



Office of Inspector General

HUD – OIG Update

December 6, 2011

James A. Heist – Executive Assistant to the Inspector General

George A. Datto - HUD-OIG National Single Audit Coordinator



Potential OMB Changes

- Increase A-133 threshold to 2 Million
 - A-133 Study - entities account for the most federal dollars
 - No proposed coverage for entities with less than 2 million
 - Increase Coverage of Sub Recipients – No info available
- Extend no extensions to all audits of government funds
- Consolidate all Circulars in to one(A-133, Cost,Etc)

Note: some changes will require changes in SAA and will have to be posted in Federal Register for comment.

Latest OMB proposed changes

- **Current proposal Increase threshold to \$5,000,000**
- **Audits received on/before 11/07/11 @ Clearing House**
- **Data on list Major Programs only**
- ❑ **Still at discussion/analysis stages at OMB**
 - **Possibly Increase/decrease amount to 1 2 or 5 M or more**
 - **Looking at findings in lost audits**
- ❑ **Will require change in law (Single Audit Act)**
 - **Will be posted in Federal Register (December 15,2011)**
 - **30 day time limit for response**

Agency	Total Lost		Direct		Indirect	
	Prog. Lines	\$ Amount	Prog. Lines	\$ Amount	Prog. Lines	\$ Amount
07-National Drug Control	88	64,571,944	77	51,195,537	11	13,376,407
10 Agriculture	825	116,263,242	364	83,678,393	461	32,584,849
11 Commerce	36	1,998,681	16	1,785,272	20	213,409
12 Defense	5	3,549,877	2	3,104,350	3	445,527
14 HUD	316	123,977,255	251	111,092,790	65	12,884,465
15 Interior	221	48,595,259	195	41,344,502	26	7,250,757
16 Justice	998	110,528,553	609	80,735,899	389	29,792,654
17 Labor	39	9,290,960	18	6,026,176	21	3,264,784
19 State	15	7,866,357	15	7,866,357	0	0
20 transportation	44	8,904,550	16	2,679,995	28	6,224,555
66 EPA	150	24,876,011	129	19,725,573	21	5,150,438
84 Education	575	86,911,767	294	61,289,307	281	25,622,460
93 HHS	708	97,312,662	489	68,962,509	219	28,350,153
Totals	4020	704,647,118	2475	539,486,660	1545	165,160,458

Summary of HUD Losses

- **Major Programs audits**

- **No. Audits** 26,219
- **NO. Audits @ 5M threshold** 17,998
- **Lost audits** 8,221

- **Major program Dollars without audits**

- **Current** 73,824,576,526
- **5m threshold** 58,513,247,045
- **Without audit** 5,311,329,481
- **% of loss** 20.7

Detail Potential HUD Loss

	Program Lines				\$ Amounts				
	Current	\$5,000,000	Will Lose	% Lose	Current	\$5,000,000	Will Lose	% Lose	
CFDA	Thresh.	Thresh.			Thresh.	Thresh.			
Total	14,000	26,219	17,998	8,221	-1,701	73,824,576,526	58,513,247,045	15,311,329,481	20.7%
➤14.885	➤1,205	434	➤771	➤64.0%	➤1,304,844,188	1,071,585,310	➤233,258,878	➤17.9%	
Major program losses									
➤14.882	➤170	68	➤102	➤60.0%	➤100,787,977	68,334,610	➤32,453,367	➤32.2%	
14.884	121	95	26	21.5%	180,241,445	172,938,553	7,302,892	4.1%	
➤14.887	➤86	42	➤44	➤51.2%	➤100,971,883	➤63,866,005	➤37,105,878	➤36.7%	
14.900	34	25	9	26.5%	20,225,960	15,123,717	5,102,243	25.2%	
14.901	5	4	1	20.0%	1,149,975	708,527	441,448	38.4%	
➤14.867	➤452	196	➤256	➤56.6%	➤575,230,814	385,757,655	➤189,473,159	➤32.9%	

Description of CFDA No

- **14.885 PUBLIC HOUSING CAPITAL FUND STIMULUS (FORMULA) RECOVERY ACT FUNDED**
- **14.867 INDIAN HOUSING BLOCK GRANTS**
- **14.882 NATIVE AMERICAN HOUSING BLOCK GRANTS (FORMULA) RECOVERY ACT FUNDED**
- **14.887 NATIVE AMERICAN HOUSING BLOCK GRANTS (COMPETITIVE) RECOVERY ACT FUNDED**

Description of CFDA No

- **14.884 PUBLIC HOUSING CAPITAL FUND COMPETITIVE (RECOVERY ACT FUNDED)**
- **14.901 HEALTHY HOMES DEMONSTRATION GRANTS**
- **14.900 LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY-OWNED HOUSING**

Potential Problems

- Shifts monitoring back to Agency level.
- Could result in Agencies requiring their own audits with their audit procedures defeats purpose of Single Audit
- Increase total audit costs Entity need several not Single Audit
- Still in discussion stages nothing released officially – December 15th Federal Register (Target)
- For your Information Only

Potential Problems

- Agencies **not** advised of plan or asked for input
- Possible increase in misuse of Federal Funds
- Program objectives not achieved
- Potential safeguard removed “Audit may find it”
- Transparency of Federal funds removed
- Error ratio of smaller entities higher than those over \$5 M
- Financial information may not be reliable

Changes in All HUD Audits

- Requirements in Engagement Letter
 - Changes - (Chapter 1 presentation on Changes)
- Attribute Sampling
- Minimum Sample sizes
- Notification when leaving engagement prior to completing audit
- Telephonic contact to HUD OIG Single Audit Coordinator - illegal acts or fraud



Multifamily Audits

❖ A-133 Audit programs – need to be updated

- Allows auditors to establish programs to be used
- Audit coverage – inadequate

❖ Need to make audit requirements the same

❖ Current

- Use Audit Guide Chapter for Program Specific Audits

❖ Future

- A-133 Compliance Supplement to agree with the Consolidated Guide

Sampling

- Sampling is at the project level for owners that have many projects.
- Unit level sampling is not acceptable and can not be used as a basis to form an opinion on the overall project operation.

Lenders

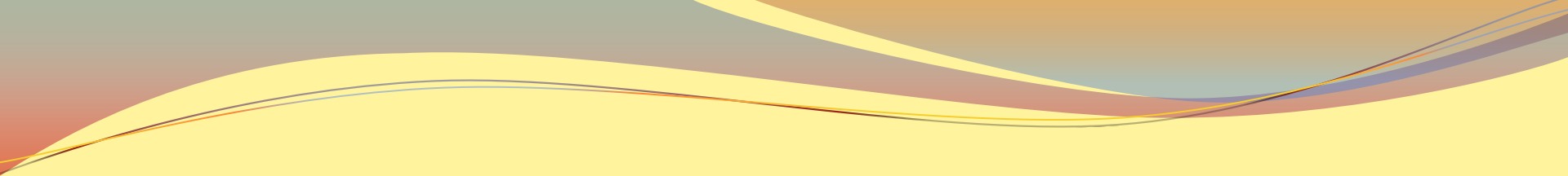
- Current Guide, Chapter 7, is under revision.
 - Looking at section for Supervised lenders and another for non supervised.
 - Probably will have a section that applies to both (Three sections to Chapter)
 - Looking at requirements for audits of Bank Audit
 - Financial
 - Compliance
 - Internal Controls

Ginnie Mae

- Audit Guide Chapter 6 Revised
 - Changes made to conform to MBS Guide
 - New Net Worth Requirements
 - Outlines new liquidity requirements
 - Outlines new capital requirements
 - Provides formats of above for issuers' use
- Status
- Reviewed and accepted by Ginnie Mae.
- Departmental Clearance comments 11-29
- Comments received from Office of General Council

Chapter 2 – Reports

- Need to develop auditor report examples
- Text of the chapter is complete
- New Schedules required
 - Schedule of Findings, Questioned Costs and Recommendations.
 - Schedule of the Status of Prior Findings, Questioned Costs and Recommendations
 - Discusses content of finding
- **NEW** Report on Fraud and/or illegal acts
- Establish deficiency reporting requirements for all programs

- 
- Considering doing away with Major Program – non major program determination
 - Replace with Risk analysis for programs to be audited and a report with a listing of the programs audited.

- 
- Your thoughts Please!!!!



- Email to:

- gdatto@hudoig.gov

Chapters in Development

Chapter 4 Insured Hospital Facilities
(**initial Draft about 140 pages**)

- Needs to be completed
 - Chapter 1
 - Chapter 2
 - Revised Chapter 6
 - Chapter 7
- Consolidation REV-3
 - Make changes to all chapters to assure same requirements are uniformly presented



QUESTIONS ???