AUDIT PLAN
As of September 30, 2015
OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Overview

The U.S. Department of Housing and Urban Development's (HUD) primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. HUD relies upon many partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant (CDBG) funds, public housing agencies (PHA) that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Mortgage Association (Ginnie Mae) mortgage-backed security issuers that provide mortgage capital, and other Federal agencies with which HUD coordinates to accomplish its goals. HUD also has a substantial responsibility for administering disaster assistance programs and is administering new mortgage assistance and grant programs in response to the Nation's financial crisis.

HUD had a $35.6 billion budget for fiscal year (FY) 2015. This amount includes $9.7 billion for Section 8 project-based rental assistance, $19.3 billion for tenant-based rental assistance, $900 million for the HOME Investment Partnerships Program (HOME), and $3 billion for the CDBG program. The budget extends HUD's Rental Assistance Demonstration program through 2018 and raises the cap on the number of public housing units that can participate in it from 60,000 to 185,000. Additionally, of the $16 billion HUD received for Hurricane Sandy in FY 2013, $13 billion had been allocated as of January 2015. HUD planned to respond aggressively to the housing crisis as well as contribute to broader national priorities on energy, sustainable growth, community revitalization, and poverty alleviation. This audit plan provides coverage of HUD's program areas and management and organizational reforms. It gives full consideration to the Office of Inspector General's (OIG) strategic plan and HUD's management challenges identified by OIG and reported to Congress annually.

The HUD OIG, Office of Audit

HUD OIG is one of the original 12 Offices of Inspector General established by the Inspector General Act of 1978. While part of HUD, OIG provides independent oversight of HUD's programs and operations.

The Office of Audit's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud, waste, and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations.

The Office of Audit is responsible for conducting audits, civil fraud reviews, and investigations. This work identifies, assesses, and reports on HUD's activities and programs. The Office of Audit recommends corrective actions to HUD, as necessary, to prevent future program or operational problems. Auditors are assigned to headquarters and regional offices.

The Office of Audit conducts audits in accordance with Government Auditing Standards as defined by the Comptroller General. These audits include

1. Financial audits, which determine whether HUD's financial statements are fairly presented, internal controls are adequate, and laws and regulations have been followed.

2. Information system audits, which determine, among other things, the adequacy of general and application controls and whether the security of information resources is adequate and complies with system development requirements.

3. Performance audits, which determine whether programs are achieving the desired results or benefits in an efficient and effective manner.

The Office of Audit also conducts 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 (consisting of the Office of Audit and the Office of Investigation) provides case support to the U.S. Department of Justice, Civil Division; United States Attorney's Offices nationwide; and HUD's Office of General Counsel to investigate and pursue civil fraud and administrative cases.

The Audit Planning Process

Audit planning is a continuing process to focus resources on areas of greatest benefit to the taxpayer and HUD. The Office of Audit's broad goal in developing an audit plan is to help HUD resolve its major management challenges while maximizing results and providing responsive audits.

The process is dynamic in order to address requests and other changes throughout the year. The Office of Audit identifies audits through discussions with program officials, the public, and Congress; conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances. It also conducts audits that HUD and Congress request, as well as those identified from OIG's hotline.

Audit Environment at HUD

HUD's primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD does this through a variety of housing and community development programs and insured mortgages.

While HUD is a relatively small agency in terms of staff, it relies on a large number of entities to administer its diverse programs. Among HUD's administrators are hundreds of cities and directly funded grantees that manage HUD's CDBG funds, thousands of PHAs and multifamily housing projects that provide HUD assistance, and thousands of HUD-approved lenders that originate FHA-insured loans.

HUD's housing finance and subsidy programs represent more than $1 trillion in long-term Federal financial commitments. HUD is actively involved in foreclosure mitigation, home-ownership counseling, and a myriad of efforts to curb mortgage abuse.

HUD's public and Indian housing and community development programs impact the lives of millions of low-income households and the condition of most American communities. A shrinking HUD staff has led to an ever-growing reliance on outside program partners and contractors to perform many critical program functions.

Audit Plan Objectives

The audit plan has the following objectives:

- **Promoting fiscal responsibility and financial accountability,**
- **Strengthening the soundness of public and Indian housing,**
- **Improving HUD's execution of and accountability for grant funds, and**
- **Protecting the integrity of housing insurance and guarantee programs.**

Promoting Fiscal Responsibility and Financial Accountability

HUD's program offices' and government corporations' programmatic and financial management focus is on

- Housing subsidies for low- and moderate-income families,
- Grants to States and communities for community development activities,
- Direct loans and capital advances for the construction and rehabilitation of housing projects for the elderly and persons with disabilities,
- Promoting and enforcing fair housing and equal housing opportunity,
- Insuring mortgages for single-family and multifamily dwellings,
- Insuring loans for home improvements and manufactured homes, and
- Facilitating financing for the purchase or refinancing of homes.

HUD accomplishes these missions through a decentralized structure of program offices and government corporations.

HUD OIG will conduct the annual financial statement audit, which includes all of HUD's components. In that audit, OIG tests HUD's compliance with accounting standards, financial management controls, financial systems, financial reporting, and financial laws and regulations. It also audits FHA and Ginnie Mae financial statements. In addition, OIG will conduct program audits of specific financial management functions to determine the effectiveness of HUD's implementation of program financial accountability requirements.

Strengthening the Soundness of Public and Indian Housing

HUD provides housing assistance funds to PHAs under various grant and subsidy programs. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households. HUD's strategic goals for promoting public and Indian housing efforts are to meet the needs for quality affordable housing, use housing as a means to improve the quality of life for participants, and build inclusive, sustainable communities free from discrimination.

The Office of Public and Indian Housing (PIH) provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,200 PHAs, which are to provide housing to low-income families or make assistance payments to private owners that lease their rental units to assisted families. In FY 2015, there are approximately 1.1 million public housing units occupied by tenants. These units are under the direct management of the PHAs.

The Moving to Work demonstration program gives PHAs the opportunity to design and test innovative, locally developed strategies that are designed to use Federal dollars more efficiently, help residents become self-sufficient, and increase housing choices for low-income families. The demonstration program gives PHAs exemptions from many public housing rules and more flexibility in how they use their Federal funds. OIG has issued one report on the Moving to Work demonstration program, focusing on the need for HUD to develop criteria to evaluate the success of the program. OIG will continue to evaluate how well HUD monitors these PHAs.

Improving HUD's Execution of and Accountability for Grant Funds

HUD awards grants to all levels of government and to the private sector for developing viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. OIG plans to focus on significant areas related to the lack of controls over and accountability for grant funds. In addition, OIG plans to review HUD's oversight of subrecipients as well as HUD's enforcement of returning unobligated or unexpended funds.

Protecting the Integrity of Housing Insurance and Guarantee Programs

FHA is the Federal Government's single largest program to extend home ownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. The FY 2014 independent actuary estimated that the FHA insurance fund's overall economic net worth had improved by $6 billion, from negative $1.3 billion to positive $4.7 billion, while its capital ratio had improved from negative .11 percent to positive 0.41 percent. The seriously delinquent rate, an indicator of future claim costs, was down 1.07 percentage points from its level between the end of FY 2014 and FY 2013, as it had declined from 8.22 to 7.15 percent (seasonally adjusted). The number of claims during FY 2014 was 19 percent less than during FY 2013. This deviation is attributable to a combination of continued foreclosure, processing delays in many States, and servicing actions to promote home retention.

At the end of May 2015, FHA had nearly 7.7 million single-family mortgages in force with an amortized balance of almost $1.1 trillion.

FHA continues to work on improving the financial integrity of its Home Equity Conversion Mortgage (HECM), or reverse mortgage, program. In November 2014, FHA announced via mortgagee letter revised requirements and a guide for conducting HECM financial assessments and property charges. The financial assessment requirements are effective for all case numbers issued on or after April 27, 2015. In April 2015, FHA issued Mortgagee Letter 2015-10, providing additional guidance on FHA's policies and timing requirements pertaining to (1) providing HUD notice of a HECM's due and payable status, (2) a requirement for lenders to provide HUD notice of the initiation of foreclosure, (3) obtaining required appraisals, (4) sales of properties securing defaulted or performing HECM loans, (5) extensions available when marketing a HECM for sale or participating in a Hardest Hit funds program, and (6) curtailment of debenture interest for missed deadlines. This policy was effective for loans that become due and payable on or after July 1, 2015.

FHA has been working on a new, authoritative single-family handbook to consolidate all policy into a single document – HUD Handbook 4000.1. OIG has reviewed various sections of the handbook, such as (1) Doing Business With FHA – Lenders and Mortgagees; (2) Doing Business With FHA – Other Participants – Appraisers; and (3) Quality Control, Oversight, and Compliance – Lenders and Mortgagees. The Doing Business With FHA section is effective September 14, 2015, and the Quality Control section is effective for case numbers assigned on or after September 14, 2015. The Origination Through Postclosing-Endorsement for Title II Forward Mortgages (Origination Through Endorsement) section becomes effective for FHA case numbers assigned on or after September 14, 2015. Policy changes were made in each section. As a result of the consolidation process, FHA has published a list of single-family mortgagee letters and handbooks that will be superseded in whole or in part by the Origination Through Endorsement section when the section becomes effective.

On June 8, 2015, FHA posted its Single Family Loan Quality Assessment Methodology, also known as "Defect Taxonomy." This taxonomy explains how FHA intends to categorize loan defects found in single-family FHA-endorsed loans. The taxonomy centers on three core concepts: (1) identifying a defect, (2) capturing the sources and causes of a defect, and (3) assessing the severity of a defect. The schedule for implementation has not been determined.

Significant changes in the single-family mortgage industry and the meltdown of the subprime market require continual emphasis on single-family lenders by OIG. In July 2015, FHA issued a proposed rule that would establish the maximum period within which an FHA-approved lender must file a claim with FHA for insurance benefits. HUD's current regulations are silent with respect to a deadline by which a claim for insurance benefits must be filed with FHA. This rule also proposes to revise HUD's policies on curtailing interest and disallowing certain expenses incurred by a lender as a result of its failure to promptly initiate foreclosure or take other necessary action before it submits a claim for insurance.

OIG plans to continue its efforts in external and internal audits of HUD's activities in the single-family mortgage industry. The economic slowdown has increased demand for loss mitigation actions, including but not limited to loan modifications and other types of mortgage assistance. The Helping Families Save Their Homes Act of 2009 expanded the authority to use FHA loss mitigation actions to assist defaulted FHA borrowers in avoiding foreclosure, to include those borrowers facing "imminent default" as defined by the HUD Secretary. FHA issued a mortgagee letter clarifying HUD's requirements and communicating expectations for servicers that engage in loss mitigation during foreclosure. HUD expects servicers to keep open lines of communication with borrowers so that borrowers can notify servicers of any changes in their circumstances that may qualify them for loss mitigation options. In July 2014, FHA issued a mortgagee letter with updated requirements for preforeclosure sales and deeds in lieu of foreclosure transactions. This update describes HUD's use of the deficit income test and other criteria to allow non-arms-length preforeclosure sales transactions in addition to other items.

The U.S. Department of the Treasury and HUD have extended the Obama Administration's Making Home Affordable Program through December 31, 2015. The new deadline was determined in coordination with the Federal Housing Finance Agency to align with extended deadlines for the Home Affordable Refinance Program and the Streamlined Modification Initiative for homeowners with loans owned or guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Therefore, OIG plans to increase its efforts in external audits of servicers and internal audits of HUD's activities in loan mitigation activities.

Following the meaningful impact of its prior servicer reviews, OIG is working with various assistant U.S. attorneys in its reviews of the loan origination practices of large lenders to determine their compliance with FHA requirements. The Office of Audit is placing an emphasis on civil mortgage fraud and will actively seek out instances involving false claims deserving civil complaints to recover Federal funds.

Lenders are targeted for audit through the use of data-mining techniques, along with prioritizing audit requests from outside sources. All appropriate enforcement actions will be pursued against lenders through referrals to the Mortgagee Review Board, the Office of Program Enforcement, the Enforcement Center, and OIG's own Office of Investigation.

Significant Mandated Audits

Congress has tasked the Office of Audit with legislated audit work. For example, the Appropriations Committee tasked OIG with audit responsibility for the $3.5 billion in Disaster Recovery Assistance funding provided to New York City as a result of the September 11, 2001, terrorist attacks. The task involves reporting once a year.

The Disaster Relief Appropriations Act of 2013 provided $16 billion ($15.18 billion after sequestration) in CDBG funds for necessary expenses related to disaster relief and long-term recovery for disasters that occurred in 2011, 2012, and 2013. The Act also provided $10 million to OIG for the necessary costs of overseeing and auditing CDBG Disaster Recovery funds. OIG has oversight responsibilities for these CDBG funds and will perform disaster reviews as part of

its annual audit plan. OIG has been proactive in the oversight of Hurricane Sandy funding. It has completed 16 audits and has ongoing audits in the affected States.

The Improper Payments Information Act of 2002 (IPIA) required the head of each agency to annually review all programs and activities the agency administered, identify all such programs and activities that might be susceptible to significant improper payments, and report estimated improper payments for each program or activity identified as susceptible. For programs with estimated improper payments exceeding $10 million, IPIA required agencies to report the causes of the improper payments, actions taken to correct the causes, and the results of the actions taken. The Improper Payments Elimination and Recovery Act of 2010 amended IPIA to decrease the frequency with which each agency was required to review all of its programs but increased Federal agencies' responsibilities and reporting requirements to eliminate and recover improper payments and required each agency inspector general to determine whether the agency complied with IPIA. OIG annually issues a report to document its findings.

The Charge Card Abuse Prevention Act of 2012 requires OIG to (1) conduct periodic assessments of the agency charge card programs; (2) identify and analyze the risk of illegal, improper, or erroneous purchases and payments; (3) perform analyses or audits as necessary; (4) report to the head of the executive agency concerns regarding the results of such analyses or audits; and (5) report to the Director of the Office of Management and Budget (OMB) on the implementation of recommendations made to the head of the executive agency. In accordance with the Charge Card Act, OIG and HUD submit a semiannual joint purchase and integrated card violation report to the Director of OMB that describes confirmed violations involving the misuse of charge cards and disciplinary actions taken.

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several governmentwide legislative mandates annually. The most significant requirement involves the audits of HUD's, FHA's, and Ginnie Mae's financial statements as required by the Chief Financial Officers Act.

ONGOING AND PLANNED INTERNAL AUDITS

* *Audit contributes to promoting fiscal responsibility and financial accountability*
** *Audit contributes to strengthening the soundness of public and Indian housing*
*** *Audit contributes to improving HUD's execution of and accountability for grant funds*
**** *Audit contributes to protecting the integrity of housing insurance and guarantee programs*
(a) *Audit is a significant mandated audit*

Program areas and objectives	Lead region	Start date	Final report target date
Single-family housing-FHA			
******HUD's oversight of FHA-approved nonprofits purchasing REO homes (KC-15-0015):** To determine whether HUD had adequate requirements to prevent nonprofits from acting as an investor while purchasing real estate-owned (REO) homes at a nondiscount during the exclusive listing period.	**Kansas City**	**May 2015**	**November 2015**
****** HUD's oversight of downpayment assistance programs and related FHA loan originations:** To determine whether HUD had adequate controls in place to ensure that downpayment assistance programs and their related gifts followed FHA regulations.	**Los Angeles**	**October 2015**	**February 2016**
****** Adequacy of HUD's process for making changes to FHA programs, policies, and operations:** To determine whether HUD followed the proper requirements and procedures when implementing changes to FHA programs.	**Los Angeles**	**October 2015**	**June 2016**
****** HUD's recovery of FHA partial claims:** To determine whether HUD properly recovered FHA partial claims upon satisfaction of the mortgage.	**Kansas City**	**October 2015**	**May 2016**
****** HUD's oversight of servicers' use of loss mitigation options for single-family FHA-insured loans:** To determine whether HUD had adequate controls in place to ensure that servicers of single-family FHA-insured loans evaluated borrowers for loss mitigation.	**Los Angeles**	**January 2016**	**September 2016**

Program areas and objectives	Lead region	Start date	Final report target date
****** FHA single-family loss mitigation policy risk analysis:** To determine whether HUD had adequate procedures in place to assess the risk of FHA single-family loss mitigation program policy decisions.	**Los Angeles**	**January 2016**	**September 2016**
****** FHA loans to tax debtors:** To determine whether FHA insured loans made to individuals who owed tax debts to the Internal Revenue Service.	**Kansas City**	**March 2016**	**September 2016**
****** FHA preforeclosure claim debenture interest curtailment:** To determine whether HUD paid excessive debenture interest due to untimely lender preforeclosure actions.	**Los Angeles**	**April 2016**	**December 2016**
Community planning and development			
***** HUD's administration of CDBG property acquisitions and dispositions (PH-15-0010):** To determine whether HUD had adequate oversight of grantees' acquisition and disposition of property under its CDBG program.	**Philadelphia**	**August 2015**	**May 2016**
***** HUD certifications of disaster grantee procurement processes:** To determine whether HUD certifications of disaster grantee procurement processes were accurate and supported.	**Philadelphia**	**October 2015**	**July 2016**
***** Review of HUD controls over direct home-ownership assistance using CPD funding:** To determine whether HUD had implemented sufficient controls to oversee Office of Community Planning and Development (CPD) funding for direct home-ownership assistance activities.	**Philadelphia**	**November 2015**	**August 2016**
***** HUD compliance with the interagency disaster recovery delivery sequence and its impact on the duplication of benefits:** To determine whether CDBG Disaster Recovery guidance followed Federal Emergency Management Agency regulations and interagency agreements on the delivery sequence for disaster recovery funding and resulting duplication of benefits requirements.	**Kansas City**	**December 2015**	**August 2016**

Program areas and objectives	Lead region	Start date	Final report target date
*** **HUD monitoring of the Section 108 loan guarantee program:** To determine whether HUD effectively monitored Section 108-funded activities to ensure that they met a national objective of the CDBG program and fully provided the intended benefits and that borrowers followed loan agreement provisions.	**Atlanta**	**April 2016**	**December 2016**
*** **HUD's oversight of its CDBG program:** To determine whether CPD adequately oversaw the CDBG program to ensure that grantees followed HUD and other applicable Federal requirements.	**Philadelphia**	**July 2016**	**April 2017**
Public and Indian housing			
*** **HUD's oversight of PHAs' expenditures for outside legal services (PH-13-0001):** To determine whether HUD needs to develop and implement controls to monitor PHAs' expenditures for outside legal services to ensure that the services are reasonable, necessary, and procured according to applicable requirements (non-American Recovery and Reinvestment Act funds).	**Philadelphia**	**October 2012**	**February 2016**
** **HUD's oversight of PHAs' declarations of trust filings (CH-15-0017):** To determine whether HUD ensured that PHAs recorded and maintained the required declarations of trust against HUD-assisted properties to protect the interest and investment of HUD.	**Chicago**	**February 2015**	**December 2015**
** **Registered sex offenders in Section 8 and public housing:** To determine whether HUD subsidized housing occupied by registered sex offenders.	**Kansas City**	**October 2015**	**May 2016**
** **HUD's risk assessment of PHAs:** To determine whether the risk assessment tool was (1) properly implemented, (2) sufficient to detect troubled PHAs, and (3) effective in assisting PHAs with preventing and resolving problems.	**Fort Worth**	**October 2015**	**June 2016**
** **HUD's calculation of the asset repositioning fee:** To determine whether HUD had adequate controls to provide assurance that asset repositioning fees were accurately calculated.	**New York**	**November 2015**	**September 2016**
*** **Single grant numbering system for IHBG:** To determine whether the Office of Native American Programs' use of a single grant numbering system for all Indian Housing Block Grant (IHBG) years allowed for adequate accountability for grant funds.	**Los Angeles**	**January 2016**	**September 2016**

Program areas and objectives	Lead region	Start date	Final report target date
**** Database analysis of family participation in public housing and tenant- and project-based Section 8 rental assistance programs:** To determine whether PIH and Office of Multifamily Housing Programs Section 8 program participants were concurrently enrolled in tenant- and project-based rent subsidy and public housing programs.	**Kansas City**	**January 2016**	**September 2016**
**** PIH's controls over required conversions of distressed housing projects:** To determine whether PIH had adequate controls over required conversions of distressed public housing projects.	**New York**	**January 2016**	**September 2016**
***** HUD's verification of PHAs' Operating Fund calculations:** To determine whether HUD verified Public Housing Operating Fund calculations to ensure that PHAs received the amounts for which they were eligible and recaptured any excess subsidies provided.	**New York**	**September 2016**	**May 2017**
Multifamily housing-FHA			
******HUD's review and approval of MAP loans (AT-15-0019):** To determine the adequacy of HUD's review and approval of loans underwritten by multifamily accelerated processing (MAP)-approved lenders for FHA insurance.	**Atlanta**	**September 2015**	**May 2016**
****** Accuracy of data displayed in iREMS:** To determine whether HUD's Integrated Real Estate Management System (iREMS) (1) displayed the correct data from each source multifamily database to assist HUD project managers in monitoring projects in their portfolio and (2) promptly notified HUD project managers of mortgage delinquencies or defaults and required action.	**Chicago**	**November 2015**	**August 2016**
****** HUD's implementation of use agreement:** To determine whether HUD provided sufficient guidance to owners and management agents to ensure implementation of use agreement restrictions for affordable set-aside units.	**Los Angeles**	**April 2016**	**November 2016**
Information systems (IS) audits			
*** Review of information system controls over Ginnie Mae (DP-15-0002):** To evaluate general and application controls for Ginnie Mae systems' compliance with HUD information technology policies and Federal information system security and financial management requirements.	**IS Audit**	**February 2015**	**October 2015**

Program areas and objectives	Lead region	Start date	Final report target date
*** Review of OCFO financial management system functionality (DP-15-0005):** To assess general and application controls for selected Office of the Chief Financial Officer (OCFO) financial systems for compliance with HUD information technology policies and Federal information system security and financial management requirements.	**IS Audit**	**February 2015**	**October 2015**
*** Review of information system controls over FHA (DP-15-0004):** To evaluate general and application controls for FHA systems' compliance with HUD information technology policies and Federal information system security and financial management requirements.	**IS Audit**	**February 2015**	**October 2015**
(a) Federal information system controls audit manual review (DP-15-0006): To assess management controls over HUD's computing environment as part of the internal control assessments required for the FY 2015 consolidated financial statement audit under the Chief Financial Officers Act of 1990.	**IS Audit**	**March 2015**	**October 2015**
Administrative-other			
*** Review of HUD's Intergovernmental Personnel Act agreements, assignments, and processes (FW-15-0016):** To determine whether HUD used the program as intended and administered its agreements in accordance with requirements.	**Fort Worth**	**February 2015**	**December 2015**
(a) FY 2015 consolidated financial statement audit (FO-15-0002): To perform the annual consolidated financial statement audit as required by the Chief Financial Officers Act as amended.	**Financial Audit**	**February 2015**	**November 2015**
(a) FHA financial statement audit (FO-15-0100): To express an opinion on FHA's FY 2014 financial statements.	**Financial Audit**	**March 2015**	**November 2015**
*** Review of HUD public relations expenses (PH-15-0008):** To determine the extent of HUD's costs for public relations and the benefits received from these services.	**Philadelphia**	**March 2015**	**December 2015**
(a) Ginnie Mae financial statement audit (FO-15-0200): To express an opinion on Ginnie Mae's principal financial statements.	**Financial Audit**	**April 2015**	**November 2015**

Program areas and objectives	Lead region	Start date	Final report target date
(a) Review of HUD's compliance with the purchase and travel card programs (FO-15-0304): To determine whether HUD had sufficient and effective controls to prevent and identify purchase and travel card program violations; specifically, to determine whether there were controls in place to (1) prevent and identify improper and potentially unallowable uses of cards and (2) recognize patterns of violation.	**Financial Audit**	**August 2015**	**January 2016**
***** Counsel of the Inspectors General on Integrity and Efficiency cross-cutting initiative on disasters (FW-16-0003):** To report on funding, expenditures, and monitoring and identify common concerns and make suggestions to improve oversight, enhance collaboration, and report on best practices.	**Fort Worth**	**October 2015**	**February 2016**
*** Review of HUD's procurement of major service contracts:** To determine whether HUD had adequate procedures in place to plan and monitor major service contracts to prevent waste and abuse.	**Boston**	**October 2015**	**April 2016**

EXTERNAL AUDITS

Planning for external audits is subject to a number of factors, such as complaints, requests from HUD and congressional staff, and media attention, none of which can be predicted. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work at hand. Depending on the volume and nature of audit requests, OIG intends to selectively target high-risk programs and jurisdictions. Priorities have been determined based on the HUD OIG strategic plan and areas of interest to OIG's stakeholders, particularly Congress. With this in mind, the following types of external audits have been identified as priority areas during this planning cycle. As the opportunity permits, OIG audit managers will focus their audit resources on the following areas.

Single-family lenders: Single-family lender origination reviews continue to be a priority for FY 2015 due to the abuses being experienced in single-family programs. A specialized audit program has been developed to target lenders, considering a number of high-risk indicators. In addition to its being a goal in HUD OIG's strategic plan, there continues to be congressional interest in OIG's audits of single-family programs. In addition, OIG plans to perform audits of mortgage companies' underwriting procedures and servicers performing loss mitigation actions.

Community planning and development: In an effort to continue its emphasis on improving efficiency and effectiveness, OIG continues to emphasize this program area. Congress has taken an interest in improving the efficiency of the HOME program. HUD OIG has longstanding concerns regarding the financial management controls over community planning and development formula grant programs and will continue to focus on audits of HOME grantees and HUD's monitoring of the grantees as well as oversight of CDBG Disaster Recovery funds.

OIG's external audit work regarding grantees commonly finds a lack of adequate controls, including issues with subgrantee activities, resale and recapture provisions to enforce HUD's affordability requirements, incorrect reporting of program accomplishments, and ineligible expenses. There is also a repetitive thread of not always meeting the objectives of the program to provide affordable housing or not always meeting local building code requirements. Our audits have found that in some instances, little or no monitoring occurred, particularly at the subgrantee level. HUD focuses its monitoring activities at the grantee level through its field offices. Grantees, in turn, are responsible for monitoring their subgrantees. OIG has concerns regarding the capacity of subgrantees receiving funding from HUD programs, including grantees receiving CDBG Disaster Recovery funds; therefore, audits of grantees and their subgrantee activities will continue to be given emphasis this fiscal year.

Public and Indian housing: The low-income program serves approximately 1.2 million households. The Section 8 Housing Choice Voucher program serves more than 2 million households. As part of an overall OIG initiative, tenant eligibility and accuracy of rental assistance payments will also be an area of audit focus. The quality of housing and the cost of administering these programs are other areas of emphasis that will be addressed as resources permit. OIG will take a close look at various PHAs to ensure that they sufficiently administer

HUD's programs in accordance with regulations and guidance.

Multifamily and insured health care project audits: In fiscal year 2014, demand for FHA's multifamily and health care programs remained strong. FHA endorsed 1,016 multifamily apartment loans totaling nearly $9.9 billion and 50 risk-sharing loans totaling more than $606 million. In the face of an unprecedented rental affordability crisis, this activity not only created additional units, but also helped many multifamily owners refinance into more sustainable loans, thereby preserving existing units across the country. By 2016, HUD will complete its transformation, Multifamily for Tomorrow, in which it plans to change from a 1970s operational model to a 21st-century model that applies industry best practices, improves its ability to manage risk and deliver excellent customer service, and increases accountability and national consistency through four initiatives:

(1) Workload sharing to address fluctuations in volume;
(2) The Underwriter Model and risk-based processing in production to foster greater efficiency and effectiveness;
(3) The Account Executive Model in asset management to enable multifamily experts to better manage risk while aligning the asset management portfolio according to staff expertise; and
(4) The Streamlined Organizational Model in both headquarters and the field offices to streamline decision making, improve consistency, and enhance accountability.

OIG has not reviewed the Multifamily for Tomorrow initiative; however, OIG will continue to focus on multifamily programs to ensure that HUD's risk is limited as volume increases. It will also continue to focus on the misuse of project operating funds, also known as equity skimming.

In fiscal year 2014, FHA endorsed nearly $8.8 billion in insurance for hospitals and residential care facilities, which increased access to quality health care in many communities. OIG will evaluate lenders and focus on equity skimming in health care programs as volume continues to increase in this area, and regulations have been strengthened to ensure that operators are held to tighter standards regarding cash distributions. Lastly, OIG will look at hospitals as a growing number of loans are being insured by FHA and due to the risk caused by the high dollar amount of each loan.