

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

Program Area Overview

The mission of the Office of Inspector General (OIG) is to prevent and detect fraud, waste, and abuse in the programs and operations of the Department of Housing and Urban Development (HUD) by conducting independent audits, evaluations, and investigations. The work performed by our auditors, evaluators and investigators provides a means to keep the Secretary and the Congress fully and currently informed about the Department's problems and deficiencies while also identifying best practices. After identifying problems and deficiencies, we make recommendations to improve operations and follow-up with departmental officials on corrective actions. We are committed to reducing fraud at the outset or at least halt it at the earliest opportunity. Protecting taxpayer dollars is one of the Inspector General's highest priorities, and we actively pursue financial fraud schemes that can have a significant economic impact often at the expense of the American taxpayer.

TOTAL - SALARIES AND EXPENSES				
(Dollars in Thousands)				
	FY 2014	FY 2015	FY 2016	FY 2015 to FY 2016
Personnel Services	\$92,720	\$94,400	\$99,066	\$4,666
Non-Personnel Services				
Travel	3,529	4,844	4,238	(606)
Transportation of Things	32	50	100	50
Rent/Utilities	9,112	8,815	8,707	(108)
Printing	22	47	50	3
Other Services/Contracts	16,206	13,130	14,496	1,366
Training	696	1,579	1,106	(473)
Supplies	439	2,427	330	(2,097)
Furniture/Equipment	1,322	594	757	163
Claims & Indemnities	6	114	150	36
Non-Personnel Services Subtotal	31,364	31,600	29,934	(1,666)
GRAND TOTAL	\$124,084	\$126,000	\$129,000	\$3,000
Associated FTE	602.8	637.0	643.0	6.0

DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016

Office of Inspector General (OIG) requests \$129,000K and 643.0 Full Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted of \$3,000K.

- Personnel Services: OIG is requesting \$99,066K and 643.0 FTE. This request represents an increase from fiscal year 2015 enacted of \$4,666K and 6.0 FTE. Funding is included to fund the pay raise, promotions, increased benefit costs, and within grade increases.
 - These FTE will be allocated mostly to work on current initiatives within the Office of Evaluations (5.0 FTE). The additional 1.0 FTE will be used in expanding and creating a more robust whistleblower protection initiative within the IG.
- Non-Personnel Services: OIG is requesting \$29,934K, with an overall decrease from fiscal year 2015 enacted of \$1,666K.

Office of Inspector General

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978, as amended, the OIG budget request for 2016 includes:

- \$1,106K for training. As a result of our investment in information technology including web-based and on-line training solutions, we anticipate a decrease in the average training cost per FTE and still satisfy all training requirements for our cadre of auditors, evaluators and investigators.
- \$348K for the Council of the Inspector General on Integrity and Efficiency (CIGIE). This funding will specifically support coordinated government-wide activities that identify and review areas of weakness and vulnerability in federal programs and operations with respect to fraud, waste and abuse.

Organizational Structure

OIG is comprised of five organizational elements.

Office of Audit: The Office of Audit (OA) is responsible for conducting audits to identify, evaluate, and report on the Department's activities and programs so corrective actions can be taken, and future problems can be prevented. Auditors assigned to Headquarters and to seven Regional offices initiate audits based on information obtained from program officials, program research, complaints, congressional requests and risk assessments. OA 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 FHA (\$1.2 trillion mortgage insurance program) and Ginnie Mae (\$1.5 trillion in mortgage backed securities) which determine whether financial statements are fairly presented, internal controls are adequate, and laws and regulations have been followed. Because of the critical impact these agencies have to the financial stability of the economy the OIG began performing FHA's and Ginnie Mae's financial audits in house in 2014.
- 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 identify fraud against HUD and make referrals for civil actions and administrative sanctions. 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 Evaluation: The Office of Evaluation (OE) is responsible for performing evaluations to determine the efficiency, effectiveness, impact, and / or sustainability of Department operations, programs, or policies in a timely, credible, and constructive manner for agency managers, policymakers, and others. OE will comprise of teams of individuals with specialized skills in information technology and security, accounting, research, and social sciences. Timelier than an audit, evaluations are designed not to be overly prescriptive, but are performed in accordance with Federal standards while maintaining flexibility. The use of multidisciplinary teams, a risk-based approach to prioritize work, and multiple methods for gathering and analyzing data provide a flexible and effective process to produce impartial, reliable, and credible products, responsive to the needs of Congress and the Department.

Office of Investigation: The Office of Investigation (OI) is responsible for the development and implementation of the OIG's investigative activities and comprised of criminal investigators, investigative analysts and administrative personnel. OI initiates and conducts investigations of possible violations of laws and / or regulations relating to the administration of HUD programs and HUD funded activities, as well as employee misconduct investigations. Having generated significant criminal investigations relating to HUD program fraud, OI continues to investigate fraud involving the origination of FHA mortgages, as well as multifamily equity skimming schemes at the housing developments receiving HUD subsidized rental assistance for tenants.

OI also works to reduce fraud, waste, and abuse in the Public and Indian Housing arena, with a focus on Public Housing Authorities (PHAs). This work includes rooting out PHA public corruption, identifying management / administration deficiencies, contract fraud, embezzlement, bribery, conflicts of interests, and investigating significant rental assistance fraud. Public corruption in the management of Community, Planning and Development (CPD) grant programs, generally administered through state and local entities, both governmental and non-governmental, continues to be a top priority. In the wake of devastating disasters, such as Hurricanes Katrina and Sandy, a large amount of grant funds and emergency financial assistance continue to be distributed to the affected communities which make them susceptible to fraud. OI dedicates significant resources to prevent, deter, and investigate evolving disaster fraud schemes.

OIG is comprised of seven Regional field offices, the Headquarters Operations Division and the Special Investigations Division.

Office of Management and Technology: The Office of Management and Technology oversees the use of information technology, human resources, training, budget, financial and general administrative support services provided to the OIG staff. The Office has the following divisions:

- Budget and Financial Management;
- Resource Management;
- Human Capital Management;
- Contracts and Procurement;
- Public Relations;
- Infrastructure Services;

Office of Inspector General

- Information Management; and
- Data and Predictive Analytics.

Office of Legal Counsel: The Office of Legal Counsel to the Inspector General 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, HUD programs and activities, and 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, handling and processing all claims made against HUD OIG under the Federal Torts Claims Act, including litigation of personnel cases before the Merit Systems Protection Board, and advising on personnel related matters while coordinating with Human Resources.
- 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.
- Providing training on Continuing Legal Education, civil law matters and in other areas as needed or requested.
- Reviewing for legal sufficiency all potential cases to be pursued under the False Claims Act or the Program Fraud Civil Recovery Act.
- Assisting in matters of complex or contentious issues, including identifying individuals and entities for potential suspension and debarment.
- Providing all services related to ethics, conflicts of interest, Hatch Act and other related subjects to OIG staff.
- Providing assistance to Special Agents on criminal law constitutional protection requirements and OIG investigative procedures.

Collectively, OIG is driven by a keen sense of mission and is dedicated to providing products and services that ultimately address weaknesses in HUD operations while identifying best practices. OIG faces a growing need for mission-critical resources and focuses these resources on various competing demands in high-risk areas. OIG is transitioning to target cross-cutting or Department-wide issues and will concentrate on the most serious management and performance program challenges and is committed addressing “major challenges” facing the department by being a relevant and problem solving advisor to HUD, stakeholders, and Congress.

In fiscal year 2016, our priorities include the following:

- **Joint Civil Fraud:** Continuing our joint civil fraud collaborative efforts is an imperative. At the request of the HUD Secretary, the Inspector General (IG) is committed to performing civil fraud underwriting investigations with the Department of Justice and several U.S. Attorneys’ Offices at 10 of the largest FHA lenders beginning in early 2012. While the initial investigations are expected to be completed in fiscal year 2015, the civil work being performed with the U.S. Department of Justice continues to increase each year due to the success of reviews/investigations of the largest FHA lenders nationwide. In fiscal year 2014, the

Department of Justice requested the OIG assist in the review of an additional 13 of FHA's lenders, in conjunction with additional U.S. Attorney's Offices nationwide. Our current work has returned approximately one billion dollars to the FHA and we expect this effort and results to continue. Additional FTE are needed to continue these underwriting investigations, handle the current workload, handle the increasing workload from qui tam filings in a timely manner, and allow us to expand further to other HUD programs.

- **Office of Evaluations:** In order to advance our efforts we need to develop program evaluators and analysts with specialized skills within the Office of Evaluation. Previous workforce and succession planning efforts have identified a general need to recruit personnel from more diverse disciplines and backgrounds, as well as the need to refocus our capabilities toward a more technological, risk-based environment that focuses on areas such as procurement, data management, organizational development, statistical analysis, environmental science, economics, human resource management, process engineering, and information technology. With incidents of computer crime and insider threats on the rise, we need to devote and develop staff with skill and experience in criminal network intrusion, also known as computer hacking. Computer crimes can have potentially devastating effects on the HUD's electronic systems, public responsibilities, critical infrastructure and as well as critical financial disbursement functions, especially as they relate to FHA and Ginnie Mae. We will need to recruit, develop, and retain resources with skills in this highly specialized area in addition to other critical core competencies to fully develop the Office of Evaluation to better meet the needs of the Congress and senior HUD officials to quickly evaluate HUD programs.
- **Whistleblower Protection:** Whistleblowers are an invaluable resource for the oversight of government operations and protection of whistleblowers is a key responsibility for any OIG. Evidence suggests that increasing the educational function of the Whistleblower Ombudsmen and making advocacy for whistleblowers a priority increases the number of complaints and may result in more high quality leads. Increased capacity is necessary for the intake and triage of complaints, tracking complaints, and investigating complaints to decrease cycle time and provide more resources to higher profile cases that result from Whistleblowers and more often require quick resolution.

In the current constrained fiscal environment and given the limited opportunities for growth in the number of new positions, we have emphasized the need for a dynamic and responsive organization. There is an ever-changing need for various skills to evaluate HUD's myriad of programs that span areas such as strengthening the housing market to bolster the economy and protect consumers; meeting the need for quality affordable rental homes; utilizing housing as a platform for improving quality of life; building inclusive and sustainable communities free from discrimination, and transforming the way HUD does business to include addressing weaknesses in financial management and information security. This has challenged the talents and skills of our existing workforce. In fiscal year 2014, we applied for and received Voluntary Early Retirement Authority (early-outs) and Voluntary Separation Incentive Payments (buyouts). We used early-outs and buyouts to achieve a more optimal skill mix in the face of changing priorities and a changing workforce. Increasingly, our employees are required to attain or possess specialized skills, abilities, and experiences in addition to the traditional audit and investigative knowledge and backgrounds. Our audit and investigative programs now require subject matter expertise in mortgage backed securities, financial and economic analysis, predictive analytics, change management, systems auditing, information

security, and the ability to respond to cybercrimes within HUD's programs as well as expertise in contract, procurement, and grants management.

Our decision to use early-out and buyout programs was based on specific workforce planning needs, and it was critical to achieving our strategic human capital objectives. Previous workforce planning efforts identified skills and functions to be reduced or eliminated, as well as identified new skills to complement our existing workforce. Ongoing workforce planning efforts continue to identify skill imbalances and opportunities to reshape and realign our workforce to achieve mission results with greater economy, efficiency, and effectiveness. We will establish an active talent management program to attract and retain quality personnel with skills and abilities that fit our strategic goals. We will continue to reduce, shift, or realign functions to meet the demands of the changing workforce. However, we must also take more immediate and necessary steps to be able to recruit and retain skilled and competent workers to obtain and maintain a workforce with the appropriate mix of skills.

In fiscal years 2012-2015, we took steps 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.

Appendix I: Fiscal years 2011, 2012, 2013 and 2014 Major Accomplishments -- Office of Audit

Audit Activities	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual
External Audit Reports Issued	154	133	134	109
Internal Audits Issued	38	31	45	39
Civil Fraud Actions	64	68	65	86
Impact of Audit Activities:				
Civil Fraud Settlements & Court Ordered Judgments*	\$1,705,000	\$810,403,031	\$975,904	\$338,121,250
Ineligible and Questioned Costs	\$193,265,502	\$1,334,803,897	\$945,857,211	\$1,282,183,762
Recommendations That Funds Be Put To Better Use	\$845,883,869	\$3,291,053,596	\$1,189,494,561	\$1,969,800,488
Total Monetary Impact	\$1,039,149,371	\$4,625,857,493	\$2,135,351,772	\$3,251,984,250
Internal and External Recommendations Results:				
Internal Audit Recommendations Made	211	178	264	311
Internal Audit Recommendations Resolved	202	206	231	193
External Audit Recommendations Made	851	775	546	698
External Audit Recommendations Resolved	687	772	690	465

Appendix II: Fiscal years 2011, 2012, 2013 and 2014 Major Accomplishments -- Office of Investigation

Investigative Activities	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual
Cases Opened	1,240	761	619	549
Cases Closed	1,103	1,790	790	669
Arrests	1,412	614	431	333
Indictments/Information	1,303	708	523	393
Convictions	992	663	514	423
Criminal Judgments/Restitutions	\$44,478,708	\$3,679,529,833	\$114,863,539	\$83,908,550
Civil Actions	129	94	45	16
Civil Recoveries	\$1,352,950	\$1,146,851,978	\$40,198,140	\$815,562,000*
Administrative Actions	864	389	52	291
Suspensions	189	148	97	108
Debarments	194	179	104	129
Personnel Actions	55	62	44	37
Administrative Recoveries/Restitutions	\$3,440,162	\$7,381,600	\$5,290,332	\$4,768,102

Appendix III: Appropriations Language Citation**Appropriation:** Office of Inspector General

For necessary expenses of the Office of Inspector General, 5 U.S.C. Appendix 3.5 U.S.C. Appendix 3 of the Inspector General Act of 1978, as Amended, provides for the establishment of the Office of Inspector General as an independent and objective unit within the Department of Housing and Urban Development to conduct and supervise audits and investigations related to Departmental programs and operations. The IG Act of 1978 created IGs in a small number of executive branch agencies known as establishments.¹

¹ The initial establishments listed in P.L. 95-452 were the Departments of Agriculture, Commerce, Housing and Urban Development, Interior, Labor, and Transportation, as well as the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National

Office of Inspector General

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For necessary salaries and expenses of the Office of Inspector General in carrying out the Inspector General Act of 1978, as amended, [\$126,000,000] *\$129,000,000*: Provided, that the Inspector General shall have independent authority over all personnel *and acquisition* issues within this office.

Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration. The IGs in these agencies followed the establishment of predecessors in 1976, in what is now the Department of Health and Human Services, and in 1977 in the Department of Energy.