

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

(\$ in Thousands)

Account Name	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Personnel Services	\$94,257	\$97,515	\$99,298
Non-Personnel Services			
Travel	3,649	3,696	4,620
Transportation of Things	24	21	95
Rent/Utilities	8,908	8,167	8,025
Printing	14	12	33
Other Services/Contracts	16,525	14,512	14,526
Training	742	667	824
Supplies	294	264	306
Furniture/Equipment	1,205	1,085	1,123
Claims & Indemnities	68	61	150
Non-Personnel Services Subtotal	31,429	28,485	29,702
GRAND TOTAL	125,686	126,000	129,000
Associated FTE	598.6	643.0	655.0

Program Area Overview

The mission of the Office of Inspector General is not only to prevent and detect fraud, waste, and abuse in the programs and operations of the Department of Housing and Urban Development (HUD) but to promote economy, efficiency and effectiveness as well. We accomplish this by conducting independent audits, evaluations, and investigations. The work performed by our auditors, evaluators, and investigators provides the means to keep the Secretary and the Congress fully and currently informed about the Department's problems and deficiencies while also identifying best practices. After identifying problems and deficiencies, we make recommendations to improve operations and follow-up with departmental officials on corrective actions. We are committed to reducing fraud at the outset or at least halting it at the earliest opportunity. Protecting taxpayer dollars is one of the Inspector General's highest priorities in order to account for money going to the right place, doing what it was supposed to do, and having the results it was

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intended to have. We actively pursue financial fraud schemes in all of HUD's programs that can have a significant economic impact often at the expense of the American taxpayer.

Fiscal Year 2017 Description of Changes

Office of Inspector General (OIG) requests \$129,000K and 655.0 Full Time Equivalents (FTE) in fiscal year 2017.

- **Personnel Services:** OIG is requesting \$99,298K and 655 FTE. This request represents an increase from the fiscal year 2016 request of \$1,783K and 12 FTE. These additional funds include the cost of new hires and resources to fund cost of living adjustments, promotions, increased benefit costs, and within grade increases.
- **FTE:** Despite some struggles to increase staff recently, in fiscal year 2015 the OIG was able to make gains in total FTE, as part of the overall goal of building the organization back to pre-sequestration levels. The OIG will continue to build on this success into fiscal year 2016. Utilizing this active workforce management should allow the OIG to maintain a staffing base that is closer to historical norms, and what is needed based on workload facing the organization. The new FTE requested for fiscal year 2017 represent a small increase over fiscal year 2016 and will be utilized in a variety of OIG functions requiring specific skill sets. Approximately seven FTE will operate within the Office of Audit, where the skill sets needed will mostly concentrate on two initiatives: The increased workload as a result of bringing the HUD consolidated financial statement audits in-house, which requires highly specialized skills in federal financial auditing and actuarial modeling, and the information security workload that is overseen by the Office of Audit, which requires Information Technology (IT) skills. The remaining five new FTEs will bolster the Office of Evaluations multi-disciplinary teams that work on overseeing, testing, and improving the information security systems and protocols in place within HUD, which require highly technical IT skills in IT security and penetration testing, especially in light of breaches to federal IT systems.
- **Non-Personnel Services:** OIG is requesting \$29,702K, this is a \$1,217K increase from the fiscal year 2016 enacted budget. This is mostly due to increases in travel requirements, which are the result of staffing level increases and the travel costs associated with the caseload handled by that staff.

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978, as amended, the OIG budget request for 2017 includes:

- \$824K for training. By investing in information technology including web-based and on-line training solutions, we are working to decrease the average training cost per FTE and still satisfy all training requirements for our teams of auditors, evaluators, and investigators.

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- \$389K for the Council of the Inspector General on Integrity and Efficiency (CIGIE). This funding will specifically support coordinated government-wide activities that identify and review areas of weakness and vulnerability in federal programs and operations with respect to fraud, waste and abuse.

Office of Inspector General Program Divisions

Office of Audit

The Office of Audit (OA) is responsible for conducting audits to identify, evaluate, and report on the Department's activities and programs so corrective actions can be taken, and future problems can be prevented. Auditors assigned to Headquarters and to seven Regional offices initiate audits based on information obtained from program officials, program research, complaints, congressional requests, and risk assessments.

The Office of Audit has an expansive reach, and the ability to provide oversight across a wide array of responsibilities. The funding requested for the mission of the Office of Audit allows the organization to expand and concentrate its expert oversight in several areas:

- Financial audits consisting of the HUD Consolidated Financial Statement including the audit of FHA (\$1.2 trillion mortgage insurance program) and Ginnie Mae (\$1.2 trillion in mortgage backed securities) which determine whether financial statements are fairly presented, internal controls are adequate, and regulations have been followed. Because of the critical impact these agencies have to the financial stability of the economy the OIG began performing FHA's and Ginnie Mae's financial audits in house in fiscal year 2014. This was done to ensure the highest level of accuracy and due diligence. This is a task that is driving the workload of audit staff now and into fiscal year 2017.
- Information system audits determine, among other things, the adequacy of general and application controls, and whether security over information resources is adequate, and in compliance with system development requirements. This duty is part of the OIG's ongoing response to the Federal Information Systems Controls Audit Manual (FISCAM), and financial audit responsibilities. IT security has and will continue to grow into a greater priority for every office within the OIG. Insuring taxpayer and HUD client information is stored with the guarantee that it will be safe and private is something system audits seeks to scrutinize and work to correct when vulnerabilities are found. In addition, OA has been involved with scrutinizing new information system deployment within HUD. This has become an especially large task during the transition from HUD's previously utilized accounting system to the newly implemented New Core shared services system with the Department of Treasury. Insuring financial data accuracy is paramount to the institutional health of HUD and the ability for the department to effectively steward the appropriated dollars that it is granted.

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- Joint Civil Fraud Division audits and reviews any suspected financial fraud against HUD and makes referrals for civil actions and administrative sanctions. This group 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 cases.

The workload and reach of OA will continue to change now and into the future. In addition to taking on new and growing challenges in the arena of IT security, the OA is working to make new Congressional mandates a top priority. These initiatives include monitoring and auditing HUD purchase and travel card activities, and scrutinizing IT acquisition reform.

A portion of the OIG's request for additional FTEs will be utilized within the Office of Audit. These positions will bolster the organization's staffing responsible for the HUD Consolidated Financial Statement audits that have moved in-house to improve the accuracy and thoroughness of these audits. Other new staff that requires highly specialized skills in federal financial auditing and actuarial modeling will be focusing on the role OA plays insuring that FISCAM based initiatives are carried out and increased into the future.

The Office of Audit has been incredibly successful in rooting out and exposing waste, fraud, abuse of taxpayer funds. The audits conducted by the OIG during the last 4 years have produced recoveries, settlements, and other findings with a value over \$14.6 billion. In fiscal year 2015 the impact of the audit findings and reports totaled \$4.6 billion. This amount compared with the OIG's appropriated dollars means that for every appropriated dollar received \$36 are returned to taxpayers or reallocated to other valued mission objectives.

This success is a product of the dedicated and professional staff that makes up and supports the Office of Audit. However, these results and the ability to extend the reach of this office are reliant on the budgetary resources made available for its mission. When the funding is restrained this reduces the number of audits that can be conducted thus lowering the OIG's ability to seek out and uncover waste, fraud, and abuse.

Fiscal Years 2012 - 2015 Major Accomplishments

Audit Activities	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual
External Audit Reports Issued	133	134	109	114
Internal Audits Issued	31	45	39	34
Civil Fraud Actions	68	65	86	64
Impact of Audit Activities:				
Civil Fraud Settlements & Court Ordered Judgments*	\$810,403,031	\$975,904	\$338,121,250	\$111,408,775
Ineligible and Questioned Costs	\$1,334,803,897	\$945,857,211	\$1,282,183,762	\$2,627,585,304
Recommendations That Funds Be Put To Better Use	\$3,291,053,596	\$1,189,494,561	\$1,969,800,488	\$1,978,524,145
Total Monetary Impact	\$4,625,857,493	\$2,135,351,772	\$3,251,984,250	\$4,606,109,449
Internal and External Recommendations Results:				
Internal Audit Recommendations Made	178	264	311	294
Internal Audit Recommendations Resolved	206	231	193	259
External Audit Recommendations Made	775	775	546	694
External Audit Recommendations Resolved	687	772	690	527

Office of Evaluation

The Office of Evaluation (OE) provides a flexible and effective mechanism for oversight and review of HUD's operations, programs and policies by using a multidisciplinary staff and multiple methods for gathering and analyzing data. The Office of Evaluation is comprised of teams of individuals with specialized skills in information technology (IT), IT security, accounting, research, and social sciences. The use of multidisciplinary teams, concentrating on areas of risk, and multiple methods for analyzing data provides a flexible and effective process to produce impartial and reliable results in a more timely way than our audits. Using the full resources available OE can be responsive and adaptable to the needs of the Department, Congress and the OIG.

In an effort to concentrate the resources and tools of the Office of Evaluation where they can be most effective, and where the greatest institutional risk is present, several priorities have been identified:

- The federal government harvests and maintains a tremendous amount of data in many diverse systems and databases. This is especially true within HUD and across the many programs administered within the department. The ability for the OE to tap into these systems and refine the information into a product that can be used to identify fraud and wasteful tendencies before they occur or early on so that they don't have the chance to grow into a larger problem is a central goal and tenet of the OE mission. Using the data available to recognize patterns from historical events and to learn how those patterns can be used to prevent future incidents is a powerful tool that OE is trying to enhance in strength and deploy in larger scale. In addition to directly

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identifying weaknesses in the administration of HUD funds and programs the task of improving data analysis and predictive analytics will provide OIG with the best information when communicating with constituents, directing enforcement strategies, and allocating limited resources.

- Cybersecurity and insuring the protection of information technology systems has become a mission of the upmost importance for the federal government as a whole and certainly for OIG. The Office of Evaluation is uniquely situated with an array of skill sets and access to data that can uniquely contribute to this OIG mission goal. HUD is at a critical crossroads with the maturity of the department's IT infrastructure and the need to modernize these systems. In this environment, the opportunities for a breakdown in data security are heightened. In addition many HUD systems are supported by outside vendors. While this model of IT acquisition and maintenance is sometimes necessary, it also creates additional IT security liabilities. OE contributes to the OIG's IT security mission by conducting necessary oversight and by monitoring these systems.
- OE is responsible for conducting a portion of HUD Federal Information Security Management Act (FISMA) reviews and other IT compliance evaluations. One of the best tools that the OIG has to measure this compliance is what's known as "penetration testing". Penetration testing can be conducted in different ways and in multiple detail levels to technically test mandated IT security controls. Recent penetration testing greatly assisted in finding vulnerabilities within the HUD network and will provide the OIG with additional key information and recommendations for FISMA reporting. Into the future, follow up penetration testing will be required to validate that recommendations by OIG to avoid previously found vulnerabilities are being implemented by HUD, to assess other areas of the HUD network, FISMA assessment topics, or any future federal cybersecurity guidance.

The Office of Evaluation is in the process of maturing and becoming fully staffed and operational; the key to completing this process is ensuring the timely and consistent availability of budgetary resources and critical technical skills. When the OIG's appropriated resources are constrained this can create a situation where fledgling offices like OE might not grow at a pace where they can fully realize their mission.

Office of Investigation

The Office of Investigation (OI) is responsible for the development and implementation of the OIG's investigative activities and is comprised of criminal investigators, investigative analysts, and administrative personnel. OI initiates and conducts investigations of possible violations of laws and regulations relating to the administration of HUD programs and HUD funded activities, as well as employee misconduct.

- The Office of Investigation has recently produced significant criminal and civil findings relating to HUD program fraud, including participation in large scale settlements that have returned money to the FHA fund. OI has made it a priority to root out fraud involving the origination of FHA mortgages, multifamily equity skimming schemes at housing developments receiving HUD subsidized rental assistance for tenants, and at nursing homes. These efforts have produced noteworthy results in the past and

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this trend is expected to continue into the future. The OIG is a full-time participant in the Department of Justice's Financial Fraud Enforcement Task Force where the Inspector General is the Co-Chair of the Mortgage Fraud Working Group. This focus on finding and identifying fraudulent activity will continue to protect taxpayers from those who look to defraud the government, negatively impact the financial health of our economy and undermine the true mission of HUD programs.

- OI also works to reduce fraud, waste, and abuse in the Public and Indian Housing arena, with a focus on Public Housing Authorities (PHAs). Ensuring that public housing dollars are being administered properly and utilized by the intended recipients is a challenge the Office of Investigation emphasizes every day. This work with the PHAs takes on many different forms: identifying public corruption, management and administration deficiencies, contract fraud, embezzlement, bribery, and rental assistance fraud. The fight against corruption also takes place in the management of Community, Planning and Development (CPD) grant programs, which are administered and distributed in a decentralized manner. Public corruption poses a fundamental threat to our way of life and to the benefits HUD's programs are supposed to provide.
- OI continues to dedicate time and resources to the work in communities affected by previous disasters and more recently Hurricane Sandy. Designated disaster sites are provided large amounts of grant and emergency funding in the wake of these disasters. OI conducts investigations of fraud of disaster recovery funds efforts, assists to ensure that these resources are utilized properly and leads the effort to prevent and deter disaster fraud schemes.

Over the last 4 years the Office of Investigation has produced over \$4.3 billion in criminal judgments and nearly \$2.2 billion in recoveries.

While the Office of Investigation has experienced a decline in staffing over the last 4 years, it is extremely important that the budgetary resources continue to be adequate for the challenges facing this office. The reach of this office is extended by resources that keep investigators in the field, working with the tools they need to root out the waste, fraud, and abuse they're tasked with exposing.

Fiscal Year 2012 – 2015 Major Accomplishments

Investigative Activities	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual
Arrests	614	431	333	232
Indictments/Information	708	523	393	308
Convictions	663	514	423	335
Criminal Judgments/Restitutions	\$3,679,529,833	\$114,863,539	\$83,908,550	\$436,460,945
Civil Actions	94	45	16	43
Civil Recoveries	\$1,146,851,978	\$40,198,140	\$815,562,000*	\$233,154,990
Administrative Actions	389	52	291	440
Suspensions	148	97	108	110
Debarments	179	104	129	191
Personnel Actions	62	44	37	52

Office of Information Technology

In the technology and information centric environment the OIG faces today, the Office of Information Technology (OIT) has become the backbone in the OIG’s mission to adequately and promptly keep pace with its reporting requirements and protect itself from the unauthorized release of information. Every program within the OIG depends on the support and innovation taking place in OIT. This support manifests itself in the unseen but constantly utilized infrastructure that keeps the vital parts of the OIG connected and collaborating. The reach and effectiveness of every audit, evaluation, investigation, and undertaking brought by the organization is enhanced and in ways made possible by the work within OIT.

Working into the future the dependence on and the role played by OIT will only continue to increase. The return on investment in IT is seen in the abilities now readily available to the Office of Audit, Office of Evaluation and Office of Investigation, and the successes these abilities have yielded. In furthering the mission and strategic plan of the OIG, the OIT will continue to focus and develop these areas:

- **Infrastructure:** OIT is responsible for maintaining the internet infrastructure across the entire OIG; this includes the nationwide network that connects field and headquarters offices. This network provides internet access, hosting for secure services such as audit and investigation case management systems, email, and mobile device management. Expanding the presence of this network will come in the form of the OIG taking advantage of cloud-computing as a tool to increase organizational productivity. In addition, OIT has been heavily involved with Continuous Diagnostic Monitoring, a set of systems that allows for monitoring

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the security of the OIG's computing environment. These sensors and tools that watch over the OIG's network allow for faster recognition, response, and prevention of threats to the OIG secure information systems.

- **Case Management System Modernization:** The ability for investigators, auditors and evaluators to track and manage their caseload is paramount to the effective and efficient operation of the OIG, as is maintaining a robust Hotline system. The current systems utilized within the OIG have become outdated and are in need of refreshing. These coming updates will ensure that staff in the field is working with technology that enhances their ability to document and secure case related materials, information, and ultimately verdicts against the abusers of HUD resources. This new technological advantage will also allow for increased use of case management functionality on mobile devices. This allows all staff to increase the efficiency of time spent in the field and increases their overall workload capacity.

The Office of Information Technology will continue to focus on the ever-present mission of delivering the IT resources the OIG needs as efficiently, effectively, and securely as possible. As the reliance on IT based investigations, audits and evaluations continues, OIT's role as the partner enabling the reach of other OIG offices will continue to grow and become more imperative over time.

Cost Containment

OIG Space Footprint

The OIG has taken far reaching steps in the last three years to contain, reduce, and modernize the overall space footprint of the organization. The organization has seen the following successes in its space reduction effort:

- Reduced space footprint by over 36,000 square feet, this represents over 12 percent of the total fiscal year 2013 occupied space. The reduction in occupied square footage has resulted in a savings of over \$1.2 million, a reduction of 13 percent from fiscal year 2013 rental costs.
- The reduction in square footage and annual savings were accomplished through efficient and effective management of space consolidations, as well as the closing of seven offices nationally which represents nearly 9 percent of the total offices that were open as of fiscal year 2013. Eliminating excess or underutilized space has allowed resources to be redirected for use in the core responsibility areas within the OIG. By using these savings as an offset against programmatic expenses this has reduced the growth rate or need for expanded appropriated dollars in these areas. Based on the successes the OIG has experienced to date, the push to look for new cost containment opportunities through space reduction remains a top priority.

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Appendix I: Appropriations Language Citation

Appropriation: Office of Inspector General

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

Proposed Appropriations Language changes

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

¹ The initial establishments listed in P.L. 95-452 were the Departments of Agriculture, Commerce, Housing and Urban Development, Interior, Labor, and Transportation, as well as the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration. The IGs in these agencies followed the establishment of predecessors in 1976, in what is now the Department of Health and Human Services, and in 1977 in the Department of Energy.