

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL**

Program Area Overview

The mission of the OIG is to prevent and detect fraud, waste, and abuse of the Department’s programs by conducting independent audits, inspections, evaluations, and investigations. The OIG’s operations provide a means to keep the Secretary and the Congress fully informed about the Department’s problems and deficiencies through its reporting process. After finding problems and deficiencies, the OIG makes recommendations to improve the operations and follows up on the Department’s corrective actions. We will actively pursue financial fraud schemes, which can have devastating effects not just on HUD programs and operations but far beyond just the federal government, often hitting ordinary Americans directly. Protecting taxpayer dollars is one of the IG’s core priorities. This includes a commitment to increase our efforts to reduce fraud at the outset or at least halt it at the earliest opportunity in the fraud continuum.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2013	FY 2014	FY 2015	FY 2014 to FY 2015
Personnel Services	\$92,027	\$97,032	\$94,400	(\$2,632)
Non-Personnel Services				
Travel	3,907	4,800	4,844	44
Transportation of Things	51	50	50	-
Rent, Communications, Utilities	9,078	8,709	8,815	106
Printing and Reproduction	50	48	47	(1)
Other Services	11,241	12,662	16,130	3,468
Training	528	1,198	1,579	381
Supplies	222	250	2,427	2,177
Furniture	362	200	594	394
Claims and Indemnities	48	51	114	63
Non-Personnel Subtotal	25,487	27,968	34,600	6,632
GRAND TOTAL	\$117,514	\$125,000	\$129,000	\$4,000
Associated FTE	617.0	665.0	637.0	(28.0)

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In accordance with the requirements of Section 6(f) (1) of the Inspector General Act of 1978, as amended, the OIG budget request for 2015 includes:

- \$1,579K for training. This funding level will allow the OIG to satisfy all training requirements.
- \$850K for worker's compensation. This funding will cover OIG's worker's compensation claims incurred in fiscal year 2013.
- \$423K for the Council of the Inspector General on Integrity and Efficiency. This funding will specifically support coordinated Governmentwide activities that identify and review areas of weakness and vulnerability in federal programs and operations with respect to fraud, waste and abuse.

DESCRIPTION OF CHANGE FROM FY 2014 TO FY 2015

The Office of Inspector General is requesting \$129,000K and 637.0 FTE in fiscal year 2015, which is an increase of \$4,000K and a decrease of 28.0 FTE from fiscal year 2014 level.

- Decrease in personnel services \$2,632K
- Increase in travel \$44K
- Increase in rent \$106K
- Decrease in printing and reproduction \$1K
- Increase in services/contract \$3,468K
- Increase in training \$381K
- Increase in supplies \$2,177K
- Increase in Furniture \$394K
- Increase in Claims and Indemnities \$63K

The Budget provides a decrease of 28 FTE from fiscal year 2014. The OIG continues to actively and strategically reshape our workforce in order to produce timely, impactful, and quality work products. The OIG will continue to take steps to assess and, as appropriate, restructure, retain, and resize our workforce to achieve our mission as effectively and efficiently as possible, redeploying and, if necessary, reducing personnel resources from low-priorities and using our supplemental funding to expand our oversight of relief efforts related to Hurricane Sandy.

The overall increase in Non-Personnel Services is \$6,632K from fiscal year 2014.

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The OIG is comprised of five organizational elements:

Office of Audit: The Office of Audit is responsible for conducting audits, to identify, evaluate, and report on the Department's activities and programs so that any needed corrective action can be taken and future problems can be prevented. Auditors assigned to Headquarters and to seven Regional offices are responsible for conducting audits and other reviews and related support activities. The Office of Audit initiates audits based on information obtained from program officials, program research, complaints, Congressional requests and risk assessments. The Office of Audit Headquarters is comprised of the Financial Audit Division, Information Systems Audit Division, Technical Oversight and Planning Division and the Joint Civil Fraud Division. The OIG conducts audits in accordance with Government Auditing Standards as defined by the Comptroller General. These audits include:

- Financial audits (consisting of the HUD Consolidated financial statement, including the audit of Federal Housing Administration (FHA) (\$1.2 trillion mortgage insurance program) and Ginnie Mae (\$1.2 trillion in mortgage backed securities) which determine whether financial statements are fairly presented, internal controls are adequate, and laws and regulations have been followed.
- Information system audits which determine, among other things, the adequacy of general and application controls, whether security over information resources is adequate and in compliance with system development requirements.
- Performance audits, which determine whether programs are achieving the desired results or benefits in an efficient and effective manner.

Joint civil fraud reviews to identify fraud and make referrals for civil actions and administrative sanctions against entities and individuals that commit fraud against HUD. In addition, the Joint Civil Fraud Division provides case support to the Department of Justice, Civil Division, United States Attorney's Offices nationwide, and HUD's Office of General Counsel to investigate and bring civil fraud and administrative cases.

Office of Investigation: The Office of Investigation is responsible for the development and implementation of the OIG's investigative activities and is comprised of criminal investigators, investigative analysts and administrative personnel. The Office of Investigation is comprised of seven Regional field offices, Headquarters Operations Division and the Special Investigations Division. The Office of Investigation initiates and conducts investigations of possible violations of laws or regulations in the administration of HUD programs and activities, or misconduct on the part of HUD employees. These investigations focus primarily on fraud, waste, and abuse in the following HUD program areas: Single Family Housing, Public and Indian Housing, Community, Planning and Development (CPD), and Disaster Fraud.

The FHA is the federal government's single largest program that extends homeownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. Detecting and preventing fraud, waste, and abuse are integral components of the Office of Investigation's work and have generated significant criminal investigations of fraud. FHA also provides

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insurance coverage to the large privately owned Section 8 multifamily housing developments. The Office of Investigation continues to investigate fraud involving origination of FHA mortgages, as well as multifamily equity skimming schemes at the housing developments that receive HUD subsidized rental assistance for the tenants. Criminal Investigators for the Office of Investigation continue to work to reduce fraud, waste, and abuse in Public Housing Agencies (PHAs). This includes rooting out public corruption in the PHAs, identifying management/administration deficiencies, contract fraud, bribery, conflicts of interests, and investigating significant rental assistance fraud. The Office of Investigations also expends investigative resources on the investigation of fraud associated with the Office of Native American Programs. Public corruption in the management of CPD grant programs administered through state and local entities, both governmental and non-governmental, continues to be a top priority for the Office of Investigation. The Office of Investigation continues to examine the numerous CPD programs including Community Development Block Grants, Empowerment Zones, Economic Development Loan Guarantee Programs, and the HOME Investment Partnerships Program. These programs are vulnerable to public corruption and contract fraud by individuals and entities that try to steal these limited grant funds. The investigations often involve high profile public officials and require sophisticated investigative work and collaboration with law enforcement partners. The Office of Investigation is proactively working with HUD to identify and help prevent this corruption and the damage it causes to the intended beneficiaries of the grants.

In the wake of devastating disasters, such as Hurricane Sandy, a large amount of grant funds and emergency financial assistance will be distributed. The first round of funding allocations has a focus on individual, housing, and small business needs. Subsequent rounds of funding will include grants for infrastructure and public works, among other things. The Office of Investigation dedicates significant resources to prevent, deter, and investigate numerous disaster fraud schemes.

Office of Inspection and Evaluation: In order to fully implement an enhanced inspection and evaluation capability, we announced the formation of the Office of Evaluation (OE) in fiscal year 2013. Over the last several budgetary cycles, we have requested appropriations to fully staff our efforts to conduct more inspections and evaluations and the Congress has been supportive of such efforts. Within the Inspector General community, inspections and evaluations have long afforded OIGs a flexible and effective mechanism for oversight and review of Department/Agency programs by using a multidisciplinary staff and multiple methods for gathering and analyzing data.

The separation of the inspection and evaluation function from the Office of Audit and the Office of Investigation will clearly differentiate our inspection and evaluation work from a more prescribed audit or investigation. A stand-alone office will also put us in line with the structure of this discipline in many other OIG offices and build on our strong reputation for impartiality, reliability, and credibility. The office will provide independent assessments in a timely, credible, and constructive manner for agency managers, policymakers, and others. This augmented capacity will create products that will be used to determine efficiency, effectiveness, impact, and/or sustainability of Department operations, programs, or policies and may identify and recommend improvements and administrative action. To be responsive to the needs of Congress and the Department, it is important that such work not be overly prescriptive, or the very flexibility and timeliness that make inspections and evaluations a valuable tool may be mitigated and dissipated.

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Office of Management and Technology: The Office of Management and Technology provides the policy, management, data and predictive analytics, and information technology operations support of the OIG. This office oversees the use of information technology, human resources, training, budget and general administrative support services, and program integrity provided to the OIG staff. The Office also evaluates the Department's compliance with the Federal Information System Management Act requirements. The Office has the following divisions:

- Financial Management;
- Management Support;
- Human Capital Management;
- Communications;
- Contracts and Procurement;
- Equal Employment Opportunity and Ombudsman;
- Infrastructure Services;
- Information Management;
- Predictive Analytics;
- Data Analytics; and
- Information Technology Evaluations.

Office of Legal Counsel: The Office of Legal Counsel to the Inspector General is responsible for providing competent and timely legal services to OIG. These responsibilities include, but are not limited to the following:

- Providing oral or written legal opinions and guidance to the OIG on all matters affecting OIG operations, its structure, authority, and prerogatives.
- Providing legal advice and opinions to the Inspector General and OIG personnel regarding HUD programs and activities for internal official use.
- Providing legal advice on fiscal law, public contracting, and other civil law issues.
- Drafting proposed legislation, regulations, and policies plus reviewing/commenting on existing and proposed legislation, regulations and program requirements.
- Representing the OIG in judicial, administrative, and other forums.
- Coordinating with the Department of Justice and U.S. Attorneys Offices in identifying developing and bringing civil actions to recover money fraudulently obtained by participants in various HUD programs.
- Reviewing and approving for issuance IG administrative subpoenas for use by all components of HUD OIG.

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- Providing training on a variety of areas: Continuing Legal Education for Special Agents to meet statutory requirements; Civil law matters and in other areas as needed or requested for Auditors and Special Agents; Conflicts of interest, Hatch Act and other ethics related subjects for OIG employees.
- Reviewing for legal sufficiency all potential cases to be pursued under the False Claims Act or the Program Fraud Civil Recovery Act.
- Assisting Office of Audit in matters, involving complex or contentious issues and in which the attorneys are engaged.
- Assisting in identifying and forwarding to HUD individuals and entities for potential suspension and debarment.
- Providing all services related to government Ethics to all OIG employees.
- Providing assistance to Special Agents on criminal law constitutional protection requirements and OIG investigative procedures.
- Handling and processing all claims made against HUD OIG under the Federal Torts Claims Act.
- Handling all aspects, including litigation, of personnel cases before the Merit Systems Protection Board.
- Advising on personnel related matters, in coordination with Human Resources.

Collectively, the OIG is driven by a keen sense of mission and is dedicated to providing products and services that ultimately address weaknesses in HUD operations. The OIG provides a blend of services to independently and objectively identify risks and vulnerabilities that directly impact, or could impact, the Department's ability to accomplish its mission. The OIG faces a growing need for mission-critical resources and focuses these resources on various competing demands in high-risk areas. The OIG is transitioning to target cross-cutting or Departmentwide issues and will concentrate on the most serious management and performance program challenges and is committed to the following:

- Help the Department address its "major challenges" by being a relevant and problem-solving advisor to HUD, stakeholders, and Congress.
- Deliver relevant products that help the Department to act on time-sensitive issues.
- Provide services and products that can be relied upon to address vulnerabilities, provide opportunities for improvements, and recognize positive outcomes.
- Deliver services and products that can be used by recipients to make informed decisions, take appropriate actions, and improve programs.
- Develop new and better ways of conducting business to enhance our organizational performance and to support a diverse and skilled workforce.

Under the Inspector General Act of 1978, as amended, OIG is authorized to carry out various audits and investigations as well as reviews to "promote economy, efficiency, and effectiveness in the administration of, and prevent and detect fraud and abuse in HUD's programs and operations." As part of our mission, we conduct audits and investigations that involve employees, management officials, recipients of program funding, contractors etc. and affected departmental programs and operations. We strive to make a difference in

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HUD's performance and accountability by focusing our efforts on preventing abuses, mitigating exposure to the Department when abuses are discovered, and finding solutions to prevent reoccurrence. As the Department strives to improve its programs and operations, the OIG has an obligation to use the appropriate tools and reshape its organization to detect and prevent fraud, waste, and abuse. Along with our traditional audit and investigation work, we will implement three initiatives/priorities. Our cross-cutting initiatives/priorities include the following:

- Increasing the use of data or technology to support rigorous evaluations. Data collected by the Department and other federal agencies can be a valuable resource to identify program weaknesses or areas for potential fraud or mismanagement. In order to identify these weaknesses, the OIG established the Predictive Analytics Division in fiscal year 2013. The work of this division will allow the OIG to determine if non-obvious relationships exist in departmental data and to take action where appropriate. Additional funding is required to obtain new software and online tools that not only help us keep up with technology but that could dramatically reduce costs. Costs are reduced when we can identify areas of weakness or interest for audit, evaluation or investigation of existing programs or new initiatives.
- Continuing joint civil fraud collaborative efforts. In January 2013, we announced a realignment of the Civil Fraud Division (CFD) as a result of what we accomplished in our efforts to review large FHA lenders and servicers alleged to have fraudulently contributed to the ongoing mortgage crisis. Our robust oversight of the FHA's mortgage insurance program resulted in a number of historic civil fraud settlements. In order to address our increasing civil work requiring investigative support in the form of evidence collection, witness and subject interviews and potential search warrant execution, we infused investigative positions into a new structure renamed the "Joint" Civil Fraud Division. We are expanding our civil fraud efforts beyond FHA mortgage file reviews and into the Department's grant, contract and procurement areas.
- Expanding procurement and contract management oversight efforts. Federal agencies are increasingly reliant on contractors to execute their missions. We will increase our efforts to target potential grant and contract fraud within HUD's programs and operations by developing innovative approaches to increase efficiency through our audits, inspections and evaluations work and deploying OIG resources to address the IG's priorities and the Department's top management challenges.

In fiscal year 2012, the Office of Management and Budget (OMB) issued guidance to promote efficient spending and to reduce non-mission critical travel costs. In fiscal years 2012 and 2013, the OIG took steps to decrease combined costs in non-mission essential travel, employee information technology devices, printing, executive fleet efficiencies, and extraneous promotional items. The OIG has increased the use of video conferencing and web-meetings, as well as telecommuting, to increase efficiency and productivity and reduce travel costs. We have reorganized, realigned and where appropriate closed or decreased office space to provide better services to our stakeholders and to avoid fragmentation, overlap, and duplication of resources. In fiscal year 2013, OMB directed federal agencies to establish priorities in innovation and customer service, critical mission support areas and improve other management

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efforts¹. The OIG will continue reviewing and evaluating every aspect of our operations to achieve efficiencies while focusing on mission critical priorities. We will continue to review travel and vehicle fleet management to maximize cost savings. We will also continue to closely examine our office space needs and are currently researching open office space concepts to reduce our space footprint even further. In light of today's challenging fiscal environment, we will continue to identify additional opportunities to achieve greater efficiency and effectiveness while reducing our expenses and set an example the Department could follow.

¹ OMB M-13-14 (Fiscal Year 2015 Budget Guidance) dated May 29, 2013.

Appendix I: Fiscal years 2010, 2011, 2012 and 2013 Major Accomplishments -- Office of Audit and Office of Investigation

Audit Activities	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual
External Audit Reports Issued	159	154	133	134
Internal Audits Issued	38	38	31	45
Civil Fraud Actions	34	64	68	65
Impact of Audit Activities:				
Civil Fraud Settlements & Court Ordered Judgments*	\$2,991,942	\$1,705,000	\$810,403,031	\$975,904
Ineligible and Questioned Costs	\$155,188,440	\$193,265,502	\$1,334,803,897	\$945,701,227
Recommendations That Funds Be Put To Better Use	\$813,264,347	\$845,883,869	\$3,291,053,596	\$1,189,182,593
Total Monetary Impact	\$968,452,787	\$1,039,149,371	\$4,625,857,493	\$2,134,883,820
Internal and External Recommendations Results:				
Internal Audit Recommendations Made	170	211	178	264
Internal Audit Recommendations Resolved	243	202	206	231
External Audit Recommendations Made	721	851	775	546
External Audit Recommendations Resolved	842	687	772	690

*The civil fraud dollar amounts are also included in the ineligible, questioned costs, and funds put to better use amounts which are reflected in the total monetary impact.

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Investigative Activities	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual
Cases Opened	1,353	1,240	761	618
Cases Closed	1,363	1,103	1,790	790
Impact of Investigative Activities:				
Arrests	1,393	1,412	614	431
Indictments/Information	1,235	1,303	708	523
Convictions	898	992	663	514
Criminal Investigative Activities:				
Criminal Judgments/Restitutions	\$416,013,487	\$44,478,708	\$3,679,529,833	\$114,622,404
Civil Investigative Activities:				
Civil Actions	129	129	94	45
Civil Recoveries	\$90,392,950	\$1,352,950	\$1,146,851,978	\$39,737,688
Administrative Investigative Activities:				
Administrative Actions	556	864	389	251
Suspensions	93	189	148	97
Debarments	99	194	179	105
Personnel Actions	58	55	62	44
Administrative Recoveries/Restitutions	\$11,041,994	\$3,440,162	\$7,381,600	\$39,066,144