

May 2012

INSPECTORS  
GENERAL

HUD Office of  
Inspector General  
Resources and Results



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## Why GAO Did This Study

The joint explanatory statement for the Omnibus Appropriations Act, 2009, called for GAO to report on the resources of the HUD OIG in light of HUD's recently expanded roles and responsibilities. In response, GAO (1) compared the budgets, staffing levels, and monetary accomplishments of the HUD OIG to that of comparable OIGs during recent years, and (2) described the results of the HUD OIG's oversight of HUD's programs.

GAO compared the budget and staff resources of the HUD OIG with that of other Cabinet-level department OIGs for the 5-year period from fiscal year 2007 through 2011. GAO also summarized the monetary accomplishments of the HUD OIG and other OIGs as reported in their semiannual reports to the Congress, and compared the results with their total budgetary resources to obtain a return on each budget dollar received.

In addition, GAO summarized and described the HUD OIG's reported oversight coverage and monetary and nonmonetary accomplishments from audit and inspection reports and investigative cases that addressed HUD's largest program offices from fiscal year 2007 through 2011.

## What GAO Recommends

GAO is not making any recommendations in this report. The HUD Inspector General concurred with the contents of the draft report.

## INSPECTORS GENERAL

### HUD Office of Inspector General Resources and Results

## What GAO Found

During the 5-year period from fiscal year 2007 through 2011, the Department of Housing and Urban Development's (HUD) Office of Inspector General (OIG) had budget and staffing resources that were consistent with other OIGs, and a monetary return for each budget dollar which exceeded the average return for Cabinet-level OIGs. During the 5-year period, the HUD OIG had total budgetary resources ranging from \$121 million to \$144 million, consistently ranking it fifth among all Cabinet-level OIGs. However, while the total budgetary resources for all Cabinet-level OIGs increased by about 45 percent over the 5-year period, the HUD OIG's total budgetary resources increased by 19 percent. In terms of staffing, the HUD OIG's full-time-equivalent staff (FTE) consistently ranked in the top four or five of the Cabinet-level OIGs. Also, the HUD OIG's FTEs increased by about 13 percent during the 5-year period, as compared to about a 17 percent average increase for all Cabinet-level OIGs. During the same 5-year period, the HUD OIG reported an estimated average dollar return of about \$13.62 for each HUD OIG total budgetary dollar received, while the 16 OIGs in the Cabinet-level departments reported an estimated average dollar return of about \$11.12 for each OIG total budget dollar received over the same period.

The HUD OIG reported the majority of its audit, inspection, and investigative coverage in the three largest HUD program offices during fiscal years 2007 through 2011. Specifically, of the OIG's reported 905 total audit and inspection reports completed over the 5-year period, 90 percent addressed programs in HUD's Offices of Public and Indian Housing, Housing, and Community Planning and Development, which comprised about 93 percent of HUD's fiscal year 2011 total budgetary resources. Also, of the 6149 investigative cases opened during this same period, almost 95 percent involved programs in these same offices. In addition, the OIG's reports and investigative cases focused on HUD's responsibilities related to recent increases in hurricane and disaster relief funds and HUD's implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act), administered through these HUD program offices. Also, of the almost \$6.94 billion in reported potential monetary savings from the OIG's audits and inspections, approximately \$2.46 billion (about 36 percent), were in the three largest HUD program offices. Of the remaining amount, approximately \$4.45 billion (about 64 percent), was mostly from a financial control deficiency not directly related to the three large program offices, and an additional \$28.4 million resulted from audits and inspections of hurricane relief and disaster assistance not reported as part of a specific HUD program. Of the OIG's reported \$1.39 billion in investigative recoveries during the 5-year period, approximately \$1.2 billion (about 86 percent), was related to mortgage fraud investigations in programs administered by HUD's Office of Housing. The OIG also reported an additional \$866 million in potential savings from other investigative efforts throughout HUD's programs during the 5-year period. In addition, the OIG reported nonmonetary accomplishments primarily from investigations in HUD's three largest program offices, which resulted in 4,759 convictions, pleas, and mistrials, and 5,761 administrative and civil actions during the 5-year period.

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### Abbreviations

CDBG	Community Development Block Grants
CPD	Community Planning and Development
FBI	Federal Bureau of Investigation
FHA	Federal Housing Administration
FTE	Full-time-equivalent
HUD	Housing and Urban Development
OH	Office of Housing
OIG	Office of Inspector General
OMB	Office of Management and Budget
PHA	public housing authority
PIH	Public and Indian Housing

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**United States Government Accountability Office  
Washington, DC 20548**

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May 31, 2012

The Honorable Patty Murray  
Chairman  
The Honorable Susan Collins  
Ranking Member  
Subcommittee on Transportation,  
Housing and Urban Development, and Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Tom Latham  
Chairman  
The Honorable John W. Olver  
Ranking Member  
Subcommittee on Transportation,  
Housing and Urban Development and Related Agencies  
Committee on Appropriations  
House of Representatives

The Department of Housing and Urban Development (HUD) administers programs that provide assistance for housing and community development throughout the nation.<sup>1</sup> Its Office of Inspector General (OIG) was established by the Inspector General Act of 1978 (IG Act) to provide independent audits and investigations of HUD's programs and operations; promote integrity, efficiency, and effectiveness; and detect and prevent fraud, waste, abuse, and mismanagement.<sup>2</sup> As the market for home mortgages tightened in recent years, HUD saw its duties expand significantly as borrowers increasingly turned to federally insured or guaranteed mortgage loan programs such as those offered by HUD through the Federal Housing Administration (FHA). As of fiscal year 2011, FHA oversaw an insured mortgage portfolio of over \$1 trillion. Along with its historical duties, in 2006 and 2007 HUD received about \$19.5 billion in supplemental appropriations to assist states and communities in their recovery from Hurricanes Katrina and Rita.

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<sup>1</sup>42 U.S.C. Chapter 44.

<sup>2</sup>Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978)(codified, as amended, at 5 U.S.C. App.).

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In the joint explanatory statement accompanying the Omnibus Appropriations Act, 2009, the Congress expressed concerns about the recent increases in demands on the department and its OIG resulting from HUD's expanding role in insured mortgage loans and in disaster recovery. The statement directed that we study the HUD OIG's resources and those of comparable OIGs in other departments. In response, this report (1) compares the staffing levels, budgetary resources, and returns on investment of the HUD OIG with other Cabinet-level OIGs between fiscal years 2007 and 2011; and (2) presents the HUD OIG's reported results of its oversight of HUD's largest programs for the same 5-year period.

To address our first objective, we obtained and compared the total budgetary resources and staffing levels of the 16 OIGs in the Cabinet-level departments using budget information from the Office of Management and Budget (OMB).<sup>3</sup> We also obtained the monetary accomplishments reported by the HUD OIG and the Cabinet-level OIGs in their semiannual reports for the 5-year period and compared these accomplishments to their total budgetary resources to determine an overall return on each budget dollar received.

To address our second objective, we identified HUD's largest programs from the relative size of the offices that administer these programs, based on our analysis of HUD's total budgetary resources reported by OMB for fiscal year 2011. We summarized data on the extent of the HUD OIG's reported oversight coverage in each large program office, including the number of audit and inspection reports, and investigative cases opened as reported by the OIG. We also summarized data on the OIG's reported monetary accomplishments, which include potential monetary savings from audits and inspections and monetary recoveries from OIG investigations related to each of HUD's large program offices. In addition, we summarized the OIG's reported data on nonmonetary accomplishments, which include the number of convictions, pleas, and

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<sup>3</sup>The President's Cabinet includes the Vice President and the heads of 15 executive departments—the Secretaries of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, Interior, Labor, State, Transportation, Treasury, and Veterans Affairs; as well as the Attorney General. The Department of the Treasury has two OIGs. In addition to the Treasury OIG, the department's Internal Revenue Service includes the Treasury IG for Tax Administration, which results in a total of 16 OIGs in the 15 Cabinet-level departments.

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mistrials, as well as administrative and civil actions resulting from OIG investigations in each large program office. We also reviewed the HUD OIG's annual audit plans, strategic plans for HUD oversight, and annual budget justifications to determine the OIG's reported emphasis in providing oversight of HUD's programs. We interviewed OIG officials at HUD headquarters responsible for planning, directing, and managing the OIG's resources to obtain information on their priorities and assessments of risks in HUD's programs; and obtained documentation of reasonable assurance on the reliability of the OIG's reported data.

We conducted our work from January 2011 to May 2012 in accordance with all sections of GAO's Quality Assurance Framework that were relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this report.

We obtained comments on a draft of this report from the HUD IG which are reprinted in appendix I. We also received technical comments which we have incorporated as appropriate.

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## Background

For fiscal year 2011, HUD's three largest offices administered programs that accounted for about 93 percent of HUD's total budgetary resources of approximately \$134.3 billion.<sup>4</sup> Specifically, HUD's Office of Public and Indian Housing (PIH) had total budgetary resources of approximately \$71.2 billion (about 53 percent), the Office of Housing (OH) had about \$32.9 billion (approximately 24 percent), and the Office of Community Planning and Development (CPD) had about \$21.4 billion (approximately 16 percent). (See fig. 1.)

The remaining 7 percent of HUD's total budgetary resources included the Government National Mortgage Association (Ginnie Mae); the Offices of Policy Development and Research, Fair Housing and Equal Opportunity, and Lead-Based Paint and Poisoning Prevention; and HUD's

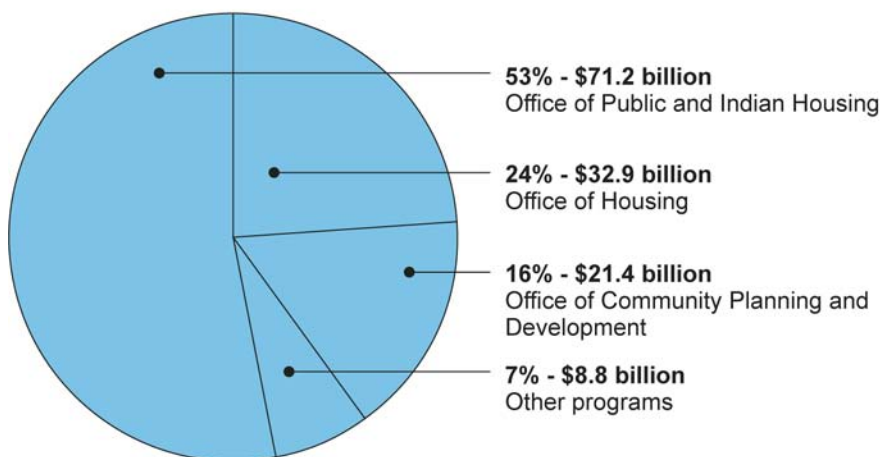
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<sup>4</sup>Total budgetary resources include all discretionary and emergency HUD funding.

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management and administration including financial operations across all of HUD's programs.

**Figure 1: Total Budgetary Resources of HUD's Largest Program Offices, Fiscal Year 2011**



Source: GAO analysis of OMB data.

PIH-administered programs are intended to ensure safe, decent, and affordable housing for low-income families; create opportunities for self-sufficiency and economic independence; reduce improper payments; and support mixed income developments to replace distressed public housing. These programs include grants and subsidies to public housing authorities (PHA) nationwide to provide affordable housing opportunities for about 3.3 million low-income families. Section 8 of the United States Housing Act of 1937, as amended,<sup>5</sup> includes programs for tenant-based vouchers and project-based rental assistance.<sup>6</sup> During fiscal years 2007 through 2011, the number of PHAs increased from 3,100 to 4,150.

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<sup>5</sup>42 U.S.C. § 1437f.

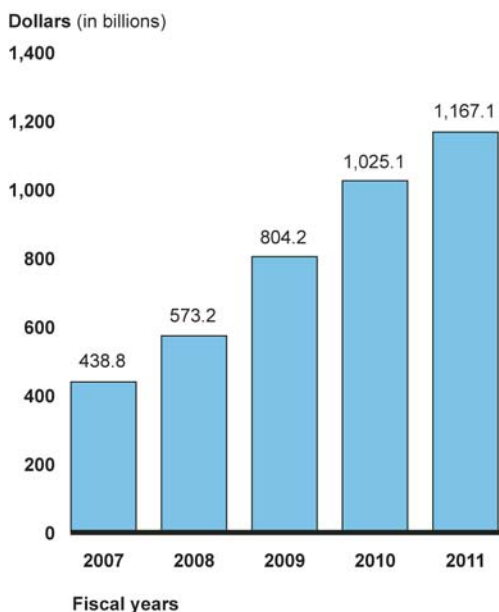
<sup>6</sup>Vouchers are administered at the local level by PHAs and provide subsidies that low-income families can use to lower their rents in the private market. Project-based rental assistance is a form of rental subsidy that is attached to a unit of privately owned housing where low-income families moving into the housing pay a reduced rent on the basis of their incomes.



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The OH-administered programs include FHA, which insures mortgages and loans made by FHA-approved lenders for single and multifamily housing units intended to serve borrowers who are not being adequately served by the conventional market, including first-time homebuyers, minorities, low-income families and residents of underserved communities. During the recent mortgage crisis, larger segments of the market began using FHA-insured loans, resulting in the more than doubling of the dollar amount of these mortgage loans from about \$439 billion in fiscal year 2007 to over \$1 trillion in fiscal year 2011. (See fig. 2.)

**Figure 2: FHA-Insured Mortgage Loans, Fiscal Years 2007 through 2011**



Source: FHA Annual Management Reports for fiscal years 2007-2011.

CPD provides funding mainly through the Community Development Block Grants (CDBG) Program, which is the most widely available source of federal assistance to state and local governments for neighborhood revitalization, housing rehabilitation activities, and economic development. Because of the funding mechanism that the CDBG Program already has in place to provide federal funds to states and localities, the program is widely viewed as a convenient tool for disbursing large amounts of federal funds to address emergencies. Over the past two decades, CDBG has repeatedly been adapted as a vehicle to

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respond to federal disasters, such as floods, hurricanes, and terrorist attacks—including being used to facilitate disaster relief funds in the wakes of Hurricanes Katrina and Rita in 2006 and 2007.<sup>7</sup>

In addition, HUD programs are used to deliver funds for activities associated with the American Recovery and Reinvestment Act of 2009 (Recovery Act), which is one of the federal government’s key efforts to stimulate the economy in response to the recent economic crisis.<sup>8</sup> The goals of the Recovery Act include helping preserve and create jobs, promoting economic recovery from the recent economic recession, providing investments to increase economic efficiency by spurring technological advances, and investing in infrastructure to provide long-term economic benefits. Under the Recovery Act, HUD received \$13.6 billion in appropriations to be used to fund several housing program areas, and the OIG received an additional \$15 million to its annual appropriation for the oversight and audit of HUD programs, grants, and activities funded by the act.

The Cabinet-level OIGs, including the HUD OIG, were established by the IG Act which, among other things, requires each OIG to report specific accomplishments in semiannual reports provided for the Congress.<sup>9</sup> This includes the number of audit reports issued and the questioned costs, unsupported costs, and funds to be put to better use, identified by the OIGs’ audits. As defined by the IG Act, questioned costs include either alleged violations of laws, regulations, contracts, grants, or agreements governing the expenditure of funds; costs not supported by adequate supporting documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. In addition, unsupported costs are defined as costs that do not have adequate supporting documentation, and funds to be put to better use are inefficiencies identified by the OIG in the use of agency funds. The OIGs also include

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<sup>7</sup>Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza Act, 2006, Pub. L. No. 109-148, 119 Stat. 2680, 2779-2780 (Dec. 30, 2005); Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, Pub. L. No. 109-234, 120 Stat. 418, 472 (June 15, 2006); and Department of Defense Appropriations, Pub. L. No. 110-116, 121 Stat. 1295, 1343 (Nov. 13, 2007).

<sup>8</sup>Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

<sup>9</sup>5 U.S.C. App. § 5.

## Comparison of the HUD OIG's Budgets, Staffing, and Monetary Accomplishments with Other Cabinet-Level OIGs

investigative accomplishments in their semiannual reports. These can include monetary accomplishments such as fines and restitutions resulting from settlements or court-ordered actions resulting from illegal activities investigated by the OIGs, and nonmonetary accomplishments such as cases opened, convictions, and administrative actions.

For the 5-year period from fiscal year 2007 through 2011, the HUD OIG had total budgetary resources that were consistently fifth highest out of the 16 Cabinet-level OIGs. (See table 1.) Over the same 5-year period, the total budgetary resources for all 16 OIGs increased from about \$1.5 billion to almost \$2.2 billion, or about 45 percent. In comparison, the HUD OIG's budgets increased approximately 19 percent, from about \$121 million to about \$144 million, or less than half of the percentage increase for the total Cabinet-level OIG budgets.<sup>10</sup>

**Table 1: Percentage Change in Total Budgetary Resources of Cabinet-Level OIGs, Fiscal Years 2007 and 2011**

Dollars in millions				
	Cabinet-level OIGs	Fiscal year 2007	Fiscal year 2011	Percentage change
1	Department of Health and Human Services	\$285	\$393	38%
2	Department of Defense	\$221	\$330	49%
3	Treasury IG for Tax Administration	\$135	\$157	16%
4	Department of Homeland Security	\$128	\$155	21%
5	Department of Housing and Urban Development	\$121	\$144	19%
	<b>Total for all 16 Cabinet-level OIGs</b>	<b>\$1.499</b>	<b>\$2.176</b>	<b>45%</b>

Source: GAO analysis of OMB data.

<sup>10</sup>The HUD OIG's fiscal year 2011 budgetary resources of about \$144 million include temporary supplemental funding for oversight of HUD's disaster relief efforts and HUD's Recovery Act activities.

When comparing the full-time-equivalent (FTE) staff of the Cabinet-level OIGs during the same period, the HUD OIG was fifth in fiscal year 2011. In prior years the HUD OIG ranked fourth, immediately ahead of the Department of Homeland Security OIG during fiscal years 2007 through 2009, and immediately behind the same OIG during fiscal years 2010 and 2011. (See table 2.) The HUD OIG increased its level of FTEs by about 13 percent during the 5-year period, a similar but somewhat smaller increase than the approximately 17 percent average increase in FTEs for all the Cabinet-level OIGs.

**Table 2: Percentage Change in Full-Time-Equivalent Staff of Cabinet-Level OIGs, Fiscal Years 2007 and 2011**

	<b>Cabinet-level OIGs</b>	<b>Fiscal year 2007</b>	<b>Fiscal year 2011</b>	<b>Percentage change</b>
1	Department of Health and Human Services	1,513	1,745	15%
2	Department of Defense	1,387	1,613	16%
3	Treasury IG for Tax Administration	792	823	4%
4-5	Department of Homeland Security	550	728	32%
4-5	Department of Housing and Urban Development	632	712	13%
	<b>Total for all 16 Cabinet-level OIGs</b>	<b>8,387</b>	<b>9,843</b>	<b>17%</b>

Source: GAO analysis of OMB data.

## Monetary Accomplishments Reported by the HUD OIG and Other Cabinet-Level OIGs

During each year of the 5-year period, from fiscal years 2007 through 2011, the HUD OIG's reported monetary accomplishments compared with its total budgetary resources resulted in estimated annual returns on each total budget resource dollar received. These returns ranged from a low of \$10.73 in fiscal year 2010 to a high of \$18.70 in fiscal year 2009. In addition, HUD's OIG reported that total monetary accomplishments from audits, inspections, and investigations over the 5-year period were approximately \$9.2 billion. When compared to the HUD OIG's total budgetary resources for the entire 5-year period of \$675 million, the estimated average return for each total budgetary resource dollar received was about \$13.62. (See table 3.)

**Table 3: HUD’s OIG—Estimated Average Return on Investment of Total Budgetary Resource Dollars, Fiscal Years 2007 through 2011**

<b>HUD OIG</b>	<b>Fiscal year 2007</b>	<b>Fiscal year 2008</b>	<b>Fiscal year 2009</b>	<b>Fiscal year 2010</b>	<b>Fiscal year 2011</b>	<b>Totals</b>
Total budgetary resources (dollars in millions)	\$121	\$122	\$142	\$146	\$144	<b>\$675</b>
Monetary accomplishments (dollars in millions)	\$1,347	\$1,749	\$2,656	\$1,566	\$1,878	<b>\$9,196</b>
Estimated average dollar return on each total budgetary resources dollar received	\$11.13	\$14.34	\$18.70	\$10.73	\$13.04	<b>\$13.62</b>

Source: GAO analysis of the HUD OIG’s semiannual reports and OMB data.

When compared to the average 5-year return on total budgetary resource dollars for all 16 Cabinet-level OIGs, HUD OIG’s return was again similar, but somewhat higher. Specifically, the 16 Cabinet-level OIGs reported monetary accomplishments in their semiannual reports that totaled about \$106.2 billion over the same period. When compared to their combined total budgetary resources of approximately \$9.547 billion, these OIGs had an overall estimated average return on investment of about \$11.12 for each total budgetary resource dollar received. (See table 4). The OIGs’ combined estimated average return on total budgetary resource dollars during this 5-year period ranged from a low of \$7.54 in fiscal year 2007 to a high of \$14.33 in fiscal year 2011.

**Table 4: All Cabinet-Level OIGs—Estimated Average Return on Investment of Total Budgetary Resource Dollars Received, Fiscal Years 2007 through 2011**

<b>Cabinet-level OIGs</b>	<b>Fiscal year 2007</b>	<b>Fiscal year 2008</b>	<b>Fiscal year 2009</b>	<b>Fiscal year 2010</b>	<b>Fiscal year 2011</b>	<b>Totals</b>
Total budgetary resources (dollars in billions)	\$1.499	\$1.603	\$2.074	\$2.195	\$2.176	<b>\$9.547</b>
Total monetary accomplishments (dollars in billions)	\$11.305	\$13.006	\$25.981	\$24.808	\$31.191	<b>\$106.20</b>
Estimated average dollar return on each total budgetary resource dollar received	\$7.54	\$8.11	\$12.48	\$11.30	\$14.33	<b>\$11.12</b>

Source: GAO analysis of OIG semiannual reports and OMB data.

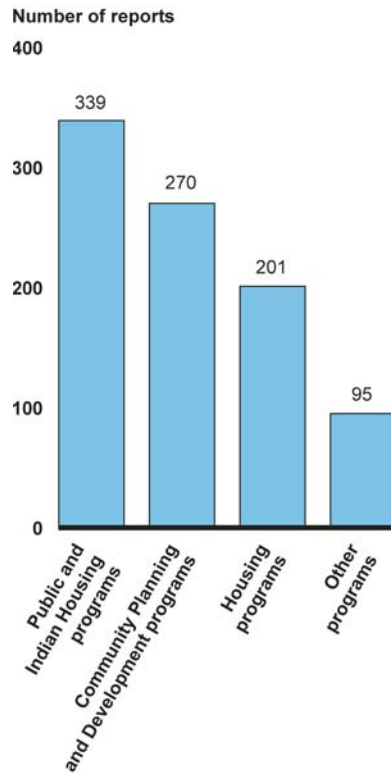
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## HUD's OIG Reported Oversight and Accomplishments in HUD's Three Largest Program Offices

The HUD OIG reported providing the majority of audits and inspections in HUD's three largest program offices during fiscal years 2007 through 2011. Specifically, the OIG reported a total of 905 audit and inspection reports, which included reviews of the efficiency and effectiveness of HUD's management and program operations, and audits of HUD's financial statements during the 5-year period. Of these reports, 810—about 90 percent—addressed HUD programs administered by PIH, OH, and CPD.

The OIG reported coverage of PIH-administered programs with a total of 339 audit and inspection reports, which was the greatest number of reports in any of HUD's program offices. (See fig. 3.) The emphasis on the PIH programs is a result of the OIG's concerns with the overpayment of housing assistance in the Section 8 programs. The OIG addressed CPD-administered programs through 270 reports with an emphasis on the oversight of funding that goes to nonprofit organizations that have historically not participated in federal programs and may lack the capacity to comply with all grant requirements. Also, according to OIG officials, the OIG's 201 audit and inspection reports of OH-administered programs are a result of the OIG's recognition that FHA's share of mortgage originations has been at an all-time high over the past few years.

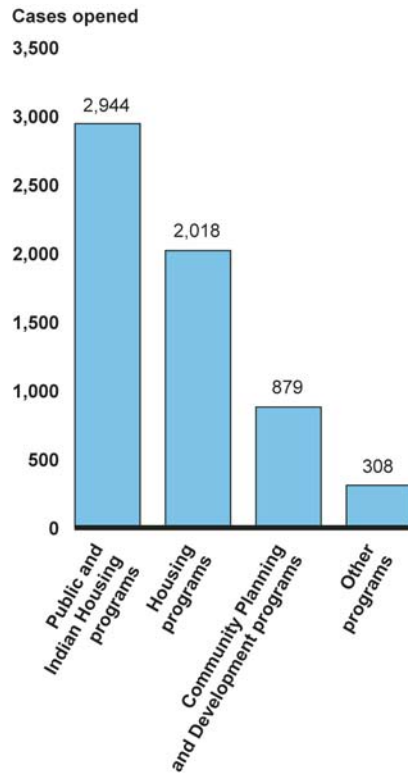
**Figure 3: HUD's OIG Audit and Inspection Reports in Three HUD Program Offices Compared with All Other Programs, Fiscal Years 2007 through 2011**



Source: GAO analysis of HUD OIG semiannual reports for fiscal years 2007-2011.

The HUD OIG also reported opening a total of 6,149 investigative cases, with most of them providing investigative coverage of HUD's three largest program offices during the 5-year period. Specifically, of these cases, 5,841 (about 95 percent), were in programs administered by PIH, OH, and CPD. The OIG opened 2,944 investigative cases to address alleged fraud in PIH-administered programs, which included rental assistance programs and the administration of public housing authorities. (See fig. 4.) In addition, through expanded mortgage fraud initiatives to address the unprecedented increase in the number of new and refinanced FHA loans, the OIG reported opening 2,018 investigative cases in OH-administered programs. The OIG also reported opening 879 investigative cases into alleged public corruption within the management of housing projects as well as the administration of grant programs funded to state and local governments through CPD-administered programs.

**Figure 4: HUD's OIG Investigative Cases Opened in Three HUD Program Offices Compared with All Other Programs, Fiscal Years 2007 through 2011**



Source: GAO analysis of HUD OIG semiannual reports for fiscal years 2007-2011.

## HUD's OIG Reported Monetary and Nonmonetary Accomplishments

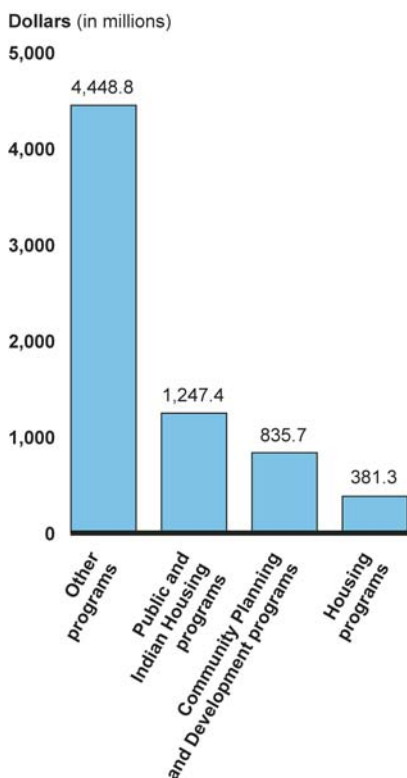
The HUD OIG's total monetary accomplishments of approximately \$9.196 billion reported during fiscal years 2007 through 2011 includes about \$6.94 billion<sup>11</sup> in potential savings from audit and inspection reports, about \$1.39 billion in monetary recoveries from investigations, and about \$866 million from additional related investigative efforts. These include the monetary amounts of funds put to better use; questioned costs identified by audits and inspections; and investigative recoveries from fines, settlements, and restitutions.

<sup>11</sup>This includes \$28.4 million in monetary accomplishments resulting from audits and inspections of hurricane relief and disaster assistance not reported by the OIG as part of a specific HUD program.



Of the almost \$6.94 billion in reported potential monetary savings from audits and inspections, approximately \$2.46 billion (about 36 percent), was in HUD's three largest program offices. Of the remaining amount, about \$4.45 billion (approximately 64 percent), was mostly from a financial control deficiency and not directly related to HUD's large program offices. (See fig. 5.) The majority of this figure—approximately \$4.27 billion (about 96 percent), is related to ongoing significant deficiencies reported by the OIG in HUD's financial process for reviewing outstanding obligations and recapturing amounts no longer needed to fund them. This process was reported by the HUD OIG as a significant deficiency in fiscal year 2011 and in prior years because it allowed invalid obligations to remain in HUD's accounting records.

**Figure 5: HUD's OIG Total Monetary Accomplishments from Audits and Inspections of Three HUD Program Offices Compared with All Other Programs, Fiscal Years 2007 through 2011**



Source: GAO analysis of HUD OIG semiannual reports for fiscal years 2007-2011.

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The HUD OIG identified about \$1.25 billion in monetary accomplishments over the 5-year period from audits and inspections of PIH-administered programs, particularly the Section 8 programs. These monetary accomplishments were from audits and inspections of tenant eligibility issues, the accuracy of rental assistance payments, the quality of housing, and the cost of administering the programs.

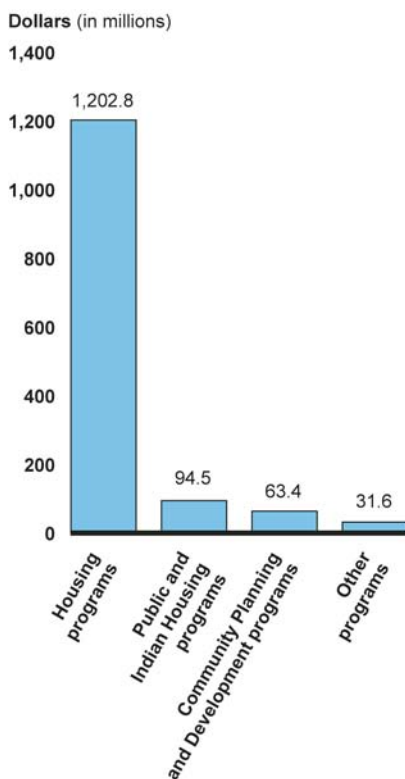
Over the 5-year period, the OIG reported monetary accomplishments from audits and inspections of CPD-administered programs of approximately \$835.7 million. These audits and inspections focused on the control systems in place, especially for subrecipients of HUD grant funds, to determine whether these controls provide the review and oversight necessary to ensure funds are spent on eligible activities and put to good use.

Also, over the same period, the HUD OIG reported monetary accomplishments of about \$381.3 million related to OH-administered programs. The HUD OIG's audits and inspections target FHA lenders based on a number of high-risk indicators. In fiscal year 2010, the OIG conducted Operation Watchdog that involved reviewing the underwriting of 284 mortgages. Of these mortgages, the OIG concluded that almost 50 percent never should have been insured and resulted in an estimated loss in excess of \$11 million. The OIG recommended that HUD take administrative actions against each lender and that HUD develop and implement a risk-based selection of loans to verify that the loans met FHA requirements.

The HUD OIG reported a total of about \$1.392 billion in investigative recoveries during fiscal years 2007 through 2011. Approximately \$1.2 billion (about 86 percent), of these recoveries were from investigations in OH's housing programs administered by FHA. (See fig. 6.) The OIG reported mortgage fraud investigations into FHA's programs as a continuing priority and reported working closely with the Federal Bureau of Investigation (FBI) to coordinate mortgage fraud initiatives. OIG investigations focused on various frauds perpetrated by mortgage companies and brokers, title companies, loan officers, real estate agents, closing attorneys, appraisers, builders, and nonprofit entities. For example, a HUD OIG investigation found that HUD, Ginnie Mae, and other financial entities had realized losses in excess of \$1.9 billion due to bank, wire, and securities fraud committed by the chairman of a former FHA-approved lender. The chairman was sentenced to 30 years in prison and ordered to forfeit \$38.5 million. For investigative recoveries related to other HUD offices, the OIG reported about \$94.5 million in PIH-

administered programs, and investigations of CPD-administered programs resulted in about \$63.4 million in investigative recoveries during the same 5-year period.

**Figure 6: HUD's OIG Total Investigative Recoveries in Three HUD Program Offices Compared with All Other Programs, Fiscal Years 2007 through 2011**



Source: GAO analysis of HUD OIG semiannual reports for fiscal years 2007-2011.

Regarding nonmonetary accomplishments in HUD's three largest program offices, the HUD OIG reported that its PIH-related investigative priorities include Section 8 rental assistance fraud committed by tenants and landlords, Section 8 administrators, and PHAs. An important part of the investigative efforts in this area included outreach by the OIG staff to meet with executive directors of housing authorities, provide training seminars for the identification of fraud, and develop liaisons for referrals. As a result, during fiscal years 2007 through 2011, the OIG reported participating in almost 3,000 convictions, pleas, and mistrials (See fig. 7.), and 3,655 administrative and civil actions to address wrongdoing in PIH-administered programs. (See fig. 8.)

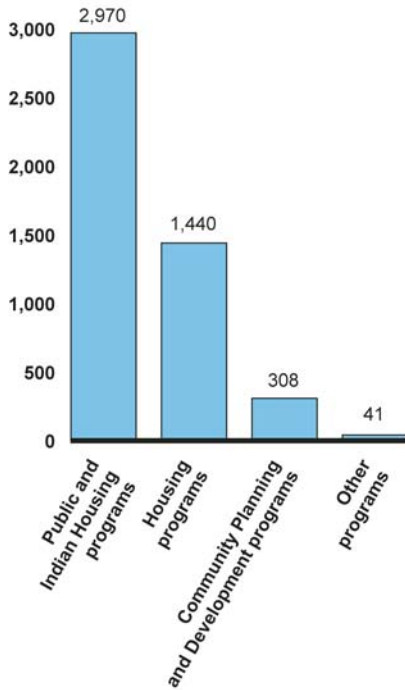
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The OIG also reported full-time participation on the FBI National Mortgage Team with mortgage fraud task forces at over 40 locations throughout the country. These activities led to increased investigations, as well as civil actions, to address fraud in HUD's single family programs. As a result the OIG reported 1,440 convictions, pleas, and mistrials and 1,680 administrative and civil actions in OH-administered programs.

With respect to recent increases in HUD oversight responsibilities, the HUD OIG reported investigative activities that focused on CDBG grants that included federal funding for hurricane and disaster assistance. As a result, the OIG reported a total of 308 convictions, pleas, and mistrials and 200 administrative and civil actions during the 5-year period. For example, a 2010 OIG investigation resulted in a Gulf Coast resident being charged in U.S. District Court with making false statements in the theft of government funds after receiving \$300,000 in CDBG disaster assistance funds for damaged property that was not the recipient's primary residence during Hurricane Katrina and therefore did not qualify for disaster assistance.

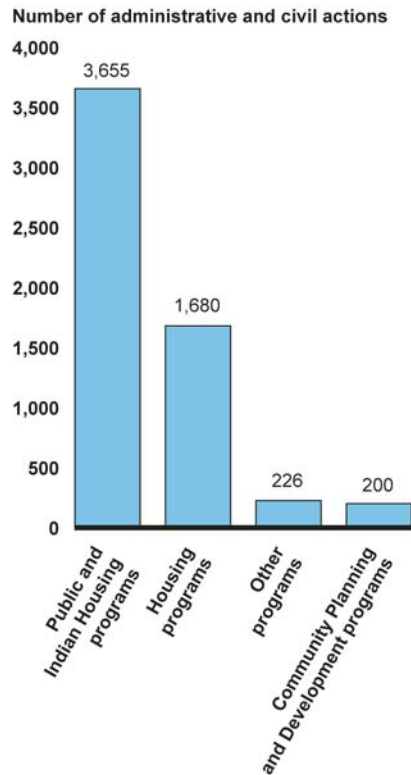
**Figure 7: HUD's OIG Convictions, Pleas, and Mistrials in Three HUD Program Offices Compared with All Other Programs, Fiscal Years 2007 through 2011**

Number of convictions, pleas, and mistrials  
3,500



Source: GAO analysis of HUD OIG semiannual reports for fiscal years 2007-2011.

**Figure 8: HUD's OIG Administrative and Civil Actions in Three HUD Program Offices Compared with All Other Program Offices, Fiscal Years 2007 through 2011**



Source: GAO analysis of HUD OIG semiannual reports for fiscal years 2007-2011.

## Recovery Act

In fiscal year 2009, the Congress provided the HUD OIG with additional funding of \$15 million to provide oversight of Recovery Act funds through HUD's programs. This resulted in an increased focus by the OIG on HUD's Recovery Act responsibilities. The coverage and accomplishments reported by the OIG include a total of 177 audit and inspection reports that address the Recovery Act, as well as about \$133.7 million in related monetary accomplishments during fiscal years 2009 through 2011.<sup>12</sup> (See table 5.)

<sup>12</sup>The OIG's investigative activities related to the Recovery Act are included in the information reported by the OIG for each of HUD's programs. For example, the Recovery Act funds made available through CDBG programs are included in the OIG's oversight of CPD and the accomplishments are reported with all other CPD results.

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**Table 5: HUD's OIG Audits and Inspections of Recovery Act Funding, Fiscal Years 2009 through 2011**

<b>Audit and inspections reports</b>	<b>Fiscal year 2009</b>	<b>Fiscal year 2010</b>	<b>Fiscal year 2011</b>	<b>Totals</b>
Number of Recovery Act audit and inspections reports	31	62	84	177
Monetary accomplishments (dollars in millions)	\$36.8	\$32.3	\$64.6	\$133.7

Source: GAO analysis of HUD OIG's semiannual reports.

The HUD OIG considers Recovery Act activities to be high risk with the potential for housing-related fraud because significant allocations of these funds are processed in an unusually short time frame. The OIG's Recovery Act audits and inspections included determining whether funds are awarded and distributed in a prompt, fair, and reasonable manner. In addition, the OIG's audits are to help to determine whether recipients and users of funds are transparent to the public, whether funds are used for the authorized purposes, and whether program goals are achieved.

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## Agency Comments

In written comments on a draft of this report, the HUD IG generally concurred with the report contents. We also received technical suggestions which we incorporated as appropriate.

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We are sending copies of this report to the HUD IG and interested congressional committees. In addition, this report will be available at no charge on the GAO website at <http://www.gao.gov>. If you have any questions or would like to discuss this report, please contact me at (202) 512-2623 or [davisb@gao.gov](mailto:davisb@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix II.



Beryl H. Davis  
Director  
Financial Management and Assurance

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# Appendix I: Comments from the Inspector General, Department of Housing and Urban Development

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U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, DC 20410-4500

May 29, 2012

Beryl H. Davis  
Director  
Financial Management and Assurance  
U.S. Government Accountability Office

Dear Ms. Davis:

Thank you for the opportunity to review and provide my comments to the GAO draft report, *Inspectors General: HUD Office of Inspector General Resources and Results*, report number GAO-12-618. We appreciate that you added a notation on Table 1 to include that our Fiscal year 2011 also includes supplemental funding for Disaster Assistance and American Recovery and Reinvestment Act oversight work.

We concur with the contents of the draft report and appreciate the professionalism of your staff which resulted in a comprehensive and informative report. Specifically, the draft report provides me with positive feedback about how HUD OIG's staffing levels, budgetary resources, and returns on investment compare with other executive branch department OIGs over the last five fiscal years. In addition, it is reassuring that HUD OIG spends its funding proportionately with HUD's largest program areas; and that our reported results reflect a higher return for each budgetary dollar than the estimated average dollar return for the 16 OIGs in the Cabinet-level departments. We are proud of our accomplishments and are pleased that the GAO draft report documents many of our successes.

If you have any questions or require additional information, please contact me or Kathleen Hatcher at (202) 402-8323, or [khatcher@hudoig.gov](mailto:khatcher@hudoig.gov). I look forward to continuing to work with GAO to achieve our mutual goal of improving performance and accountability in the federal government.

Sincerely,

A handwritten signature in black ink that reads "David A. Montoya".

David A. Montoya  
Inspector General



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# Appendix II: GAO Contact and Staff Acknowledgments

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## GAO Contact

Beryl H. Davis, (202) 512-2623

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## Staff Acknowledgments

In addition to the contact named above, Jackson Hufnagle, Assistant Director; Clarence Whitt; Francis Dymond; Jacquelyn Hamilton; Katherine Lenane; Arkelga Braxton; Jessica Butchko; Pierre Kamga; and Janaya Davis Lewis made key contributions to this report.

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