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OFFICE OF INSPECTOR GENERAL FOR AUDIT

Audit Memorandum
No. 2002-DE-0802

March 12, 2002

MEMORANDUM FOR: Ron Bailey, Director, Denver Single Family Homeownership
Center, 8AHH

FROM: Robert Gwin, District Inspector General for Audit, 8AGA

SUBJECT: Rocky Mountain District Review of Officer/Teacher Next Door Program

Introduction

We completed our review of participants in the Officer/Teacher Next Door program. Our objective was to determine whether program participants violated the 3-year occupancy requirements and to refer those violations for possible prosecution by Assistant United States Attorneys or administrative action by HUD. We reviewed homebuyers who participated in the program during the period of October 1998 to October 2001.

During the review, we researched the homebuyers using an independent Internet data system that contained public records to determine if participants owned other residential property and to determine if the participants may have lived elsewhere during the 3-year occupancy period. We confirmed occupancy by contacting a utility company or the post office. We selected a sample of participants to make site visits and interview.

Background

The purpose of the Officer/Teacher Next Door program is to strengthen America's communities and build a safer nation by offering homeownership opportunities to law enforcement officers and teachers in revitalization areas. These public service professionals can help make these goals a reality by becoming positive role models for their neighborhoods, according to HUD.

Officers and teachers may purchase a HUD-owned single-family home at a 50 percent discount. The homebuyer must then live in the home as their sole residence for at least three years from the

date of closing. As an alternative, a governmental agency, pre-approved nonprofit organization, or school district can purchase eligible HUD homes at a 50 percent discount and sell them to an officer or teacher. HUD requires that the full discount will be passed on to an officer or teacher.

The Office of Inspector General's Southeast and Caribbean District conducted a nationwide audit of the Officer/Teacher Next Door program. The audit¹ found that 23 of 108 randomly selected homebuyers (21 percent) violated occupancy requirements. As a result of the nationwide audit HUD initiated a number of actions in response. HUD has since performed a top to bottom review of procedures, determined enforcement actions against noncompliant program participants and provided training to management and marketing contractors and closing agents. The Denver Homeownership Center performed occupancy inspections for 22 properties and verified occupancy by interviewing residents or having residents mail copies of utility bills if nobody was home. Four of these inspections were done for participants residing in the Rocky Mountain District. The Homeownership Center verified occupancy for all of the properties except one. This case was referred to our Fort Worth office for further review.

OIG concluded in its nationwide audit that this high level of program abuse indicated a need for further review to identify homebuyers in violation of occupancy requirements. We conducted a further review of homebuyers in the Rocky Mountain District.

Results of Review

The program participants in the Rocky Mountain District resided in Colorado, Utah and South Dakota. Of the 68 Officer/Teacher Next Door home sales in our universe, 56 or 82% of the sales occurred in the Salt Lake City/Ogden greater metropolitan area. We focused our review on program participants in this area due to the high concentration of program activity. Based on the results of the Internet data system, utility company and post office queries we verified the occupancy of 43 program participants. In addition, we selected fifteen properties to make a site visit and interview the residents. We did not consider participants for site visits whose occupancy had already been confirmed by HUD during its review.

We confirmed the residency for all of the fifteen participants that we visited. Our tests and interviews of these fifteen participants did not disclose any other properties, except for one. The homeowner with another property disclosed it to HUD on the annual Recertification form. We received several allegations that another participant, not in our sample, moved out of their home. We visited the home and spoke with an individual who told us that the participant lived at the home but was away and the individual stopped by to feed the participant's dog. The post office confirmed that the participant's mail is currently delivered to the home.

We did not identify any other instances of potential program requirement violations. Should you have any questions, please call Ernest Kite, Assistant District Inspector General for Audit, at (303) 672-5452.

¹ Nationwide Audit Results on the Officer/Teacher Next Door Program issued June 29, 2001 (2001-AT-0001)

Homebuyers Sampled by OIG

	CITY	STATE	CASE NO		OND/TND	OCCUPANCY VIOLATION
1	OGDEN	UT	521	395738	O	NONE
2	OGDEN	UT	521	381586	T	NONE
3	OGDEN	UT	521	375029	T	NONE
4	OGDEN	UT	521	409385	T	NONE
5	OGDEN	UT	521	429186	T	NONE
6	OGDEN	UT	521	433900	T	NONE
7	OGDEN	UT	521	406652	T	NONE
8	OGDEN	UT	521	376175	T	NONE
9	SALT LAKE CITY	UT	521	415475	O	NONE
10	SALT LAKE CITY	UT	521	403528	O	NONE
11	SALT LAKE CITY	UT	521	420628	T	NONE
12	SALT LAKE CITY	UT	521	412746	T	NONE
13	SALT LAKE CITY	UT	521	433281	O	NONE
14	SALT LAKE CITY	UT	521	444708	T	NONE
15	SALT LAKE CITY	UT	521	390415	O	NONE

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