

MEMORANDUM

To: Members of the Committee on Financial Services
From: FSC Majority Staff
Date: September 5, 2013
Subject: Subcommittee on Oversight and Investigations Hearing on “Reducing Waste, Fraud and Abuse in Housing Programs: Inspector General Perspectives”

The Oversight and Investigations Subcommittee will hold a hearing titled “Reducing Waste, Fraud and Abuse in Housing Programs: Inspector General Perspectives” at 10:00 a.m. on September 10, 2013, in Room 2128 of the Rayburn House Office Building. This hearing will examine the recommendations of the Inspector General of the Department of Housing and Urban Development (HUD OIG) for improving the management and oversight of programs administered by the Department of Housing and Urban Development (HUD). These recommendations were set forth in the HUD OIG’s Semiannual Report to Congress and in recent audit and investigation reports and testimony.

This will be a one panel hearing with the following witness:

- The Honorable David A. Montoya, Inspector General, Office of the Inspector General, Department of Housing and Urban Development

The Role of the Inspector General of the Department of Housing and Urban Development

The Inspector General Act of 1978 established offices of inspector general in all cabinet departments and the larger government agencies, and the HUD OIG is one of the original twelve Inspectors General authorized under the Inspector General Act. In its Strategic Plan for 2013-2018,¹ the HUD OIG described its mission as follows:

- Conduct and supervise independent audits, fraud reviews, evaluations, and civil and criminal investigations relating to the programs and operations of the Department;
- Promote economy, efficiency, and effectiveness in the administration of HUD programs and operations;
- Prevent and detect fraud and abuse in such programs and operations;
- Provide a means for keeping the HUD Secretary and Congress fully informed about current problems and deficiencies; and

¹ U.S. Department of Housing and Urban Development Office of Inspector General, “HUD OIG Strategic Plan 2013-2018” (Fall 2012), available at <http://www.hudoig.gov/pdf/OIG+Strategic+Plan.pdf>.

- Benchmark best practices and recommend corrective actions in HUD's programs and operations.

The HUD OIG's objectives, also listed in its Strategic Plan, are as follows:

- 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 the housing insurance and guarantee programs.

The HUD OIG—like other inspectors general—is required by the Chief Financial Officers Act to submit financial audits of the agency it oversees. Like other inspectors general, the HUD OIG is also required to review the information security policies of the agency it oversees pursuant to the Federal Information Security Management Act.

The HUD OIG's Semiannual Report

The HUD OIG's most recent Semiannual Report to Congress lists its activities for the first half of fiscal year 2013, October 1, 2012, to March 31, 2013.² The Report reviewed HUD's Single Family, Multifamily, Public Housing, Indian Housing, Community Planning and Development, American Recovery Act, and Disaster Relief programs. During the six months covered by the Report, the HUD OIG released 49 audits which included recommendations that \$739.5 million in funds be put to better use.³ These 49 audits also identified over \$770 million in questioned costs and more than \$1 billion in collections from audits.⁴ As a result of investigations by the HUD OIG of suspected fraud in HUD programs, HUD recovered \$74.9 million, and the investigations resulted in 225 indictments or informations and 270 convictions, pleas and pre-trial diversions during this reporting period.⁵

² U.S. Department of Housing and Urban Development Office of Inspector General, "Semiannual Report to Congress October 1, 2012, through March 31, 2013," available at <http://www.hudoig.gov/reports-publications/semiannual-reports/sar-69-october-1-2012-march-31-2013>.

³ The Inspectors General Act of 1978, as amended (IG Act) defines the term "recommendation that funds be put to better use" as follows: "a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including—reductions in outlays; de-obligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or any other savings which are specifically identified" (5 U.S.C. Appendix, Section 5 (f)).

⁴ The IG Act defines "questioned costs" as follows: "a cost that is questioned by the Office because of—an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable;" (5 U.S.C. Appendix, Section 5 (f)). Collections from audits are those funds identified by the HUD OIG in the course of an audit which are eligible for recapture by HUD.

⁵ The recovery amounts cited are court-ordered settlements.