

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
2014 Summary Statement and Initiatives
(Dollars in Thousands)**

	FY 2012 Actual	FY 2013 Annualized CR	FY 2014 Budget Request	FY 2012 to FY 2014
New Budget Authority	\$124,000	\$124,759	\$127,672	\$3,672
Carryover/Supplemental				
2007 Disaster Assistance	2,636	855	...	-2,636
2009 American Recovery	7,276	3,378	...	-7,276
2013 Sandy Recovery		10,000	9,000	9,000
Total Programs	133,912	138,992	136,672	2,760

1. What is this request?

Given the increasing importance of independent oversight and the size of the Department of Housing and Urban Development (Department) operations, the Office of Inspector General (OIG) is requesting \$127.7 million for fiscal year 2014, an increase of \$3.7 million above 2012 Enacted. The Department’s mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. The Department accomplishes its mission with a gross budget authority of over \$40 billion and approximately 8,500 full time equivalents (FTEs) through component organizations and offices that administer place-based programs, which are carried out through a network of regional offices and smaller Field Offices, as well as through grantees, contractors, and other business partners. The Department’s program covers a broad range of subject areas and encompasses a host of issues within housing and community development. The OIG faces increased pressure from the Congress to oversee a wide range of the Department’s programs and goals to include the Department’s efforts in the following areas:

- Strengthening the Nation’s 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 Sustainable Communities Free from Discrimination.
- Transforming the Way the Department Does Business.

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

- Promoting fiscal responsibility and financial accountability.
- Strengthening the soundness of Public and Indian housing.
- Improving Department's execution and accountability of grant funds.
- Protecting the integrity of the housing insurance programs.

2. What is the OIG?

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

The OIG is comprised of five organizational elements:

Office of Audit: The Office of Audit is responsible for conducting audits and inspections and evaluations to identify, evaluate, and report on the Department's activities and programs so that any needed corrective action can be taken and future problems can be prevented. Auditors assigned to Headquarters and to nine regional offices are responsible for conducting audits, inspections and evaluations, other reviews and related support activities. The Office of Audit initiates audits and inspections and evaluations, based on information obtained from program officials, program research, complaints, congressional requests and risk assessments. The OIG conducts audits in accordance with Government Auditing Standards as defined by the Comptroller General. These audits include:

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

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- 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.

The OIG also conducts inspections and evaluations in accordance with the Quality Standards for Inspection and Evaluation developed by the Council of the Inspectors General on Integrity and Efficiency. Inspections and evaluations are assessments of the design, implementation or results of HUD's operations, programs, or policies. They can be used to provide factual and analytical information or share best practices or promising approaches in administering HUD programs.

The OIG 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 Civil Fraud Division provides case support to the Department of Justice, Civil Division; United States Attorney's Offices nationwide; and HUD's Office of General Counsel to investigate and bring civil fraud and administrative cases.

Office of Investigation: The Office of Investigation is responsible for the development and implementation of the Department's investigative activities. Personnel physically located at HUD Headquarters and in Regional and Field Offices perform these activities. The Office of Investigation initiates investigations of possible violations of laws or regulations in the administration of HUD programs and activities, or misconduct on the part of HUD employees. These include investigations of possible criminal violations for prosecution by the Department of Justice and investigations of program irregularities for civil and/or administrative actions by HUD. The Office on Investigations includes the Headquarter Operations Division and the Special Investigations Division.

Office of Management: The Office of Management supports the Offices of Audit, Investigations, Counsel and Information Technology with the policy and management operations of the OIG. This office oversees human resources, training, budget and general administrative support services, and program integrity provided to the OIG staff. The Office has the following divisions as follows:

- Financial Management Division;
- Resource Management Division;
- Human Capital Management Division;
- Policy, Compliance and Reporting Division; and
- Equal Employment Opportunity and Ombudsman.

Office of Information Technology: The Office of Information Technology is responsible for providing all necessary IT resources to the OIG user community in support of the OTG mission to include information security and information management. This Office also

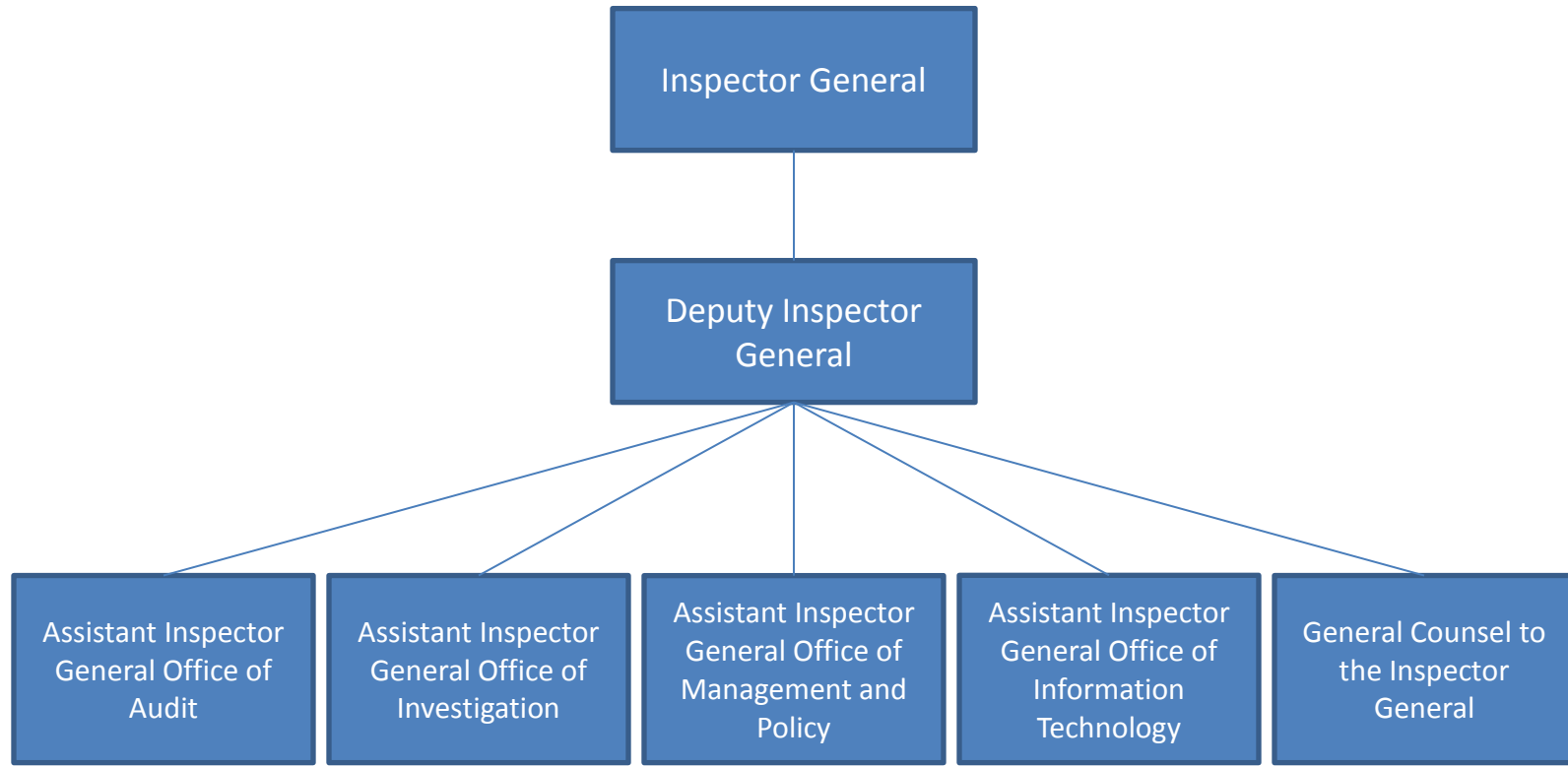
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develops policies in support of the IT operations and activities consistent with organizational requirements. Federal laws and regulations, as well as best practices and develops procedures to ensure documented processes consistent with best practices, operational standardization and control, and compliance with such regulations as FISMA.

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

- Providing oral or written legal opinions and guidance to the HUD-OIG on all matters affecting OIG operations, and its structure, authority, and prerogatives.
- Providing legal advice and opinions to the Inspector General and OIG personnel regarding HUD programs and activities for internal official use.
- Providing legal advice on fiscal law, public contracting, and other civil law issues.
- Drafting proposed legislation, regulations, and policies plus reviewing/commenting on existing and proposed legislation, regulations and program requirements.
- Representing the OIG in judicial, administrative, and other forums.

OIG Organizational Chart:



3. Why is the OIG important and what will we get for the increase of funds?

The OIG has an actual ownership stake in the Department’s ability to accomplish its mission and a statutory responsibility to promote economy, efficiency, and effectiveness in departmental programs and operations. Inherent in this responsibility is a duty to focus efforts and collective resources on providing meaningful recommendations that address challenges that adversely impact the Department’s ability to achieve short- and long-term mission objectives. As the Department strives to improve its programs and operations, the OIG has an obligation to use the appropriate tools and reshape the organization to detect and prevent fraud, waste, and abuse.

Current OIG priorities include the following:

- A more robust Inspections and Evaluations (I&E) unit. Although the OIG has performed inspections and evaluations for years, additional resources are needed to achieve the Inspector General's vision of providing alternative products that are timelier to both the Department and the Congress and complementary to traditional approaches to audits and investigations. The Office of Inspections and Evaluations unit was transferred from the Office of Investigations to the Office of Audits in fiscal year 2012, and augmented with existing staff in fiscal years 2013 and 2014.
- An expanded data mining and progressive predictive analytics capability. Upgrading the OIG's information technology infrastructure and developing a predictive analytics capability that tracks and monitors the Department's program will enable the OIG to conduct risk assessments and employ a data-driven approach to more effectively target oversight efforts in high risk areas.
- An enhanced Civil Fraud capacity. As a result of the OIG's historic \$25 billion mortgage servicing settlement and continued emphasis of the President's Financial Fraud Enforcement Task Force, a cross-agency group established in November 2009, the OIG is committed to perform civil fraud underwriting reviews with the Department of Justice at 10 of the largest federal Housing Administration (FHA) lenders. These reviews have the potential to return billions of dollars to FHA-insured funds. We have targeted additional lenders for review in next the few years. The OIG remains committed to investigating and prosecuting financial and mortgage fraud that harm the American people and the financial markets. The OIG plays a crucial role in the federal financial recovery effort through criminal and civil audits and investigations.
- An improved procurement and contract management oversight effort. The Department continues to be challenged by its over-reliance on contractors in general and its ability to allocate sufficient resources to adequately oversee its contractor work force. To further enhance effective and efficient audits, inspections, evaluations, and investigations related to fraud and other irregularities in the Department's procurement and contract management, additional funding is needed to expand procurement and contract management oversight efforts. Additional funding to audit and investigate procurement and contract management will enhance risk-based selection strategies, expand the breadth and depth of current OIG capability, and increase our efforts performing evaluations and assessments related to OIG procurement and contract management oversight. This is a long overdue program.

A new fraud prevention program. Protecting taxpayer dollars is one of the IG's core priorities. This includes a commitment to increase our efforts to reduce fraud at the outset or at least halt it at the earliest opportunity in the fraud continuum. We will maximize fraud prevention by (1) coordinating with the OIG Offices of Audits, Investigations, Information Technology to maximize the impact and effectiveness of their audits, investigations, inspections and evaluations; (2) assessing, designing, implementing and monitoring the

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Department's fraud prevention programs; (3) working and consulting with government and industry partners through outreach, presentations, and training programs; (4) increasing public's awareness of fraud prevention through outreach and education.

In fiscal year 2012, the Congress directed the OIG to conduct a review of our field office locations because the Congress was concerned about the number of field offices and their associated costs. As requested, the OIG reviewed the size and need for offices and as a result, OIG closed four offices, cancelled an opening of one new office and reduced space in two offices. With these actions, we were able to save \$375,000 in 2012, or 6 percent, in rental fees compared to fiscal year 2011. We will continue evaluating the benefits of closing offices versus increasing travel costs to provide coverage from more distant offices, as well as, work load and return on investment with audits and investigations conducted from each office.

In addition to the directive the Congress provided regarding our office space, the Office of Management and Budget (OMB) asked all of the departments and agencies to promote efficient spending and save costs in the areas of travel, conferences, real property, and fleet management¹. In response to OMB's direction, the OIG conducted an analysis of our travel costs, both mission-essential and non-mission-essential. The results of our analysis showed that we were able to reduce our non-mission-essential travel costs by 30 percent compared to fiscal year 2010 as well as in the areas of relocation, conferences, closing/reducing our office space, and the government-owned-vehicle fleet.

The OIG understands the importance of Congressional efforts and OMB's requirements to save and reduce costs. We are actively and innovatively looking for ways to comply with these requirements. We will continue monitoring the Department's spending, as well as our own and identify opportunities for greater efficiency or cost savings.

¹ OMB Memorandum dated May 11, 2012, "Promoting Efficient Spending to Support Agency Operations."
OMB Memorandum dated September 21, 2011, "Eliminating Excess Conference Spending and Promoting Efficiency in Government."
OMB Memorandum dated August 17, 2011, "Delivering an Efficient, Effective, and Accountable Government."

4. Staffing and FTE Information?

	FY 2012 Actual	FY 2013 Annualized CR	FY 2014 Requested	FY 2012 to FY 2014
Full Time Equivalents	660	665	665	+5

The Budget provides a small increase of 5 FTE above FY 2012 Actual to support new disaster oversight work, as well as other priorities. The OIG continues to actively and strategically reshape our workforce in order to produce timely, impactful, and quality work products. We need to transform ourselves so that we are leaner but working smarter at the same time and are ready for the 21st century. In other words, we need to ensure that we have the right people in the right place doing the right things with the right tools and skill sets. The OIG will 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. To support the OIG’s efforts to build a more robust Inspections and Evaluations (I&E) unit, we will continue to provide existing staff with appropriate skills training.

5. Impact of not funding the request?

Without increased funding in fiscal year 2014, the OIG will be unable to fully achieve the following:

- Expand our Inspections and Evaluations activity. Inspections and Evaluations are designed to deliver results in a much quicker manner than traditional audits. Without a robust inspections and evaluations unit, the OIG’s ability to develop alternative products to convey the results of our efforts in a timelier manner will be limited.
- Establish a predictive analytics capability. A dynamic predicative analytics capability would allow OIG employees to utilize the vast amount of information about companies receiving HUD funds in order to identify non-obvious relationships between entities. These relationships could unveil facts that may not have been transparent to government officials. These relationships might result in leads for investigation, leads for audits, identify an added risk factor, point to excluded parties receiving HUD funds illegally, or a variety of other valuable information. Without this ability, OIG employees will not be able to employ predictive analysis techniques in order to focus limited government oversight resources in targeted areas.
- Increase our Civil Fraud capacity. The results of civil actions from HUD OIG reviews have returned large sums of monies to the Department and the FHA Fund. Our ongoing and future reviews will continue to assist not only the FHA insurance fund but other HUD programs such as Public and Multifamily Housing, and Community Planning and Development. Without continued funding in 2014, the Office of Audit will not be able to continue to sustain its current efforts in pursuing large lenders committing fraud against the FHA insurance fund.

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- Improve our procurement and contract management audit and investigation capability. The Department has a great reliance on its contract work force. Currently, the OIG has no contract specialists on staff; however, it is reviewing contracts on a regular basis as part of the annual financial statement audits. Without better procurement and contract administration oversight, OIG will not be able to detect fraud and irregularities that lie within these contracts.
- Implement a fraud prevention program. Traditionally, federal OIGs have spent the majority of their resources on detection of fraud, waste and abuse. These are generally the “after-the-fact” scenarios. Our plan is to work directly with the program grantees, recipients, and their support organizations.
- Sustain our current efforts by the Office of Investigation in detecting and deterring fraud in the Department’s programs and operations and against the FHA insurance funds and grant fraud in the Department’s numerous programs.

6. Relationship of the funding request to performance?

The OIG continuously evaluates its efforts to improve the accountability of the Department and OIG’s responsiveness to the needs of the Congress, the Department, and the public. We seek to develop and maintain an organization whose work and performance is respected and requested. We are one of the first IGs to use return on investment as a measurement tool.

Our goals and objectives support several of the Department’s own strategic and priority goals, as well as the President’s six performance strategies.

We will track our success in achieving the goals and objectives by:

- Monitoring organizational progress toward meeting performance targets on a quarterly basis;
- Publishing annual performance plans that lay out the audit, investigation, and management priorities for the fiscal year; and
- Reporting the progress of implementing the Strategic Plan in the Semiannual Report to Congress.

The three most significant external factors that might impair our ability to implement the Strategic Plan and meet our objectives are: shifting Department and Congressional priorities; ongoing budget uncertainties; and unforeseen vulnerabilities or significant events.

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An OIG Strategic Plan is the first step in an ongoing strategic and tactical planning process laid out in the Government Performance and Results Act and Office of Management and Budget guidance. Within OIG, we will track implementation of this plan and ensure individual and office accountability for achieving our strategic goals by the following:

- OIG will publish an Annual Performance Plan that sets specific targets for each of our performance measures for the coming fiscal year; lays out the audit, investigation, and management priorities for the year;
- OIG will report on its progress against the Strategic and Annual Performance Plans in the Semiannual Report to Congress for the applicable fiscal year. (See Appendix II that displays accomplishments for fiscal years 2009 through 2012.)
- OIG will link employee standards and ratings to the Strategic Plan. Currently, OIG has tied the performance standards of its Senior Executive Service members and its audit managers to the OIG Strategic Plan.

By the end of fiscal year 2013, we expect to link the performance standards of every employee within the OIG to our Strategic Plan. By linking the Strategic Plan to annual performance plans and reports, OIG will be able to maintain focus on the goals of the Strategic Plan while allowing enough flexibility to adapt to ever changing circumstances, such as unexpected new priorities, disasters or the revised expectations of stakeholders (such as the shifting expectations regarding necessary audit and investigative work that came about with respect to the Recovery Act).

Appendix I: Summary of Requirements by Object Class (Dollars in Thousands)

Object Class	FY 2012 Actual	FY 2013 Annualized CR	FY 2014 Request	FY 2012 to FY 2014
Personnel compensation	\$95,950	\$97,000	\$99,704	\$3,754
Travel/ transportation of persons	5,242	5,000	4,800	-442
Transportation of things	89	89	50	-39
Rent, Communications, utilities, and misc. charges	8,928	8,709	8,709	-219
Printing and reproduction	48	48	48	-
Other Services	11,993	12,163	12,662	669
Training	698	698	1,198	500
Supplies and materials	593	593	250	-343
Furniture and Equipment	408	408	200	-208
Insurance Claims and Indemnities	51	51	51	-
Total Requirement	124,000	124,759	127,672	3,672

**The figures in the table above assume a 1% pay raise in 2014 and exclude supplemental funding.*

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978, as amended, the OIG budget request for 2014 includes:

- \$1.2 million for training. This funding level will allow the OIG to satisfy training requirements and will support the OIG's efforts to reshape its workforce.
- \$468,000 for the Council of the Inspector General on Integrity and Efficiency. This funding will specifically support coordinated Governmentwide activities that identify and review areas of weakness and vulnerability in federal programs and operations with respect to fraud, waste and abuse.

Appendix II: Fiscal years 2010, 2011 and 2012 Major Accomplishments (Office of Audit and Office of Investigation)

Audit Activities	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
External Audit Reports Issued	151	159	154	133
Internal Audits Issued	46	38	38	31
Civil Fraud Actions	***	34	64	68
Impact of Audit Activities:				
Civil Fraud Settlements & Court Ordered Judgments	***	\$2,991,942	\$1,705,000	\$6,973,294
Ineligible and Questioned Costs	\$371,368,053	\$155,188,440	\$193,265,502	\$1,334,803,897
Recommendations That Funds Be Put To Better Use	\$1,948,438,436	\$813,264,347	\$845,883,869	\$3,291,053,596
Total Monetary Impact	\$2,319,806,489	\$968,744,729	\$1,040,854,371	\$4,632,830,787
Internal and External Recommendations Results:				
Internal Audit Recommendations Made	264	170	211	178
Internal Audit Recommendations Resolved	164	243	202	206
External Audit Recommendations Made	865	721	851	775
External Audit Recommendations Resolved	778	842	687	772

*** The Civil Fraud Division was created in June 2010.

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