (d) quality control reviews of non-federal audits of HUD program activities; (e) audit finding resolution; (f) assistance to U.S. Attorneys in developing criminal and civil cases for prosecution; (g) reviews of Hotline and other types of complaints; (h) joint efforts with Investigation or program officials in detecting or preventing fraud; and (i) responses to requests for information or assistance from audit clients, including the Office of Management and Budget (OMB) and the Congress.

b. Workload

Overview. The OIG's Semiannual Reports to the Congress continue to show significant audit results. Audit's long-range strategy is to perform audit work that assists the Department in addressing the President's Management Agenda. This agenda includes many governmentwide issues that all Federal agencies must address as well as specific HUD management challenges. Both Audit and the General Accounting Office have identified specific HUD challenges related to the President's Management Agenda. The size and diversity of HUD programs has led to staffing and information systems challenges and resulted in a variety of material weaknesses identified in OIG audits. These weaknesses are compounded by the fact that many, if not most, of HUD's critical functions are being performed by outside entities.

To provide the best possible services to HUD management and the Congress, Audit will: (1) emphasize the review and oversight of legislative, regulatory and policy changes resulting from an ever changing HUD and program environment; (2) pursue ways to improve existing methods or suggest new methods of conducting 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 continued emphasis on combating fraud, waste and mismanagement in HUD programs.

Review and Oversight. In recent years, the Department has undergone major organizational changes that have fundamentally affected the way it conducts business. This has increased the workload in Audit significantly. Major changes have been made in the manner in which the FHA conducts its business. The Department has substantially increased FHA insurance limits and privatized its real estate-owned (REO) activities. From an organization standpoint, reductions in the level of program staff have resulted in greater reliance being placed on OIG audit work to assure that lenders, grantees, contractors, and other program participants are meeting program requirements and spending funds efficiently and effectively. Audit's plans to review HUD programs are consistent with the goals to increase home ownership, help homeless families and individuals achieve housing stability, improve the safety and quality of public housing, and make affordable rental housing available for more low-income households. With the reductions in HUD program staff during the mid-1990s, reviews of regulatory and policy changes have taken on greater importance. As a result, Audit focuses its efforts on evaluating the features and objectives of various program operations with the aim of recommending ways to maximize results with federal expenditures. Additionally, in multifamily housing, major program changes are underway or anticipated. Through a process of portfolio reengineering, the Department is bringing higher than market rents on subsidized and insured multifamily projects down to a level where they are competitive in the marketplace. Audit will be closely involved in audits of portfolio reengineering to meet the Presidential goal of increasing the availability of low-income housing assistance. Moreover, Audit is routinely involved in evaluating these types of efforts and the development and implementation of associated legislation.

Audit Emphasis. OA work has shown that some of the most vulnerable program and operational areas in the Department include: the timely development and implementation of information systems; Single-Family loan origination and Real Estate Office property disposition;

erroneous payments in HUD's low-income housing assistance programs; contract and grant administration to include entitlement cities and empowerment zones; Public Housing Authority (PHA) management and operations; enforcement of program rules and regulations, including an increased emphasis on violations of housing quality standards; and the effective use of HUD's staff resources.

The following are some of our traditional workload measurements for the 6-month period ending March 31, 2002.

- Audit Memoranda Issued ..... 21
- Internal Audit Reports Issued..... 8
- External Audit Reports Issued ..... 10
- Collections from Audit Activities..... \$6.9 million
- Management Decisions on Audits with  
    Questioned Costs ..... \$40.1 million
- Subpoenas Issued ..... 8
- Recommendations that Funds be put  
    to Better Use .. .....\$514.0 million

Audit's strategy is to: (1) continue assessing the Department's efforts to address the President's Management Agenda with emphasis on the adequacy and reliability of financial and information systems; (2) maintain a high level of responsiveness to audit requests from HUD Congressional Oversight Committees; (3) continue assessing Departmental staffing levels for adequacy in complying with legislative mandates; (4) track the Department's efforts to lower FHA mortgage foreclosure rates as well as efforts to deter mortgage fraud; (5) continue completing a timely and comprehensive audit of HUD's Annual Financial Statements; (6) continue assessing the Department's implementation of the GPRA; and 7) recommend actions that maximize electronic methods for identifying program fraud and abuse in low-income housing programs.

The potential audit universe continues to expand with the growth of HUD activity, especially in FHA's insurance operations. Additionally, the Congress has increasingly tasked Audit with legislated audit work. Much of the additional work in fiscal year 2002 was in response to the Congress. For example, the Appropriations Committee tasked OIG with audit responsibility for the \$2.7 billion in disaster assistance funding being provided to New York City as a result of the terrorist attacks of September 11, 2001. Additionally, the Appropriations Committee requested that OIG conduct a comprehensive review of newly designated empowerment zones. This effort required that Audit commit a sizable portion of its staff to review seven newly designated zones. Additionally, at the request of another Congressional Committee, OIG was tasked with reviewing approximately 80 Office of Multifamily Housing Restructuring technical assistance grants.

In addition to the HUD-specific mandates issued by the Congress, all OIGs must meet several governmentwide legislative mandates annually. The two most significant requirements are the financial audits required by the Chief Financial Officers Act and the review of information security policies required by the Government Information Security Reform Act (GISRA).

The OIG's audit plan targets the following major areas of emphasis where the work can be of greatest value to the Department and the Congress:

- Information System Audits. The work of the Information Systems (IS) Audits Division has become increasingly important as the Department expands the use of information technology for program delivery with a reduced staff. The areas of focus are financial and systems audits, consultation on system controls, and technical assistance.
- Financial and Systems Audits. A considerable portion of the IS work is devoted to supporting mandated Financial Statement Audits by reviewing the general and application controls of automated financial systems. Also, the IS Division will review the upcoming contract effort for HUD's information technology infrastructure (network, servers, mainframes, and workstations) support. This contract effort, termed HUD's IT Support (HITS), could potentially exceed \$1 billion. Another 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. This work mandated under the GISRA is likely to become permanent and involve more extensive testing of security measures.
- Consultative Work. The IS Audit Division has been assisting the Department in establishing controls and standards for error prevention; efficient and

effective operations; and deterrents to fraud or abuse during costly system development efforts.

- Technical Assistance. The IS Audit Division also provides 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. Work in this area has increased significantly because of continuing growth in e-business.

This year, Audit plans to expand its use of forensic tools and establish a forensic computing group within the IS Audit Division. As the use of personal computers has increased in business, so has their use in criminal endeavors. Today's business records are commonly stored on computer media (hard drives, floppies and optical disks). This group will assist OI by applying new procedures to gather evidence through electronic media. The mechanisms to do this will include the use of sophisticated software/hardware techniques that can be applied to identify problem activities and preserve the integrity of seized data.

- Performance Audits. A major part of our staff time is spent conducting audits of high-risk programs and program participants. With a multitude of diverse programs in the Department, there are tens of thousands of potential audit entities. As each of these assignments is planned, Audit will maintain its focus on items in the President's Management Agenda. For example, the examination of staff resources, financial performance, and systems will be an integral part of each assignment. Some of the more critical audit areas include:
  - Strategic Management of Human Capital in HUD Business Operations;
  - Single Family Mortgage Origination Practices;
  - Single Family Servicing Activities;
  - Property Disposition Activities for Real Estate Owned Properties;
  - Budgeting and Planning for Information Technology Operations;
  - Insured Multifamily Operations;
  - Native American Housing and Assistance and Self-Determination Act;
  - PHA Operations and Modernization;
  - Troubled Housing Authorities;
  - Assessing the Physical and Financial Conditions of HUD Projects;
  - Grants Management Center;
  - Administration of Low-Income Housing Assistance;
  - CDBG Grantees and Sub-grantees;
  - Homeless Program Providers;
  - Technical Assistance; and
  - Implementation of Federal Activities Conversion Reform.
- Financial Audits. For fiscal year 2004, Audit will continue to complete most of the consolidated financial audit of the Department using its own staff resources. This audit has enabled the OIG to better grasp the major problems facing the Department, thereby enabling us to target its remaining audit resources on areas of greatest risk. Part of the President's Management Agenda is to improve financial performance and to develop reliable financial management systems. OIG's financial audits help in attaining these goals. Another benefit of the financial audit is that it enables Audit to evaluate internal controls as a measure of HUD's progress in identifying and solving its management challenges. The Financial Audits Division conducts this audit with assistance from staff from all of OIG's regional offices and the IS Audit Division.



Additionally, Audit contracts with independent public accountants to perform audits of the financial statements of both FHA and the Ginnie Mae. The conduct and administration of the consolidated audit requires a major commitment of staff, training, contracting, and travel resources, and requires more than 20 staff years.

4. OFFICE OF INVESTIGATION (OI)

a. Employment and Responsibilities

OI 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 ten Regional Offices are responsible for conducting a variety of investigations. OI initiates investigations of alleged violations of laws related to the administration of HUD programs and activities and employee misconduct. These investigations result in criminal, civil, and/or administrative sanctions. In carrying out these responsibilities, OI works closely with other Federal, state, and local law enforcement agencies. These partnerships have resulted in many successful investigations.

Headquarters personnel direct the activities of ten Regional Offices, and a Special Investigations Division (SID). SID is responsible for conducting sensitive Internal Affairs investigations, Departmental employee misconduct investigations, and inspections of OIG investigative offices. The Special Agent in Charge of each Regional Office is responsible for overseeing investigations within their respective geographic areas.

b. Workload

OIG's Semiannual Report to the Congress continues to show significant results from its investigative efforts. The following is a summary of investigative results for the 6-month period April 1, 2002 through September 30, 2002.

INVESTIGATIVE RESULTS

ARRESTS	INDICTMENTS	CONVICTIONS	INVESTIGATIVE RECOVERIES/ COLLECTIONS	SUSPENSIONS /DEBARMENTS OF PERSONS/ FIRMS DOING BUSINESS WITH HUD
66	177	184	\$26,027,461	164

Maintaining an aggressive, prioritized program of white-collar fraud investigations is one key performance goal for OI. These investigations, which are routinely supported by other law enforcement agencies (primarily the FBI) and the Office of Audit, aim to identify abusers of HUD programs, recover federal funds, deter others from committing illegal acts against HUD, and restore public confidence in the integrity of HUD programs. It is anticipated that the FBI will continue to reallocate resources from economic and government fraud investigations to their current priority of matters involving national security.

An increasing number of investigations involve highly sophisticated and complex financial schemes perpetrated in an automated environment by multiple individuals and business entities operating in many jurisdictions. In order to adequately address this topic in fiscal year 2003, OIG is establishing a forensic and data retrieval capability, which will serve the needs of both audit and investigations. This lab will provide technology assistance and computer forensic support to Agents conducting complex fraud investigations that frequently require the seizure and evaluation of electronic evidence.

c. 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, OI established HFI task forces in various locations. These task forces undertake comprehensive assessments of HUD program vulnerabilities with the goal of maximizing fraud prosecutions.

Those HFI task forces have continued to conduct successful investigations resulting in numerous arrests, indictments and convictions. HFI statistics are included in the workload investigative results table. The establishment of the HFIs was intended originally for a 3- to 5-year period. OI is currently mid-way through that life span and the success of the HFI concept is well documented.

d. Fugitive Felon Initiative

Section 903 of Public Law 104-193, signed into law in 1996, is titled "Elimination of Housing Assistance with Respect to Fugitive Felons and Probation and Parole Violators." This law allows for the immediate termination of tenancy of a public housing tenant if the tenant is fleeing to avoid prosecution or confinement after conviction for a felony, or is violating a condition of parole or probation imposed under Federal or State law. The law also authorizes the exchange of information with law enforcement agencies to allow for data matches. This project is being initiated based in part because of an inquiry by GAO, who questioned OI about our lack of enforcement of this Public Law.

The National Crime Information Center (NCIC) system maintains an average of 550,000 warrants with 70,000 new warrants issued each month. According to NCIC, on average, only 28 percent of all fugitive felon warrants are entered into NCIC. Therefore, a more realistic figure of 1.9 million felony warrants may be outstanding, with 250,000 being issued each month. The OIGs for Social Security Administration and Department of Veterans Affairs have conducted data matches with respect to their programs by comparing fugitive felon records with their program recipient databases. The VA-IG has identified a 2 percent match rate and SSA a 1.7 percent match rate. The match rate is the percent of fugitive felons who are beneficiaries.

Currently, HUD provides housing for 4.8 million households in public housing, through Section 8 rental assistance and multifamily units. Using an assumed match rate of 2 percent, and a 1.9 million figure for fugitive felons, we could feasibly expect 38,000 initial hits nationwide with an additional 5,000 new hits per month. The latest HUD data shows the average Federal spending per subsidized unit per month is \$412.00. Thus, if we eliminated 5,000 ineligible recipients per month, the OIG could help the Department avoid ineligible subsidies that could total up to \$24 million annually. Reducing overpaid rent subsidies is one of HUD's management improvement goals in the President's Management Agenda.

e. Low-Income Housing Assistance

The President's Management Agenda emphasizes program effectiveness. OMB is working to develop "common measures" for five cross cutting government wide functions, with low-income housing being one of them. In HUD's fiscal year 2001 Performance and Accountability Report, HUD estimated \$978 million in subsidy overpayments attributed to tenant underreporting of income. That projection was derived from a review comparing earned and unearned household income reported to public housing authorities, owners and agents to income data from Social Security Administration (SSA) and Internal Revenue Service (IRS) databases. Underreporting of income or any other false entry or statement used to acquire a housing subsidy is a criminal violation. Rental assistance has not been a primary focus of investigative efforts in recent years due to our emphasis on violent crime. We propose to concentrate on Low-Income Housing Programs as one of our white-collar initiatives for fiscal year 2003 and will continue the focus through fiscal year 2004.

f. Single-Family Mortgage Fraud

Our appropriations budget for fiscal year 2002 mandated the phase-out of "Operation Safe Home," a violent crime initiative. This will be replaced with a renewed emphasis on white-collar criminal investigations. Investigations of property flipping, predatory lending, and loan origination fraud became OIG's priority in fiscal year 2002. Accomplishments in increasing single-family investigations to meet that mandate are reflected in the chart below:

## SINGLE-FAMILY CASES

Month	Oct 2001	Nov 2001	Dec 2001	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	June 2002	July 2002
# of Cases Beginning of Month	461	467	483	487	488	501	515	531	555	594 **
# of Cases Opened During Month	11	23	21	19	18	21	32	32	45 **	
# of Cases Closed During Month	5	7	17	18	5	7	16	8	6 **	

\*\* Figures as of June 21, 2002.

Investigative efforts on the above single-family cases involve 1,423 subjects, 35,978 FHA insured properties, and estimated losses totaling approximately \$1 billion. These cases are being worked in coordination with 148 Assistant United States Attorneys and approximately 38 percent are being worked with other Federal law enforcement agencies.

5. OFFICE OF MANAGEMENT AND POLICY (OMAP)

a. Employment and Responsibilities

The OMAP provides OIG-wide administrative support, including budget and financial management, human resources management, employee training, internal policy development, ADP and automated office support services, reports preparation, and records management. It also oversees the OIG Internal Management Assessment Program and is responsible for the OIG Hotline operation.

b. Workload

OMAP is the OIG focal point for providing streamlined support to OIG and developing policies and procedures, particularly those related to administrative programs and human resources. OMAP has undertaken a major initiative to issue new or updated policies and guidance in these two areas. OMAP also conducts the OIG Internal Management Assessment Program that measures OIG-wide compliance with professional audit and investigative standards, and administrative policies. This program involves a comprehensive evaluation of one Region each quarter for four evaluations per year, so that each Region is evaluated at least once every 3 years. As mentioned above, OMAP is responsible for the Hotline function and its 6 FTEs. Over the last 2 years, the Hotline staff has received, processed, and evaluated over 35,000 inquiries/complaints per year.

As part of an overall effort to enhance mission performance, the OMAP Information Systems (IS) staff has made significant progress in providing access to HUD databases and applications directly from seat management computers. Through a User Advisory Group with representation nationwide, the IS staff has implemented system changes quickly in response to user concerns. In addition, the hiring of an IS Security Manager has strengthened the security and integrity of the OIG network.

The OIG has also contracted with the U.S. Department of Treasury, Bureau of Public Debt (BPD), to provide human resources and procurement services. Outsourcing these functions has enhanced OIG mission performance while preserving its independence from the Department. Moreover, it has allowed the OIG to devote a high percentage of its limited resources to primary mission activities. In addition the OIG does not have to compete with other Departmental offices for resources in these areas. As a result, OIG can devote its limited support staff to policy development, advice and guidance, and contract oversight.

The OIG's extensive budget and administrative services, reports preparation, and records management activities are conducted in-house with a small staff that oversees OIG operations in Headquarters as well as in the ten Regions and associated outlying offices across the United States and Puerto Rico.