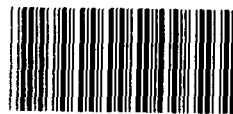




Testimony



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HUD REFORMS

Limited Progress Made Since the HUD  
Scandals

Statement of  
J. Dexter Peach,  
Assistant Comptroller General  
Resources, Community, and Economic  
Development Division

Before the  
Employment and Housing Subcommittee  
Committee on Government Operations  
House of Representatives



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the results of the review we undertook at your request involving corrective actions the Department of Housing and Urban Development (HUD) has taken in response to the widespread fraud, waste, abuse, and mismanagement that was uncovered in 1989. We plan to issue a detailed report on this subject this summer.

It is too early to evaluate the effectiveness of HUD's actions because it has only recently implemented some actions while others are yet to be completed. For this reason, our testimony today will essentially be a status report on the progress HUD has made in attempting to correct the many problems that your Subcommittee and others spotlighted in 1989 and 1990. Specifically, our testimony presents our views on the progress HUD has made in reforming 3 aspects of the agency's operations--4 department-wide weaknesses, 14 program-specific problems, and 3 ethical issues.

In summary, the underlying causes of HUD's problems--inadequate information and financial management systems, including computerized systems; weak internal controls; inappropriate organizational structure; and insufficient staffing--remain largely unresolved, leaving the agency susceptible to future fraud, waste, abuse, and mismanagement. HUD has implemented many program-specific corrective actions--some of which came swiftly. However, HUD is only in the initial stages of resolving the underlying, department-wide issues confronting the agency. Until corrective actions for these issues are implemented, HUD's actions for individual programs, no matter how extensive, cannot be fully effective in preventing the same kinds of problems that were uncovered during the scandals of 2 years ago. HUD's department-wide problems have been long-standing. In 1984, GAO reported on a number of weaknesses related to the effectiveness of HUD's management in addressing underlying causes of continuing problems. Although HUD agreed to address many of these weaknesses, little, if any, actions were taken. Given HUD's history of making but not actually fulfilling promises to correct its long-standing problems, the Congress and HUD's Inspector General must be actively involved in overseeing the agency's efforts to resolve these problems. For our part, GAO stands ready to assist the Congress in its oversight role and to provide constructive input on the effectiveness of HUD's changes.

In addition, HUD is in the process of implementing the ethics provisions contained in the HUD Reform Act of 1989 (P.L. 101-235). The 3 provisions we reviewed--section 102, 106, and 112--are almost fully implemented. These provisions are intended to move HUD decision-making into the "sunshine" by requiring that awards of housing assistance and waivers for most program requirements be made in an open and well documented manner.

## BACKGROUND

As has been widely reported, a series of major problems began unfolding at HUD in April 1989. Some of these problems were department-wide in nature and as such affected many programs; others were isolated to individual programs. Continuing reports of problems during the months that followed launched a major effort by the Congress and HUD to correct these problems and prevent their reoccurrence. Investigations were conducted; congressional hearings were held; the Congress enacted the HUD Reform Act; and HUD initiated a series of reviews, conducted by its own staff as well as external audit firms, to document its problems and develop solutions for them.

Reviews of HUD operations by GAO, HUD's Office of the Inspector General, and several independent accounting firms uncovered weaknesses in many department-wide and program-specific areas. Although many problems were discovered, we focused on the agency's 4 most serious department-wide weaknesses and 14 most troubled programs.<sup>1</sup> Many of these troubled individual programs received widespread media and congressional attention for such activities as influence-peddling and misuse of HUD proceeds. In selecting these weaknesses and programs, we considered such factors as monetary losses and program funding levels. In the remainder of this statement, we will discuss the status of HUD's actions to correct these problems and implement three HUD Reform Act ethics provisions.

### DEPARTMENT-WIDE PROBLEMS NEED CORRECTION BEFORE SPECIFIC PROGRAMS CAN OPERATE EFFECTIVELY AND EFFICIENTLY

As I have noted, four department-wide problems remain largely unresolved and continue to threaten the integrity of HUD's overall operations and its specific programs. These problems are HUD's inadequate information and financial management systems, weak internal controls, inappropriate organizational structure, and insufficient staffing. For example, HUD currently uses a great many different financial, accounting, and management information systems to carry out its program operations. However, these systems are not integrated with each other, do not provide correct or needed financial and program data, and lack security controls.

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<sup>1</sup>These programs were the Multifamily Coinsurance, Title X Land Development, Retirement Service Centers, Title I Manufactured Housing, Title I Property Improvement, Single-Family Mortgage Insurance, Moderate Rehabilitation, Section 8 Certificates, Section 8 Vouchers, Discretionary Loan Management Set-Aside, Community Development Block Grant Entitlement, Secretary's Discretionary Fund, Comprehensive Improvement Assistance, and Public Housing Decentral Programs.

Further, HUD's organizational structure is confusing and fragmented among many of its programs. For example, section 8 policy formulation and program management is divided between two different headquarter offices. This has resulted in a lack of program ownership and accountability. While HUD has taken some steps to address these problems, it is far from finished in eliminating them.

With the exception of insufficient staffing, these department-wide problems are not new to HUD. In a 1984 report on HUD's management, we concluded that inadequacies in HUD's information and financial management systems, internal controls, and organizational structure were largely responsible for the managerial difficulties afflicting HUD's programs during the early 1980s.<sup>2</sup> Even though these issues are long-standing, they urgently need to be addressed. Until HUD comprehensively reforms the serious weaknesses that pervade it, any corrective actions it takes for individual programs will not be fully effective in preventing program mismanagement.

#### Information and Financial Management Systems and Internal Controls

The absence of adequate information and financial management systems, including computerized systems, and internal controls is HUD's most widespread problem, affecting all of its major programs and operations. While HUD has proposed ways to improve its systems and internal controls, it has implemented few actual improvements so far. Without these improvements, the potential still exists for HUD's programs to be mismanaged and for losses to go undetected.

Inadequate management systems and internal controls have serious repercussions for HUD operations. In 1989, we testified that HUD's accounting systems for Federal Housing Administration (FHA) programs do not provide HUD officials with timely and accurate financial data needed for oversight, program implementation, and budgetary analysis, and do not include the necessary internal controls to adequately protect against fraud, waste, and mismanagement.<sup>3</sup> For example, the absence of internal controls over HUD's single-family property disposition management systems allowed several private real estate agents to steal millions of dollars in HUD proceeds. After collecting proceeds from the sale of HUD-owned properties, these agents retained the

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<sup>2</sup>Increasing the Department of Housing and Urban Development's Effectiveness Through Improved Management, (GAO/RCED-84-9, Jan. 10, 1984).

<sup>3</sup>GAO Audits of Accounting and Financial Management Systems at the Federal Housing Administration, (GAO/T-AFMD-89-14, Sept. 13, 1989).

proceeds for their own benefit, instead of transferring them to HUD's Treasury account. This occurred because HUD was not reconciling the sales of government-owned properties to deposits in the Treasury account.

In other situations, program officials were unable to effectively oversee the activities of HUD-insured loans because there was no automated system in place to produce the data needed for monitoring loan activities. In this regard, we reported just last month that serious system weaknesses have precluded HUD from determining the extent to which FHA's General Insurance Fund's premiums will cover losses. We concluded that there is a direct correlation between the effectiveness of internal controls, the accuracy and timeliness of financial information, and the magnitude of losses incurred by various HUD programs.<sup>4</sup>

To improve information and financial management systems and internal controls, HUD has taken actions with department-wide implications. As required by the HUD Reform Act passed in December 1989, HUD hired an FHA comptroller in May 1990 and a chief financial officer (CFO) in January 1991. On its own initiative, HUD hired in the summer of 1990 four other comptrollers to oversee financial management of its major program areas. According to Secretary Kemp, the CFO's highest priority is to restructure and consolidate HUD's information and financial management systems. A major accounting firm assisted the CFO in developing a detailed 5-year systems integration plan which is currently being reviewed by HUD's various program offices. The CFO will set policies and standards governing the maintenance and operations of all HUD financial management systems.

Other department-wide reforms taken by HUD to improve information and financial management systems and internal controls include

- establishing the Secretary's Management Report, a centralized information management reporting system that tracks progress made in implementing important management initiatives, such as implementing the provisions of the HUD Reform Act; and
- increasing the frequency of internal control reviews of high-risk agency operations, such as cash collection, from every 5 to 3 years.

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<sup>4</sup>Letter to the Chairman, Senate Committee on Banking, Housing, and Urban Development, (B-206207, May 17, 1991).

## Organizational Structure and Staffing

HUD's organizational structure and lack of sufficient staff contributed to management problems that exist in many of its programs and have been reported by independent accounting firms, HUD's Inspector General, and GAO.

HUD's organizational structure problems have been long-standing, dating back to the early 1980s. Nevertheless, a senior agency official believes that these problems are the most pressing ones confronting the agency today. These problems encompass a number of issues that include such areas as responsibility and authority relationships between HUD headquarters, regional offices, and field offices; consensus on program priorities; and communication of policy updates and management direction.

To begin improving its organizational structure, HUD is realigning some program responsibilities and implementing recommendations made by independent accounting firms. For example, HUD moved the mortgage insurance accounting function from its Office of Administration to FHA. This move is expected to reduce system redundancies and conflicting roles that previously existed between program management and the accounting function. HUD also hired a contractor who reviewed the organizational structure of all section 8 programs. This contractor has made a number of recommendations to improve accountability and simplify reporting relationships. For example, the contractor recommended that HUD shift responsibility for the Section 8 certificates, vouchers, and moderate rehabilitation programs from the FHA to its Office of Public and Indian Housing. HUD agrees with the recommendations and plans to begin implementing them this month with a targeted completion date of September 1992. Until all of these recommendations are fully implemented, HUD's organizational structure problems remain unresolved. These problems will continue to negatively affect the agency because program responsibilities will not be appropriately delegated among its headquarters, regional offices, and field offices.

HUD's Inspector General has reported that staffing constraints contributed to the problems experienced throughout the agency during the HUD scandals. He identified staffing constraints in a variety of HUD programs, following a dramatic decrease in the number of staff at HUD during the 1980s.<sup>5</sup> According to the Inspector General, the number of staff in many programs was insufficient to perform necessary functions such as monitoring and updating procedures.

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<sup>5</sup>HUD's staffing level fell from 17,041 in 1980 to 13,264 in 1990.

Senior HUD officials believe that existing staff levels are adequate to efficiently run its programs once program and system reforms are implemented. While this may be true, until its systems and level of automation can be substantially improved, the persistence of information and financial management system inadequacies may cause some HUD programs to continue to suffer from staff shortages.

#### PROGRESS IN REFORMING INDIVIDUAL PROGRAMS VARIES

Let me now turn to problems in the 14 specific programs. For the majority of these troubled programs, the problems identified have not yet been fully resolved. Although HUD has begun to reform all of the 14 programs we reviewed, its progress toward fully implementing reforms differs from program to program. Of the 14 programs, we believe that reforms have been fully implemented for 4 programs, implementation is in progress for 8 programs, and implementation of reforms has just begun for 2 programs. Attachment I lists these programs, their problems, causes, reforms, and the status of these reforms.

#### Reforms Have Been Completed for Four Programs

The reforms HUD planned have been fully implemented in the Multifamily Coinsurance, Title X Land Development, Discretionary Loan Management Set-Aside, and Community Development Block Grant Entitlement programs. Although the methods used to correct problems experienced in these four programs varied substantially, none of them entailed the time-consuming information and financial management system improvements underway for some of the other troubled HUD programs.

In response to high losses, HUD terminated the Multifamily Coinsurance Program in November 1990 and replaced it with a new system in April 1991. An independent accounting firm estimated that coinsured project defaults through 1989 would result in losses to HUD of at least \$3.7 billion. According to reviews of the program, its high default rates and monetary losses were due largely to flaws in the program's design and to HUD's lack of enforcement of program requirements. HUD has implemented a new system to replace coinsurance but is still responsible for managing multifamily properties acquired due to the coinsurance program. Under this new system, HUD delegates technical processing functions, such as engineering, cost, and mortgage credit analysis to lenders but retains the responsibility for approving firm commitments to insure mortgages--a function previously held by private coinsuring lenders.

For the Title X Land Development Program, HUD and the Congress concurred that program termination was the appropriate response to

losses resulting from the near 50-percent default rate among Title X projects. The program also failed to benefit low- and moderate-income individuals. According to the Inspector General, HUD selected inappropriate projects to participate in the program and failed to effectively monitor current projects and manage defaulted and foreclosed projects. To prevent additional losses, the Title X program was initially suspended by Secretary Kemp in July 1989 and then formally repealed by the HUD Reform Act in December 1989. HUD officials do not expect the program to be replaced.

In response to reports of inappropriate selection of projects to participate in the Discretionary Loan Management Set-Aside Program, HUD increased its requirements for documenting project selection. The Inspector General discovered that program staff were not complying with regulatory selection criteria and were not adequately documenting selection decisions. All field offices were provided with additional direction on determining and documenting eligibility for program subsidies. Additionally, the offices are now required to establish special files and use standard worksheets to document eligibility decisions.

For the Community Development Block Grant Entitlement Program, HUD took a number of steps to improve monitoring of subgrantees and program income that is derived from activities undertaken with grant funds in past years. The Inspector General determined that inadequate monitoring by grantees of subgrantees resulted in nonperformance of contracted activities and that poor program income monitoring ultimately allowed community development needs to go unmet. Reforms made by HUD include increasing controls over subgrantees and the use of program income, revising handbooks and manuals, and training field office staff.

#### Implementation Is in Progress for Eight Programs

HUD is well underway in reforming eight programs--Title I Manufactured Home, Title I Property Improvement, Single-Family Mortgage Insurance, Comprehensive Improvement Assistance, Moderate Rehabilitation, the Secretary's Discretionary Fund, Retirement Service Centers, and Public Housing Authority Decontrol.

HUD is modifying procedures for both the Title I Manufactured Home and the Property Improvement Programs. These modifications are designed to prevent fraudulent activities that occurred in the past among dealers and borrowers involved in both programs and among loan brokers, who were used only under the property improvement program.<sup>6</sup> These modifications are also intended to reduce defaults within the manufactured home program.

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<sup>6</sup>Loan brokers as well as dealers assisted borrowers in securing title I property improvement loans from lenders.



Specifically, HUD issued a notice terminating the use of property improvement loan brokers. HUD also published regulations establishing other modifications. These modifications included increasing manufactured home loan insurance premiums and implementing civil money penalties against property improvement dealers who provide false information during the loan application process. These penalties, as required by the HUD Reform Act and implemented in regulations, will be effective on June 21, 1991. Additional regulatory modifications have been proposed by HUD, such as strengthening dealer and lender qualifications. Final regulations making these additional modifications are expected to be issued in August 1991.

As for the Single-Family Mortgage Insurance Program, HUD has made many reforms and plans to take additional steps. Both HUD and the Congress initiated these reforms in response to high losses, improper loan origination activities, and inadequate controls over the disposition of foreclosed properties. HUD's efforts consist largely of modifying the program to strengthen internal controls and improve monitoring and developing efficient management information systems for loan origination and property disposition. The Congress required such program changes as eliminating participation of investors in the program, setting an annual risk-related premium structure (with higher premiums for new mortgage loans with lower down payments), and requiring borrowers to pay more in cash at the time of loan origination under the Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625) and the HUD Reform Act. Although many of these legislatively mandated changes have already been implemented, others such as risk-related premium structuring will be implemented later this year.

Public housing authorities' management of the Comprehensive Improvement Assistance Program is in the process of being reformed by HUD. According to the Inspector General, some authorities poorly administered the funding they received through this program because they resisted program requirements, received insufficient guidance on operating the program, and were inadequately monitored by HUD. In response to these problems, HUD revised program handbooks and regulations to incorporate program administration improvements and trained its field office staff on these updates. HUD plans to continue strengthening its controls over the program by, among other things, increasing the frequency of its monitoring visits to public housing projects that receive such funding.

HUD is reviewing all Moderate Rehabilitation Program rental subsidy calculations for the 130 projects funded since 1984--a process that is about 50 percent completed. HUD initiated these subsidy reviews, along with modifications of the program's operation, in response to reports of excess subsidies and favoritism. The Inspector General determined that these problems were due largely to non-compliance with project selection criteria and a lack of effective internal controls and accountability for

the program among HUD staff. In addition to reviewing subsidy calculations, HUD implemented other changes to the program that were mandated by the HUD Reform Act, such as limiting project size. Since HUD's modification of the program, the Congress has not appropriated any new funding for these projects.

Modification of the Secretary's Discretionary Fund in accordance with the HUD Reform Act is underway. These modifications address favoritism, fraud, and mismanagement reported in the granting of technical and special project grants from the fund. Reviews of the program uncovered problems in the process HUD used to select projects to receive these grants. As mandated by the HUD Reform Act, special projects grants were eliminated, and HUD is publishing notices of funding availability containing selection criteria for technical assistance projects. HUD is in the process of issuing final regulations to fully implement its new open and competitive selection process and to rename the Secretary's Discretionary Fund as "Special Purpose Grants" as required by the HUD Reform Act.

The Retirement Service Center Program is in the process of being terminated because of a high default rate among centers insured through the program and the lack of benefits for low- and moderate-income retirees. HUD program reviews reported that the selection and underwriting of projects and a limited potential market contributed to these problems. Although Secretary Kemp suspended the program in July 1989, a court ordered the program to be reinstated until HUD could issue final regulations. Since then, HUD has processed regulations to terminate the program and imposed, for the interim, an increased reserve requirement and an additional layer of application review. HUD officials do not plan to replace the program.

The Public Housing Authority Decontrol Program was suspended in January 1990, immediately following reports of mismanagement and fraud at a New Jersey public housing authority that had been decontrolled. The Inspector General found that HUD had relieved some poorly operating authorities of required HUD reviews and granted them increased authority and flexibility through the decontrol program. Although HUD officials suspended the program more than a year ago, they have not yet fully implemented a replacement program as required under the Cranston-Gonzalez National Affordable Housing Act. Since the suspension, HUD has been preparing a replacement program that will increase the requirements an authority must meet to be decontrolled. These requirements are intended to ensure that only properly functioning authorities are decontrolled. HUD completed field testing the replacement program in November 1990 and expects it to be fully operational in early 1992.

Implementation of Reforms Has  
Just Begun For Two Programs

Implementation of reforms to both the Section 8 Certificate and Voucher Programs has just begun and much work remains to be done. Payment of inaccurate certificate and voucher subsidies and admission of ineligible tenants were the primary problems plaguing these programs. The underlying cause of these problems, according to HUD, involved inadequate information and financial management systems--a problem that, as discussed previously, is pervasive throughout HUD.

In response to these problems, HUD hired a contractor in February 1990 to comprehensively review all of its section 8 programs. The contractor made recommendations to HUD on improving and integrating automated systems, standardizing and restructuring program organization, and improving program procedures and handbooks. Although HUD began implementing these recommendations in April 1991, full implementation of the new comprehensive information system recommended by the contractor is not expected to be completed until 1996.

IMPLEMENTATION OF ETHICS  
PROVISIONS IS NEARLY COMPLETE

As part of our review, Mr. Chairman, you also asked us to look at the status of HUD's efforts in implementing three of the ethics reform provisions in the HUD Reform Act. These provisions--sections 102, 106, and 112--are intended to move HUD decision-making into the "sunshine" by requiring that HUD award housing assistance and waivers for most program requirements in an open and well documented manner. We found that HUD has nearly completed its implementation of all three ethics provisions.

HUD has taken most, but not all, of the steps needed to comply with section 102 on HUD accountability. Section 102 requires HUD to publish funding availability notices and lists of award decisions for all of its competitive programs. Section 102 also addresses the issue of oversubsidization by requiring HUD to certify that no more governmental assistance than necessary is provided to projects applying for HUD housing assistance.<sup>7</sup> Many of the cases of oversubsidization uncovered at HUD involved the Low-Income Housing Tax Credit Program.

While processing the regulatory changes required by section 102, HUD took a number of interim steps shortly after the HUD Reform Act was enacted to comply with the legislation. These

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<sup>7</sup>Oversubsidization occurs when developers or housing owners receive excessive subsidies by combining benefits from various programs.

interim steps included (1) publishing funding availability notices for all competitive programs and award decision notices in the Federal Register, (2) centralizing review of low-income housing tax credit applications at HUD headquarters to reduce oversubsidization, and (3) hiring a contractor to develop guidelines for detecting cases of oversubsidization. HUD issued final regulations in March 1991 that implemented most of section 102 but required three program offices--the Offices of Housing, Public and Indian Housing, and Community Planning and Development--to publish in the Federal Register their guidelines for detecting oversubsidization. The Office of Housing published its guidelines in April 1991; these guidelines establish the procedures its staff will follow to evaluate housing assistance applications that involve low-income housing tax credits. The other two program offices have not yet published their guidelines. As required by section 102, this practice will be extended to housing assistance applications that involve other forms of assistance after an additional notice is published in the Federal Register.

HUD has completed implementation of section 106 that requires that waivers of certain program regulations and handbook requirements granted by HUD be fully documented and available for public scrutiny. In April 1991, HUD published a policy notice in the Federal Register that established HUD's procedures for documenting waivers granted and for publishing quarterly lists of waivers of regulations granted in the Federal Register. HUD will publish its first list of waivers granted by July 1, 1991. Before publishing this policy notice, HUD issued an internal notice in August 1990 implementing the section 106 requirements regarding documentation of waivers of handbook provisions.

Final regulations implementing section 112 on consultant registration were issued in May 1991 and will take effect June 17, 1991. The lobbying efforts of consultants and politically connected individuals for HUD assistance received a great deal of attention during the congressional hearings that preceded passage of the HUD Reform Act. Consequently, section 112 is intended to bring the business of influencing HUD decisions into the "sunshine" by requiring all individuals who receive fees for influencing a HUD decision to register and report their fees to HUD. Section 112 also addresses the past practice of linking a consultant's fees to the amount of HUD assistance obtained for the client by prohibiting payment of fees that are based on the amount of HUD assistance obtained or that are contingent on an award of assistance.

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In closing, Mr. Chairman, there is still much work to be done at HUD both in implementing reforms and in evaluating their effectiveness. Many reforms have only been implemented recently, and therefore it is too early to determine whether they will be effective in correcting targeted problems. Furthermore, no matter

how extensive or effective HUD's corrective actions are for individual programs, the agency's problems will not be resolved and programs may be subject to further fraud, waste, abuse, and mismanagement until reforms of department-wide problems are completed. This is particularly true given the fact that HUD has previously acknowledged many of these long-standing problems and promised to take corrective actions. However, as we know now, many of these problems were never fully corrected. Had they been corrected, perhaps the extent of the HUD scandals would not have been so devastating to the agency and its programs. For these reasons, the Congress, HUD's Inspector General, and GAO must maintain an active role by continuously monitoring and reviewing HUD corrective actions to ensure that HUD sustains its efforts to rectify problems, that corrective actions become an integral part of program operations, and that the actions have a lasting effect. Congressional interest and support for the necessary investment in staffing resources and financial and information management systems are also vital to achieving success. Only continued support and oversight can assure the public that HUD's resources are being efficiently directed towards the intended beneficiaries.

Mr. Chairman, this concludes my statement. I welcome the opportunity to respond to any questions that you or Members of the Subcommittee may have.

**ATTACHMENT I**

**ATTACHMENT I**

**PRIMARY PROBLEMS, CAUSES, CORRECTIVE ACTIONS, AND STATUS OF THESE ACTIONS FOR 14 HUD PROGRAMS**

<b>PROGRAM</b> *****	<b>PROBLEMS</b> *****	<b>CAUSES</b> *****	<b>CORRECTIVE ACTIONS</b> *****	<b>STATUS</b> *****
Multifamily Coinsurance	High monetary losses and default rates.	Program design flaws; inadequate enforcement of program requirements.	Termination with replacement.	Reforms implemented, but management of acquired properties still required.
Title I Land Development	High monetary losses and default rates; lack of benefits to low- and moderate-income people.	Poor project selection; inadequate management and monitoring of projects; poor property disposition.	Termination.	Reforms implemented.
Discretionary Loan Mgmt Set-Aside	Poor selection of projects for funding.	Noncompliance with selection criteria; poor selection documentation.	Modification of project selection documentation.	Reforms implemented.
CDBG Entitlement	Unmet community development needs; nonperformance of contracted activities.	Poor grantee monitoring of subgrantees and management and monitoring of program income.	Modification of program operations regarding grantee monitoring of subgrantees and use of program income.	Reforms implemented.
Title I Mfg Homes and Property Improvement*	High monetary losses and default rates; fraudulent activities by private third parties and borrowers.	Inadequate monitoring, standards, procedures, and delegation of program responsibilities.	Modification of program operations.	Modifications made, others pending final regulations.
Single- Family Mortgage Insurance	High monetary losses and default rates; improper activities by private third parties and borrowers.	Economic factors; poor loan origination activities and monitoring; inadequate property disposition controls and systems.	Modification of program operations.	Modifications made, others to take effect in the future.
Moderate Rehabili- tation	Appearance of favoritism in selecting projects for funding; excessive subsidies paid.	Noncompliance with selection criteria; weak written guidance, and monitoring; lack of skills, accountability and documentation.	Subsidy reviews and funding of new projects suspended	Subsidy reviews in progress.
Comprehensive Improvement Assistance	Mismanagement of CIAP funds at PHAs.	Inadequate monitoring and guidance; PHA resistance to requirements.	Modification of program administration.	Reforms in progress.
Secretary's Discret- ionary Fund	Appearance of favoritism in awarding technical assistance and special projects from the fund.	Inadequate selection process.	Elimination of special project grants and modification of technical assistance project selection process.	Modifications made, others pending final regulations.
Retirement Service Centers	High default rate; lack of benefits to low- and moderate-income people.	Poor project selection and underwriting; limited potential market.	Termination.	Final regulations pending.
PHA Decontrol	Poorly operated PHAs relieved of HUD oversight; failure to reach program goals.	Decontrol of unqualified PHAs.	Termination with replacement.	Decontrol program suspended, preparing replacement.
Section 8 Certificates and Vouchers*	Payment of inaccurate subsidies; admission of ineligible tenants.	Poor subsidy calculation and eligibility determination; inadequate systems, written guidance, and accountability.	Comprehensive program review and recommendations provided by external audit firm.	Implementation of recommendations begun.

\* - Program area includes two separate programs.  
 PHA - Public Housing Authority  
 CIAP - Comprehensive Improvement Assistance Program

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