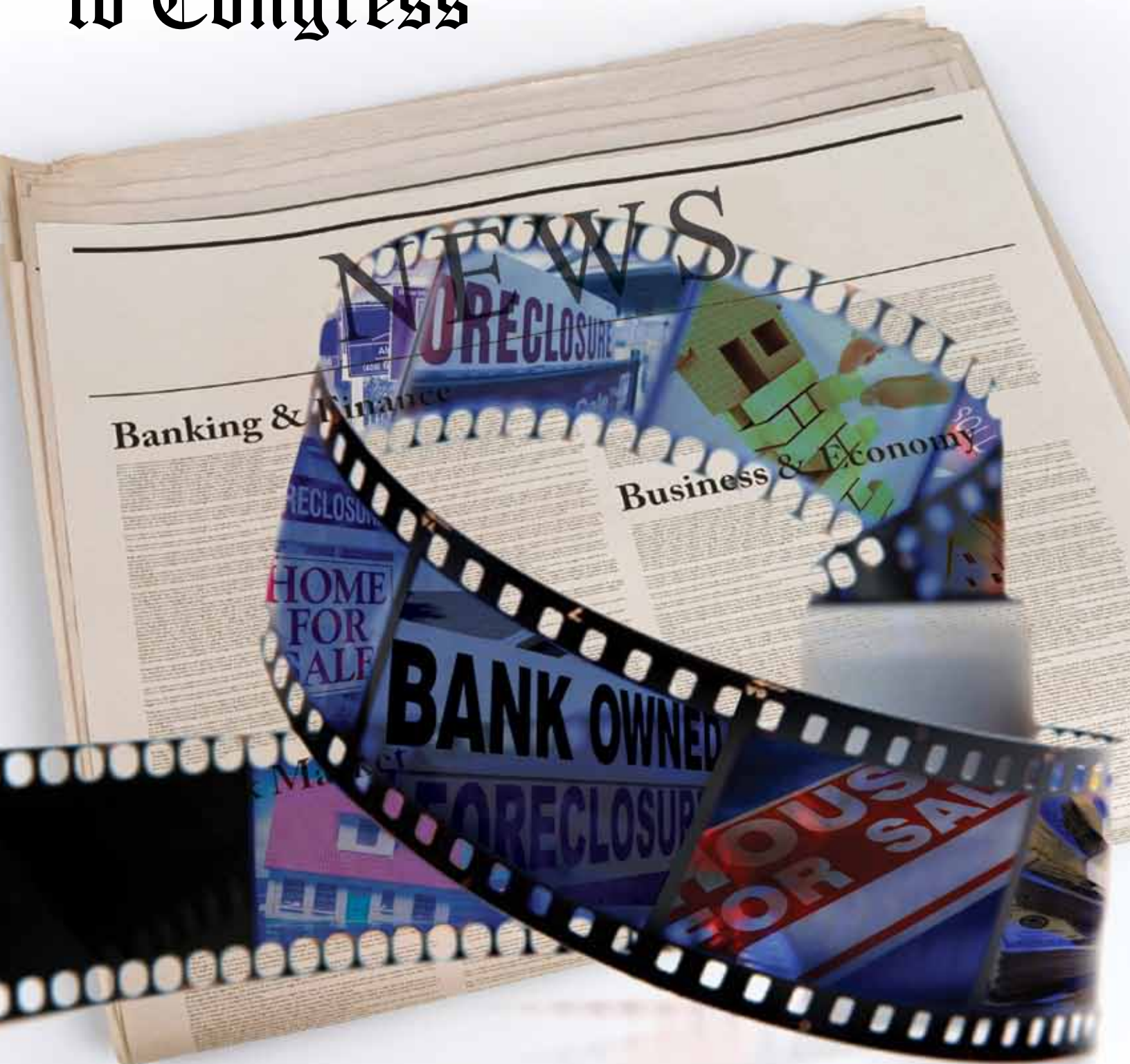


U.S. Department of Housing and Urban Development

Office of Inspector General



Semiannual Report to Congress



April 1, 2009, through September 30, 2009

Profile of Performance

Audit profile of performance for the period April 1, 2009, through September 30, 2009

Results	This reporting period	FY 09 totals
Recommendations that funds be put to better use	\$309,937,713	\$1,948,438,436
Recommended questioned costs	\$260,482,674	\$371,368,053
Collections from audits	\$21,658,252	\$165,766,317
Administrative sanctions	5	10

Investigation profile of performance for the period April 1, 2009, through September 30, 2009

Results	This reporting period	FY 09 totals
Funds put to better use	\$43,794,874	\$116,438,222
Recoveries/receivables	\$128,569,489	\$219,778,868
Indictments/informations	621	1,182
Convictions/pleas/pretrial diversions	433	847
Civil actions	40	92
Administrative sanctions	402	1,018
Personnel actions ¹	48	82
Arrests ²	783	1,554
Search warrants	61	136
Subpoenas issued	502	1,031

Hotline profile of performance for the period April 1, 2009, through September 30, 2009

Results	This reporting period	FY 09 totals
Funds put to better use	\$1,904,439	\$4,370,166
Recoveries/receivables	\$132,624	\$506,649

¹ Personnel actions include reprimands, suspensions, demotions, or terminations of the employees of Federal, State, or local governments or of Federal contractors and grantees, as the result of Office of Inspector General (OIG) activities. In addition, this reporting category includes actions by Federal agencies to suspend, debar, or exclude parties from contracts, grants, loans, and other forms of financial or nonfinancial transactions with the government, based on findings produced by OIG.

² Included in the arrests is our focus on the nationwide Fugitive Felon Initiative.

Inspector General Message



The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), is proud to present its Semiannual Report to the Congress for the second half of fiscal year 2009. HUD OIG employees—auditors, agents, attorneys, and support staff—maintain a spirit of commitment in their mission on behalf of the taxpayers of the United States.

We remain immersed in the operations of the Department, specifically activities affecting the housing industry. The effective implementation of the American Recovery and Reinvestment Act (ARRA) and safeguarding these funds is our daily thrust as demonstrated by more than a score of audits of communities with a questionable capacity to administer or expend these funds.

We continue to be leaders in investigating mortgage fraud. We have been invited to take a leading role in the interagency Financial Fraud Enforcement Task Force organized by the U.S. Department of Justice.

Our accomplishments have continued unabated. During this reporting period, we had \$355.6 million in funds put to better use, questioned costs of \$260.4 million, and \$150.4 million in recoveries and receivables, while closing 564 investigative cases and issuing 130 audits. This exceptional work has had an impact on fraud and the misuse of taxpayer dollars, and it is with gratitude that I acknowledge the HUD OIG staff who worked so hard to achieve these results and their associated deterrent effect.

Our high-profile audits and investigations have once again paralleled the Department's strategic initiatives with particular concern for the health of the Federal Housing Administration's (FHA) mortgage insurance fund. HUD OIG staff continues to work with the Department to improve its effectiveness and as a result, has developed and implemented better and more effective audit recommendations.

Our audit of the Puerto Rico Public Housing Administration is a good example of our ARRA oversight, shining a light on its mismanagement of its Capital Fund Financing Program. Two other important audits—of the Housing Authority of New Orleans and the Texas Disaster Recovery Plan—demonstrate our continued attentiveness to the billions appropriated for hurricane disaster relief in the Gulf States. During this period, we also focused on registered sex offenders receiving Section 8 rent subsidies and recommended that HUD seek legislative and program rule changes to require denial of continued occupancy and termination of tenancy for all lifetime registered sex offenders residing in subsidized housing.

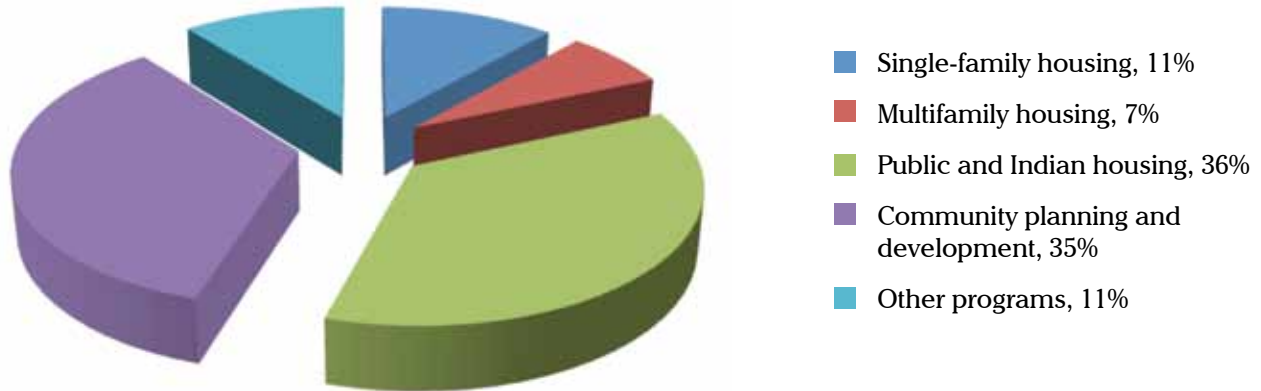
We are deeply immersed in fighting fraud and systemic problems within the mortgage industry. I have testified to Congress about potential fraud, and we are working diligently with congressional staff on legislation to tighten laws to protect the FHA and borrowers.

None of these important accomplishments would have been possible without the extraordinary staff of HUD OIG, and for them I am truly thankful.

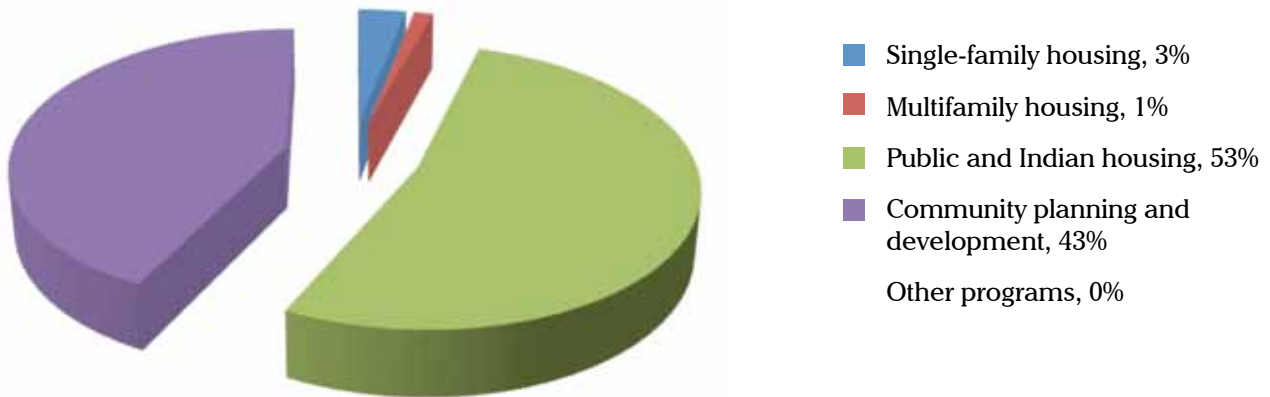
A handwritten signature in black ink, appearing to read "Kenneth M. Donohue". The signature is fluid and cursive, written over a white background.

Kenneth M. Donohue
Inspector General

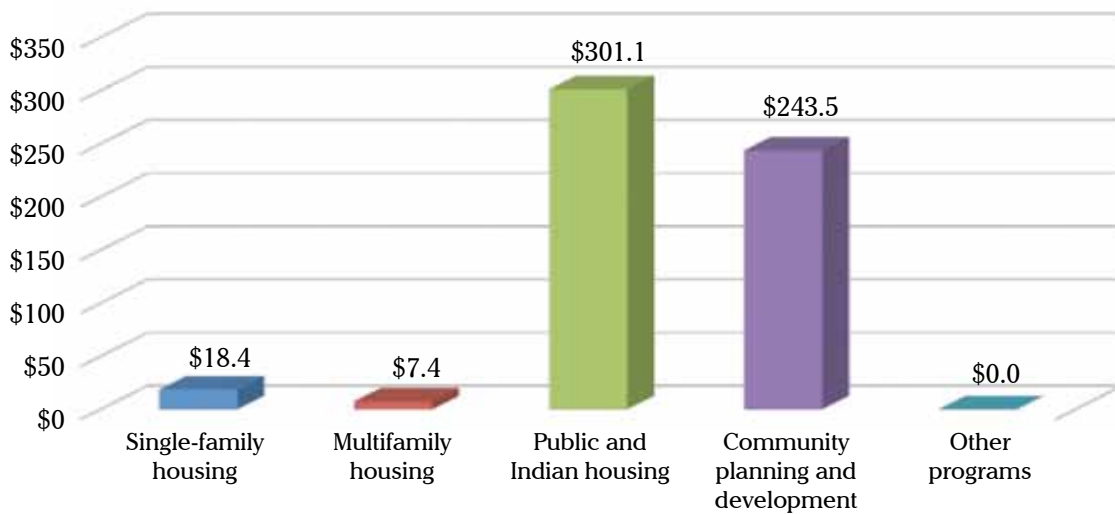
Audit reports issued by program



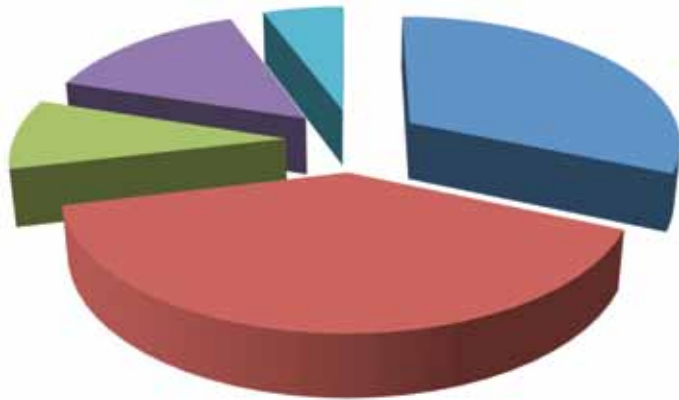
Monetary benefits identified by program



Monetary benefits identified in millions of dollars

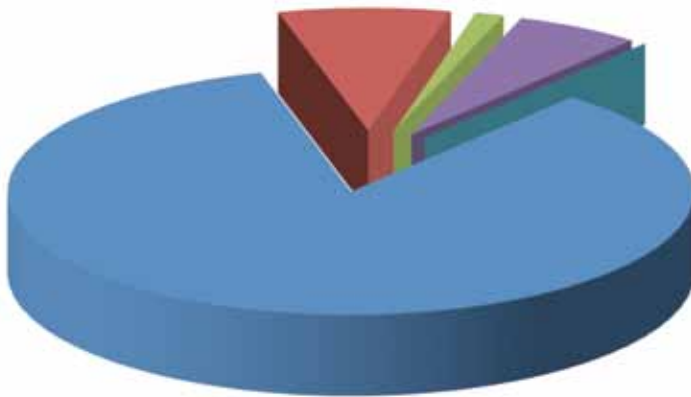


Investigative cases opened by program area (total: 480)



- Single-family housing, 31% (151)
- Public and Indian housing, 40% (191)
- Multifamily housing, 9% (42)
- Community planning and development, 14% (69)
- Other, 6% (27)

Investigative recoveries by program area (total: \$128,569,489)



- Single-family housing, 85% (\$108,835,794)
- Public and Indian housing, 8% (\$10,416,272)
- Multifamily housing, 1% (\$1,709,466)
- Community planning and development, 6% (\$7,585,696)
- Other, 0% (\$22,261)

Acronyms List

ACA	Asset Control Area
AFGE	American Federation of Government Employees
AIGA	Assistant Inspector General for Audit
AIGI	Assistant Inspector General for Investigation
ARIGA	Assistant Regional Inspector General for Audit
ARRA	American Recovery and Reinvestment Act of 2009
ASAC	Assistant Special Agent in Charge
CDBG	Community Development Block Grant
CDBG-R	Community Development Block Grant Recovery
CPD	Office of Community Planning and Development
DHAP	Disaster Housing Assistance Program
DHS	U.S. Department of Homeland Security
DOJ	U.S. Department of Justice
DRGR	Disaster Recovery Grant Reporting system
EIV	Enterprise Income Verification
FEMA	Federal Emergency Management Agency
FFI	Fugitive Felon Initiative
FFMIA	Federal Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FHAP	Fair Housing Assistance Program
FHEO	Office of Fair Housing and Equal Opportunity
FISMA	Federal Information Security Management Act
FERA	front-end risk assessment
FSS	Family Self-Sufficiency
FY	fiscal year
GAO	U.S. Government Accountability Office
Ginnie Mae	Government National Mortgage Association
GPRA	Government Performance Results Act
HECM	Home equity conversion mortgage
HERA	Housing and Economic Recovery Act of 2008
HOME	HOME Investment Partnerships Program
HUD	U.S. Department of Housing and Urban Development
IAA	interagency agreement
IDIS	Integrated Disbursement and Information System
IG	Inspector General

IOI	Identity of interest
IRS	Internal Revenue Service
IT	information technology
NAHASDA	Native American Housing Assistance and Self-Determination Act of 1996
NAHRO	National Association of Housing and Redevelopment Officials
NCDF	National Center for Disaster Fraud
NSP	Neighborhood Stabilization Program
OA	Office of Audit
OHHLHC	Office of Healthy Homes and Lead Hazard Control
OI	Office of Investigation
OIG	Office of Inspector General
OMB	Office of Management and Budget
PFCRA	Program Fraud Civil Remedies Act
PHA	public housing agency
PIH	Office of Public and Indian Housing
RAMPS	Recovery Act Management and Reporting System
REAP	Resource Estimation and Allocation Process
RESPA	Real Estate Settlement Procedures Act
RIGA	Regional Inspector General for Audit
SA	Special Agent
SAC	Special Agent in Charge
SBA	Small Business Administration
SEMAP	Section Eight Management Assessment Program
SFA	Senior Forensic Auditor
SHP	Supportive Housing Program
SSA	Senior Special Agent
SSA	Social Security Administration
SSN	Social Security number
TEAM	Total Estimation and Allocation Mechanism
U.S.C.	United States Code
USMS	United States Marshals Service
USPS	United States Postal Service
VA	U.S. Department of Veterans Affairs

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Reporting Requirements

The specific reporting requirements as prescribed by the Inspector General Act of 1978, as amended by the Inspector General Act of 1988, are listed below:

Source/Requirement
Pages

Section 4(a)(2)-review of existing and proposed legislation and regulations.	148
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-122, 148
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	7-122
Section 5(a)(3)-identification of each significant recommendation described in previous semiannual report on which corrective action has not been completed.	Appendix 2, Table B
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	7-122
Section 5(a)(5)-summary of reports made on instances in which information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No Instances
Section 5(a)(6)-listing of each audit report completed during the reporting period and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 1
Section 5(a)(7)-summary of each particularly significant report and the total dollar value of questioned and unsupported costs.	7-122
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 2, Table C
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 2, Table D
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 2, Table A
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	No Instances
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	153
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	153

Executive Highlights



Strategic Initiative 1

HUD Strategic Goal: Increase Homeownership Opportunities

OIG Strategy: Contribute to the reduction of fraud in single-family insurance programs through

- Audits uncovering single-family and loan origination abuse
- Audits of the U.S. Department of Housing and Urban Development's (HUD) internal policies to determine whether controls are adequate
- Strategy for civil fraud initiatives
- National strategy for single-family mortgage fraud task forces
- Outreach to industry and consumer groups and the Department

Highlights: Results or impact of significant OIG work

- Federal Housing Administration's (FHA) lender approval process did not have sufficient controls and procedures to ensure that lenders met all applicable requirements for approval to participate in the FHA single-family program. *page 9*
- Audits of nine FHA single-family mortgage lenders found that lenders did not follow HUD requirements when underwriting loans and performing quality control procedures. *page 9*
- The Government National Mortgage Association (Ginnie Mae) Mortgage Backed Securities program's contract documents were audited to ensure that mortgages were insured. *page 11*
- Florida mortgage fraud schemes caused HUD and Ginnie Mae losses in excess of \$87 million. *page 15*
- Worldwide Financial Services was required to pay HUD and others more than \$3.4 million after entering into a False Claims Act settlement. *page 20*
- Conducted an evaluation of Mortgage Review Board enforcement actions *page 23*
- More than 420 mortgage and real estate professionals attend an FHA modernization conference in Georgia. *page 125*

Emerging Issues: Areas of OIG interest

- American Recovery and Reinvestment Act (ARRA)
- Dramatic increase in lenders/brokers/issuers seeking to do business with FHA and Ginnie Mae
- Investigations focusing on Home Equity Conversion Mortgage program
- FHA's ability and capacity to oversee its expanding market share
- FHA's refinancing of riskier loans than it has historically had in its portfolio
- Strategy for housing counseling
- Loan limit increases opening new metropolitan areas with unknown risks

Strategic Initiative 2

HUD Strategic Goal: Promote Decent Affordable Housing

OIG Strategy: Contribute to the reduction of erroneous payments in rental assistance programs through

- ARRA – to focus on grantee capacity to administer ARRA funds
- Reduce erroneous payments
- Contribute to improving the performance of entities managing rental assistance programs
- Investigative initiatives involving corruption in the management of troubled public housing authorities and multifamily developments
- Public and Department-wide outreach initiatives

Highlights: Results or impact of significant OIG work

- Audits of 24 Section 8 Housing Choice Voucher and leased housing activities found that the housing agencies were not following HUD’s requirements for administering the program. *page 27*
- An audit of HUD’s requirements prohibiting lifetime registered sex offenders from admission to HUD-subsidized housing found that 2,094 to 3,046 households included lifetime registered sex offenders. *page 38*
- A former Navajo Housing Authority chief executive officer and developer was indicted for allegedly accepting bribes and fraudulently using about \$2.5 million in HUD funds. *page 41*
- A former contract chief financial officer for the Housing Authority of New Orleans pled guilty to stealing more than \$900,000 in HUD funds. *page 41*
- 32 Georgia Section 8 tenants were arrested and charged with fraudulently obtaining \$330,000 in housing assistance. *page 44*
- A contractor for a HUD-funded multifamily property manager was charged with allegedly stealing \$1.8 million in HUD funds. *page 61*
- The Puerto Rico Housing Administration did not manage the 2003 Financing Program in an economical, efficient, and effective manner. As a result, it disbursed \$57.4 million in capital funds to pay for interest charges on unused borrowed capital. The Authority could not account for more than \$18.7 million in program income and inappropriately obligated \$32.2 million in ARRA funds. *page 87*
- Rental assistance fraud schemes were highlighted for more than 650 National Association of Housing and Redevelopment Officials members across the country. *pages 129-131*

Emerging Issues: Areas of OIG interest

- Rental assistance fraud initiatives targeting public housing agencies in receivership or on the HUD troubled list
- Eligibility of grantee expenditures
- Eligibility of grantee ARRA expenditures
- HUD’s oversight of performance-based contract administrators

Strategic Initiative 3

HUD Strategic Goal: Strengthen Communities

OIG Strategy:

- **Promote integrity, efficiency, and effectiveness of programs**
- **Contribute to the reduction of fraud, waste, and abuse through**
- ARRA - focus on capacity audits for Neighborhood Stabilization program (NSP) and Community Development Block Grant (CDBG) grantees
- Audits of the CDBG, Supportive Housing, and HOME Investment Partnerships (HOME) Programs
- Audits of disaster activities
- Investigative initiative to fight corruption in the administration of State or local community planning and development programs
- Disaster relief fraud in HUD CDBG-funded programs
- Public dissemination of HUD OIG activities and outreach activities with State and local government agencies and other community affairs agencies

Highlights: Results or impact of significant OIG work

- OIG reviewed HUD's HOME program and found that HUD needs to improve efforts to require participating jurisdictions to cancel more than \$62 million in HOME fund balances for open activities that were committed more than 5 years ago. *page 70*
- A payroll supervisor pled guilty to stealing CDBG funds. *page 77*
- A grant writer pled guilty to making false statements that enabled a nonprofit organization to fraudulently obtain more than \$1.1 million in HUD funds. *page 77*
- OIG conducted capacity reviews of 11 entities to determine whether they had the capacity to manage the ARRA funds they will be receiving. *page 86*
- OIG reviewed HUD's CDBG, Supplemental I and II Disaster Recovery program funds, administered by the Texas Department of Housing and Community Affairs (TDHCA). OIG found that TDHCA's plan did not require homeowner's insurance on properties reconstructed with Supplemental I funding and required only limited insurance for properties funded under Supplemental II. Due to a lack of insurance, HUD's CDBG Disaster Recovery Assistance funds invested in these homes is at risk. *page 101*
- A former Gulfport, MS, mayor pled guilty to stealing Federal Emergency Management Agency funds. *page 105*
- A HUD attorney and her husband were indicted for allegedly making false statements and claims and committing theft of government funds. *page 105*
- Community development grant fraud was described for 300 HUD Homelessness Prevention and Rapid Re-Housing Program grantees in Chicago, IL. *page 132*

Emerging Issues: Areas of OIG interest

- Audits and investigations of the ARRA funding and NSP.

Strategic Initiative 4

HUD Strategic Goal: Embrace High Standards of Ethics, Management, and Accountability

OIG Strategy:

- Be a relevant and problem-solving advisor to the Department
- Contribute to improving HUD's execution and accountability of fiscal responsibilities through
 - Referring audits and investigations to the departmental Mortgagee Review Board and other management officials to ensure the accountability of individuals and firms committing fraud
 - Audits of HUD's financial statements
 - Audits of HUD's information systems and security management
 - Participating in U.S. Department of Justice Financial Fraud Task Force

Highlights: Results or impact of significant OIG work

- A real estate broker was debarred for providing downpayment funds and fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. *page 21*
- A permanent civil injunction was filed against a mortgage company and its owner. *page 22*
- HUD OIG audited the security of HUD's Web applications. OIG evaluated security measures in place that protect HUD information, scanned identified Web applications, and identified vulnerabilities and suspect configurations that place sensitive information at risk. *page 117*
- HUD OIG recommended improvements in internal controls over processing personnel actions. *page 117*
- HUD OIG conducted an audit to determine whether technical, management, and operational controls were in place to ensure adequate protection of HUD's data and resources at its third-party business partners' sites that remotely access or physically process and maintain HUD data outside HUD's secured physical perimeter. *page 118*

Emerging Issues: Areas of OIG interest

- Issuer accountability in loan portfolio defaults in the Ginnie Mae Mortgage-Backed Securities program
- Continued modernization and enhancement of HUDs information systems
- Mortgage crisis impact on the soundness of the FHA fund

Chapter 1

Single-Family Housing Programs



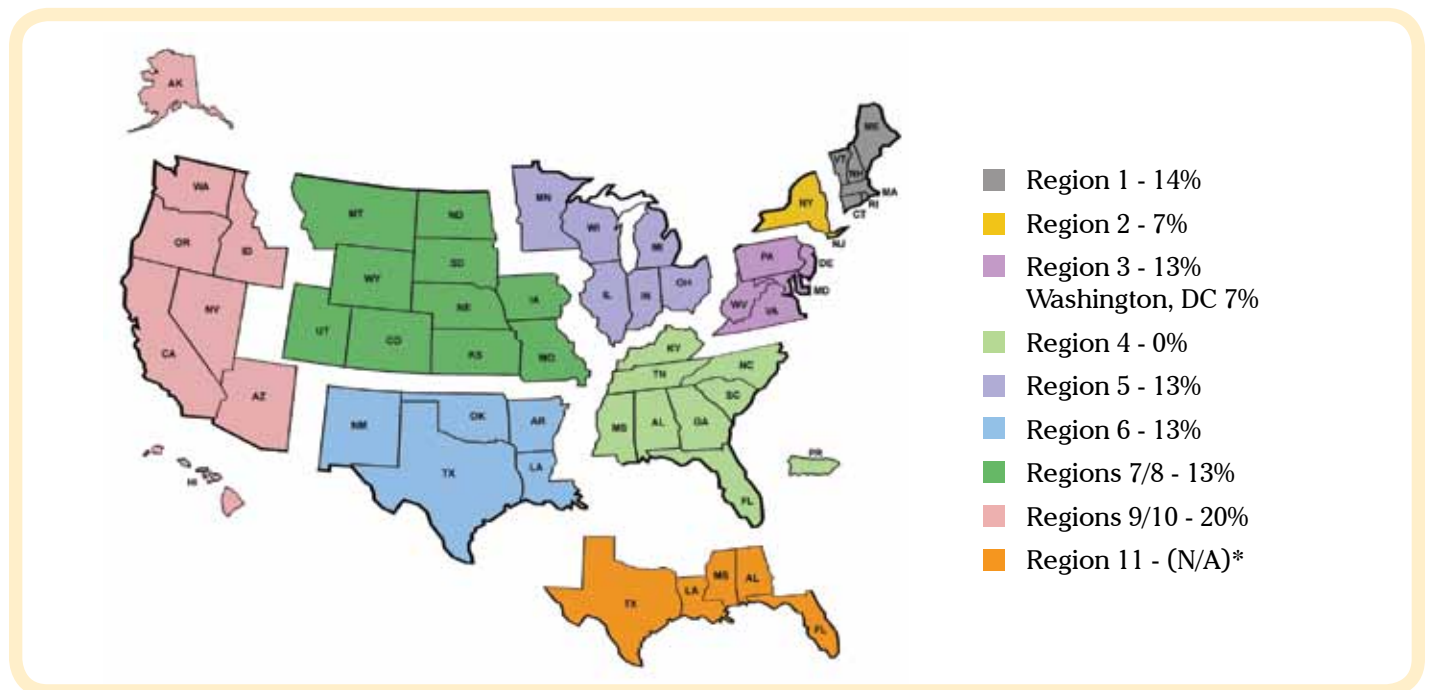
The Federal Housing Administration’s (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing to enable individuals and families to purchase, rehabilitate, or construct homes. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 8, page 124).

Audit

Strategic Initiative 1: Contribute to the reduction of fraud in single-family insurance programs

Key program results		Questioned costs	Funds put to better use
Audit	15 audits	\$925,000	\$17.4 million
Our focus	Page 9	• FHA Title II single-family lender approval process	
	Page 9	• Mortgagees, loan correspondents, and direct endorsement lenders	
	Page 11	• Review of Government National Mortgage Association mortgage-backed securities	
	Page 12	• HUD’s oversight of the Home Equity Conversion Mortgage program	
	Page 12	• Review of the Asset Control Area program	
	Page 13	• Real estate-owned properties	

Chart 1.1: Percentage of OIG single-family housing audit reports during this reporting period



* This does not include disaster relief audits. See chapter 5 for these reviews.

Federal Housing Administration Title II Single-Family Lender Approval Process

In response to a congressional request, HUD OIG audited the Federal Housing Administration (FHA) Title II single-family lender approval process to determine whether (1) the application process provided effective controls and procedures to ensure approval of only those lenders meeting program requirements and (2) FHA collected application fees, accounted for files that were electronically imaged, and planned to include new requirements.

FHA's lender approval process did not have sufficient controls and procedures to ensure that lenders met all applicable requirements for approval to participate in the FHA single-family program. In addition, FHA did not obtain or consider negative information on lenders from other HUD offices, ensure that application fees were collected, ensure that all supporting documents were obtained, or include adequate certifications on the lender application form. Further, FHA's controls over the contractor tasked with imaging lender approval files did not ensure the proper disposition of those files, which contained personally identifiable information.

OIG recommended that FHA (1) ensure that lender principals and staff are free of indictment, conviction, debarment, suspension, limited denials of participation, and unpaid Federal debt before applications are approved; (2) consult with other HUD offices to determine whether applicants are subject to unresolved findings and ensure that application fees received are reconciled with the related applications; and (3) include a stronger lender fraud certification on the application and improve controls over the maintenance and disposition of electronic lender files. (Audit Report: **2009-SE-0004**)

Mortgagees, Loan Correspondents, and Direct Endorsement Lenders

Audits to uncover loan origination abuses by single-family lenders continued to be a priority during this semiannual period. Lenders are targeted for audit through the use of data mining techniques, along with prioritizing audit requests from outside sources. During this period, HUD OIG reviewed nine FHA single-family mortgage lenders. While the objectives varied by auditee, the majority of the reviews were to determine whether the auditees originated FHA-insured loans in accordance with HUD requirements. Other lender audits addressed origination requirements for Home Equity Conversion Mortgages (HECM), commonly known as reverse mortgages. The following section illustrates some of the audits conducted in the single-family mortgage lender area.



HUD OIG audited FHA-insured loan processes at two DHI Mortgage Company, LTD, branches in **Tucson and Scottsdale, AZ**, and found that DHI Mortgage did not follow HUD requirements for originating, approving, or closing FHA-insured loans. The review identified 205 loans with prohibited restrictive addendums to the purchase contracts and 24 loans with significant underwriting deficiencies. In addition, DHI Mortgage's quality control processes had weaknesses, including failure to determine that 19 loans were not eligible for FHA insurance because the loan officer had been debarred from participation in FHA-insured loan transactions.

OIG recommended that HUD require DHI Mortgage to (1) indemnify HUD more than \$38 million for loans that did not meet FHA insurance requirements, (2) refund or buy down FHA-insured loans for overinsurance totaling nearly \$16,000, and (3) fully implement a quality control plan in compliance with FHA requirements. (Audit Report: **2009-LA-1018**)



HUD OIG audited Midwest Mortgage Capital in **St. Louis, MO**, and found that Midwest did not properly underwrite 7 of the 29 defaulted loans reviewed. These loans had material underwriting deficiencies that affected the insurability of the loans. In addition, Midwest's quality control reviews were inadequate and did not meet HUD's requirements.

OIG recommended that HUD (1) require Midwest to indemnify HUD against future losses for seven loans with unpaid principal balances totaling more than \$1 million and (2) verify that Midwest provides its underwriters with additional training on FHA requirements and properly performs its quality control function. (Audit Report: **2009-KC-1007**)



HUD OIG audited single-family loan originations at Eagle Home Mortgage in **Kirkland, WA**, and found that Eagle Mortgage did not always originate FHA-insured loans in accordance with HUD requirements. Specifically, it did not follow HUD's underwriting requirements for 15 of the 36 FHA-insured loans reviewed, three of which had deficiencies that affected the insurability of the loan. In addition, it did not adequately follow its HUD-approved quality control plan when reviewing loans with early payment defaults when it failed to review one loan, which defaulted after only four payments. Further, 4 of 17 quality control reviews performed by Eagle Mortgage did not find observable deficiencies in the loans. As a result, Eagle Mortgage's management did not always have the accurate feedback needed to improve its loan origination process.

OIG recommended that HUD (1) require Eagle Mortgage to reimburse or indemnify HUD for actual and potential losses on three loans with underwriting deficiencies, (2) review loans recently underwritten by Eagle Mortgage to verify that the underwriting deficiencies noted during our review are no longer an issue, (3) review Eagle Mortgage's monthly quality control reports to ensure that they include all FHA-insured loans that defaulted within the first 6 months, and (4) require Eagle Mortgage to conduct training on its quality control plan. (Audit Report: **2009-SE-1003**)



HUD OIG audited the **Newark, DE**, branch office of J.P. Morgan Chase bank, a supervised direct endorsement lender approved to originate FHA single-family mortgage loans. OIG found that J.P. Morgan Chase generally complied with HUD requirements in the origination and quality control review of FHA-insured single-family loans. However, a review of eight sample loans, valued at approximately \$1.3 million, showed that its branch office did not underwrite one of the loans, originally valued at more than \$157,000, in accordance with HUD requirements. In addition, of five loans that J.P. Morgan Chase reviewed as part of its quality control process, it did not fully implement quality control procedures as required for one improperly underwritten loan. As a result, the FHA insurance fund was exposed to an unnecessary increased risk.

OIG recommended that HUD require J.P. Morgan Chase to indemnify nearly \$194,000 for one loan, which it issued contrary to HUD's loan origination requirements; reimburse more than \$26,000 for a loss from a claim incurred by HUD on another improperly underwritten loan; and fully enforce its policies, procedures, and controls to ensure that its staff consistently follows HUD requirements. (Audit Report: **2009-PH-1010**)



HUD OIG audited SecurityNational Mortgage Company, in **Murray, UT**, an FHA-approved direct endorsement lender, and found that SecurityNational did not follow HUD regulations when underwriting 18 FHA-insured loans. One of the loans contained significant underwriting deficiencies because the borrower overstated self-employment income and SecurityNational did not detect the borrower's misrepresentation. In addition, SecurityNational did not review all FHA-insured loans that defaulted within the first 6 months, nor did it perform its monthly quality control reviews in a timely manner.

OIG recommended that HUD (1) require SecurityNational to reimburse it for the loss on the loan that had underwriting deficiencies and (2) monitor SecurityNational to ensure that it effectively monitors its underwriters' actions and properly performs its quality control reviews. (Audit Report: **2009-DE-1003**)



HUD OIG audited Financial Freedom Senior Funding Corporation in **Irvine, CA**, to determine whether Financial Freedom complied with HUD origination requirements for the HECM program, commonly known as a reverse mortgage.

Financial Freedom generally followed HUD reverse mortgage requirements for the borrower's age and completion of a counseling program for the 10 loans reviewed. However, it did not fully follow other requirements for five of the loans totaling \$753,000. Financial Freedom originated one ineligible loan for a home that was not the borrower's primary residence, one loan for a home that the borrower no longer occupied, and three loans for homes that had issues with repairs.

OIG recommended that HUD (1) cancel the mortgage insurance on the ineligible loan; (2) require Financial Freedom to contact the borrower and determine the occupancy status and if the borrower no longer lives in the property, seek repayment of the ineligible loan; (3) require Financial Freedom to ensure that the repairs have been completed for two loans; (4) consider administrative action against an inspector if warranted; and (5) require Financial Freedom to issue guidance to its underwriters on repairs affecting the health and safety of the occupants or the security and the soundness of the property. (Audit Report: **2009-FW-1012**)



HUD OIG audited Bank of America's HECM servicing division in **Seattle, WA**, to determine whether the servicer complied with HUD regulations, specifically, whether it verified that the properties remained the borrowers' primary residence, ensured maintenance of the properties, and processed HUD claims or property foreclosures in a timely manner.

The servicer did not comply with two HUD requirements in its administration of HECM loans. It did not maintain annual certifications of residency and did not notify HUD in a timely manner of the due and payable status of the mortgages of deceased borrowers. Both weaknesses could result in the properties' remaining vacant longer, increased property deterioration, the need for additional maintenance, and potential decline in property value.

OIG recommended that HUD require the servicer to implement procedures to ensure that it completes the annual certifications of residency and notifies HUD of the due and payable status of mortgages within 60 days after a borrower's death. (Audit Report: **2009-FW-1013**)

Review of Government National Mortgage Association Mortgage-Backed Securities **(Report Not Available to the Public)**

HUD OIG audited the Government National Mortgage Association (Ginnie Mae) Mortgage-Backed Securities (MBS) program's contract documents and other program-related representations as well as certain business practices related to ensuring that mortgages were insured. The audit objectives were to determine whether Ginnie Mae (1) agreements with the issuers sufficiently protected Ginnie Mae against fraud or other misrepresentation in the MBS program and (2) had implemented sound business practices to ensure that only insured mortgages remained in Ginnie Mae pools.

While OIG's audit did not disclose instances in which Ginnie Mae agreements with the issuers were insufficient to protect the agency against losses, OIG had concerns related to certain Ginnie Mae business practices. OIG has determined that the contents of this report would not be appropriate for public disclosure and has limited its distribution to selected HUD officials. (Audit Report: **2009-FO-0005**)

HUD's Oversight of the HECM Program

HUD OIG audited HUD's oversight of the FHA-insured HECM program to determine whether HUD had adequate oversight of the underwriting of HECM loans. With the exception of four loans reviewed, HUD generally performed adequate reviews of loans insured under the program. For the four loans, HUD did not identify errors or fully address underwriting deficiencies. Further, HUD did not maintain documentation to fully determine whether the appropriate parties were checked against the U.S. General Services Administration's (GSA) excluded parties list. GSA's excluded parties list is a system that identifies those parties excluded from receiving Federal contracts, certain subcontracts, and certain types of Federal financial and nonfinancial assistance and benefits. HUD could benefit from improvements to its review processes to increase the reliability of its assurance that lenders complied with the underwriting requirements for program loans.

OIG recommended that HUD require the lender to reduce payments to the borrower or seek reimbursement for one case for nearly \$12,000 in excess of the borrower's initial principal limit and provide documentation for another case with maximum claim amounts totaling \$70,000, showing that the borrower's unacceptable rating has been resolved. If it is determined that the rating has not been resolved, HUD should seek indemnification for the life of the loan. The estimated risk to HUD for the second case is more than \$37,000.

OIG also recommend that HUD improve its procedures and controls for performing postendorsement technical and quality assurance reviews of program loans, to provide reasonable assurance that underwriting deficiencies will be detected. (Audit Report: **2009-CH-0003**)

Review of the Asset Control Area Program

HUD OIG audited the HUD Asset Control Area (ACA) program to determine whether HUD administered the program in compliance with program requirements and Federal regulations. The purpose of the ACA program is to promote the revitalization of designated communities, through expanding homeownership opportunities as designated revitalization areas.

Generally HUD's ACA program has increased homeownership for low- and moderate-income borrowers and contributed to the revitalization of blighted communities. However, HUD's administration of the program was not always in compliance with program requirements and Federal regulations. Specifically, (1) final ACA regulations need to be issued, (2) existing program requirements need to be adequately enforced, and (3) HUD's monitoring needs to improve to ensure compliance with program requirements and Federal regulations.

OIG recommended that HUD (1) issue final ACA regulations in a timely manner, (2) provide additional training and technical assistance to program participants and staff to ensure that they are aware of the regulations, (3) ensure that ACA requirements are adequately enforced, and (4) enhance controls to ensure that HUD's monitoring is effective in improving ACA participants' compliance with program requirements. (Audit Report: **2009-NY-0002**)



HUD OIG audited the City of **Reading, PA**'s ACA program to determine whether the City administered its program in compliance with HUD requirements. OIG focused the review on whether the City complied with specific requirements in its ACA agreement with HUD pertaining to repairs for its acquired properties, resale of the properties, ACA boundaries, and conflicts of interest.

The City generally administered its ACA program in compliance with HUD requirements. Because it complied with specific requirements in its agreement with HUD pertaining to repairs for its acquired properties, resale of the properties, ACA boundaries, and conflicts of interest, it administered the program in a manner that increased homeownership for low- and moderate-income borrowers and contributed to the revitalization of blighted communities. (Audit Report: **2009-PH-1008**)

Real Estate-Owned Properties

HUD OIG audited Custom Closing Services, Incorporated, in **Farmington Hills, MI**, a contractor closing sales of HUD real estate-owned properties in the State of Michigan, to determine whether Custom complied with its contract for closing sales of HUD real estate-owned properties.

Custom did not fully comply with its contract when closing sales of HUD homes. Specifically, it did not (1) request city presale inspections and contract extensions in a timely manner, (2) always cancel expired sales contracts and submit requests for payments to the marketing and management contractor for cancelled contracts in a timely manner, or (3) provide required information to HUD. Custom's delays in requesting presale inspections contributed to delays in the closings of HUD homes, which resulted in HUD's incurring additional holding costs to maintain properties in its inventory. In addition, HUD lacked assurance that Custom represented HUD's best interests and upheld a positive image of HUD as required under the performance measures of its contract.

OIG recommended that HUD require Custom to (1) implement the real estate property sale closing software in accordance with its contract to monitor and track the progress of its closing files, (2) notify the selling brokers and buyers of the contracts' expiration dates in accordance with Custom's contract with HUD, (3) maintain accurate accounting records to reflect cash receipts for cancelled files in accordance with HUD's requirements, (4) implement adequate procedures and controls to ensure that it properly administers requests for extensions to sales contracts, and (5) coordinate with the marketing and management contractor in regard to requesting city presale inspections. In addition, OIG recommended that HUD determine whether Custom is performing satisfactorily under its current contract with HUD. If the same conditions exist as those identified in this audit, HUD should determine the appropriate course of action regarding the current contract. (Audit Report: **2009-CH-1021**)



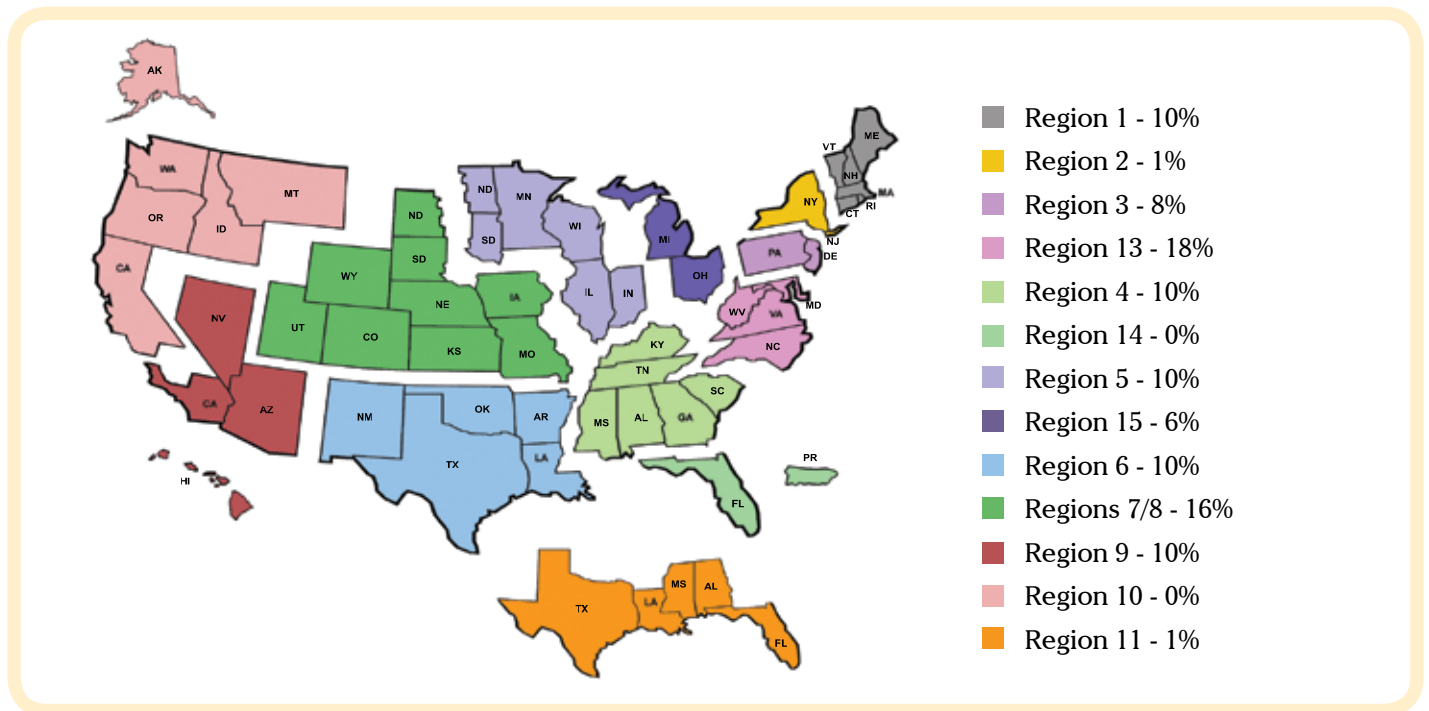
Investigations

Some investigations discussed in this report were generated from leads provided by HUD single-family housing program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 1: Contribute to the reduction of fraud in single-family insurance programs

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	62	\$108,835,794	61	76
Our focus	Page 15 Page 19 Page 20 Page 22	<ul style="list-style-type: none"> • Loan origination fraud • Identity fraud and false Social Security numbers • Civil and administrative actions • Other single-family fraud 		

Chart 1.2: Percentage of OIG single-family housing closed investigation cases during this reporting period



Loan Origination Fraud

Corey Brower, a former owner and president of Foundation Funding, doing business as GreatStone Mortgage, an FHA-approved direct endorsement lender and Ginnie Mae-approved issuer, and former Foundation Funding officer and underwriter Sandi Brower each pled guilty in U.S. District Court, **Tampa, FL**, to making false statements and committing a conspiracy and fraud against HUD. From August 1999 through April 2001, Corey and Sandi Brower and others altered appraisals and other loan documents used by unqualified borrowers to obtain FHA-insured mortgages that were eventually packaged and securitized by Ginnie Mae. In addition, Corey and Sandi Brower and others created and sold 930 bogus loans securitized by Ginnie Mae to investors. HUD and Ginnie Mae realized losses of \$78 million after 3,164 mortgages defaulted.

Mortgage chief, wife plead guilty to fraud

Scheme targeted businesses, HUD.

By ELAINE SILVESTRINI
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TAMPA » The former president of GreatStone Mortgage and his wife, an officer in the now-defunct company, pleaded guilty Thursday to fraud charges in connection with their \$79 million Ponzi scheme run out of the Tampa-based company.

Corey and Sandi Brower, who live in Voorhees, N.J., admitted participat-

ing in the scheme that defrauded financial institutions of an estimated \$68.5 million and the federal government of \$9.5 million between 1999 and 2001.

Corey Brower, 40, faces a maximum of 15 years in prison and Sandi Brower,

46, faces up to 12 years under the terms of plea agreements. The deals likely will result in reduced sentences, partly because of the couple's cooperation with investigators.

As part of his cooperation, Corey Brower "wore a wire," said Assistant U.S.

Attorney Robert Moskowsky.

Corey Brower's former lawyer, Richard Doty, pleaded guilty in 2005 to being an accessory after the fact and was sentenced to 15 months in federal prison. He admitted helping the Browers

flee the country in 2007 to avoid prosecution.

GreatStone surrendered its license to do business in Florida in 2003. The company headquarters were in a shopping center at 3627 W. Waters Ave.

According to court documents, in 1998 or 1999,

GreatStone was having financial difficulties. The defendants and other officers and employees devised a scheme to ease those problems by defrauding the U.S. Department of Housing and Urban Development and financial institutions.

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Beazer Homes USA (Beazer Homes) entered into a deferred prosecution filed in U.S. District Court, **Charlotte, NC**, and agreed to pay FHA \$5 million and provide up to \$50 million toward a national fund to pay home-buyer victims. Beazer Homes accepted and acknowledged that it is responsible for the criminal acts of former employees and the former employees of Beazer Mortgage Corporation as set forth in the criminal information filed in conjunction with this agreement. Beazer Homes and Beazer Mortgage Corporation employees allegedly conspired and provided fraudulent statements to HUD. HUD realized losses of \$14.7 million after 413 mortgages defaulted.



Robert and Patrick Singletary and Peter Russo, owners of CAL Investments, Universal Title Company, and Tropical and Sunshine Mortgage Companies, were collectively sentenced in U.S. District Court, **Jacksonville, FL**, to 42 months and 2 days incarceration and 9 years supervised release and ordered to pay HUD \$1 million in restitution and forfeit \$2.5 million for their earlier guilty pleas to committing a conspiracy to make false statements to HUD and wire fraud. From 1997 to January 2004, the above defendants and others conspired and provided fraudulent gift fund checks used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$9 million after 139 mortgages defaulted.



Keith Lyon, the former vice president for Encore Mortgage, and Mahn Doan, also known as Bruce Doan, were collectively sentenced in U.S. District Court, **Philadelphia, PA**, to 151 months and 45 days incarceration, 6 months house arrest, and 6 years supervised release and ordered to pay HUD more than \$5.1 million in restitution for their earlier guilty pleas to making false statements to HUD and committing a conspiracy and wire and identity fraud. Lyon, Doan, and others provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$4.45 million after 183 mortgages defaulted.



Kandy Marriott, the former owner of One Way Home and Land (One Way) and Energy Homes, was collectively sentenced in Navarro and Kaufman County District Courts, **Corsicana and Kaufman, TX**, to 40 years incarceration for her earlier guilty pleas to engaging in organized criminal activities. In addition, former One Way and Energy Homes business associate Karen Hayes was sentenced to 18 years incarceration for her earlier guilty plea to engaging in an organized criminal activity. From October 2000 to September 2008, Marriott, Hayes, and others forged signatures or provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$4.2 million after 74 mortgages defaulted.

FRAUD

Four-county mortgage scam called state's biggest

A 58-year-old woman is sentenced to 18 years in a plea deal.

By **BARRY SHLACHTER**
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DALLAS — It started in 2004 with a Texas barbecue deal that went bad.

A suspicious Corsicana police officer

realized that the alleged skimming of profits from a Dickie's Barbecue Pit franchise might be the tip of something bigger, involving a locally prominent millionaire — an acquaintance of 20 years whose ranch gate was adorned by a mammoth dollar sign.

In the end, Sgt. Mark Nanny uncov-

ered what authorities say was a four-county, family-run fraud operation that cost the federal government's FHA-guaranteed mortgage program more than \$3 million.

On Monday, Texas Attorney General Greg Abbott called it the state's biggest

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Michael McGrath, Jr., the former president and director of U.S. Mortgage Corporation (U.S. Mortgage) and its subsidiary, CU Nations Mortgage, LLC, pled guilty in U.S. District Court, **Newark, NJ**, to committing a conspiracy to commit money laundering and mail and wire fraud. From January 2004 through January 2009, McGrath conspired with others to fraudulently sell credit union mortgage loans to Fannie Mae and used \$139 million in illicit proceeds to fund personal and business investments and U.S. Mortgage operations. In addition, McGrath and others provided fraudulent documents used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD realized losses of \$2.7 million after about 1,700 mortgages defaulted.



Real estate speculator Joseph Greenblatt was sentenced in U.S. District Court, **Central Islip, NY**, to 46 months incarceration and 5 years supervised release and ordered to pay HUD more than \$2.3 million in restitution and forfeit \$200,000 for his earlier guilty plea to making false statements. Greenblatt inflated property appraisals and loan information used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$2.3 million after 11 mortgages defaulted.



Linda Carnagie was sentenced in U.S. District Court, **Denver, CO**, to 41 months incarceration and 36 months supervised release and ordered to pay HUD \$206,693 in restitution and forfeit \$41,205 for her earlier conviction of making false statements and committing a conspiracy, wire fraud, and money laundering. Carnagie and others submitted or caused the submission of fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of about \$1.25 million after 25 mortgages defaulted.



Reyes Quintero, a former loan officer for American Residential Funding, pled guilty in U.S. District Court, **Los Angeles, CA**, to committing a conspiracy. Quintero and others caused the submission of fraudulent loan documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$1.1 million after 38 mortgages defaulted.

Woman sentenced to more than three years for mortgage fraud .

A Bennett woman has been sentenced to more than three years in prison for mortgage fraud, stemming from her work as an independent contractor for Highland Mortgage of Evergreen.

U.S. District Judge Marcia Krieger sentenced Linda Carnagie, 61, to 41 months in prison for conspiracy to defraud the United States, conspiracy to commit money laundering, wire fraud and false statements.

In addition, Carnagie was ordered to pay restitution totaling \$206,693, forfeit another \$41,205, which was the proceeds of her illegal activities, and pay a \$41,205 special assessment to victims of a crime fund.

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Lynn Ingle, a former loan officer for The Mortgage Group, was indicted in U.S. District Court, **Fort Worth, TX**, for allegedly committing a conspiracy to make false entries to HUD, and former Mortgage Group loan officer Dena Musgraves pled guilty to committing a conspiracy to make false entries to HUD. Ingle allegedly and Musgraves admittedly created or provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$964,814 after 21 mortgages defaulted.

Mortgage flipper gets jail term

He pleaded guilty to mail fraud, lying

From staff reports

The alleged ringleader of a New Orleans mortgage-flipping scheme was sentenced Thursday to 40 months in prison by U.S. District Judge Martin Feldman.

Calvin Davis, 48, had pleaded guilty to mail fraud and lying on federal forms. He admitted buying numerous properties, most of them rundown homes located in the 7th, 8th and 9th Wards, and then obtaining fraudulent appraisals that suggested they were worth far more than they were.

Davis then persuaded straw buyers to apply for loans to buy the properties, using a co-conspirator, loan underwriter Michelle Cochrane, to get the loans approved. Based on Cochrane's assurances, the U.S. Department of Housing and Urban Development insured the loans. When the loans were sold and the buyers defaulted, HUD had to pay off the loans.



Michael O'Keefe, Jr., the president and owner of Citywide Mortgage Company (Citywide), pled guilty in U.S. District Court, **New Orleans, LA**, to making a false statement to HUD. In addition, former Citywide underwriter Michelle Cochrane and Calvin Davis were collectively sentenced to 52 months and 1 day incarceration and 6 years supervised release for their earlier guilty pleas to making false statements to HUD or committing a conspiracy to make false statements to HUD. O'Keefe, Cochrane, Davis, and others recruited straw buyers, inflated appraisals, or provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$686,566 after 11 mortgages defaulted.



Yolanda Gomez and Omar Alfonso each pled guilty in U.S. District Court, **Miami, FL**, to committing wire fraud, and Eugenio Garcia was sentenced to 15 months incarceration and 2 years supervised release and ordered to pay HUD \$256,497 in restitution for his earlier guilty plea to committing wire fraud. Gomez and Alfonso allegedly and Garcia admittedly provided fraudulent information and loan documents to obtain FHA-insured mortgages. HUD realized losses in excess of \$646,497 after three mortgages defaulted.



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Lashawnda Smith was arrested after her indictment in DeKalb County Court, **Decatur, GA**, for allegedly committing residential mortgage fraud. Smith allegedly provided fraudulent documents to obtain an FHA-insured mortgage. HUD realized losses of \$183,000 after her mortgage defaulted.



James Fish, a former loan officer for F.C. Chadwick Financial, was sentenced in U.S. District Court, **Los Angeles, CA**, to 5 months supervised probation and ordered to pay victims not yet identified \$179,692 in restitution for his earlier guilty plea to committing wire fraud. Fish and others provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$179,692 after three mortgages defaulted.



FHA-insured mortgagor Jessica Caplan was convicted in Adams County District Court, **Brighton, CO**, of committing forgery; FHA-insured mortgagor Cheri Decker pled guilty to committing theft by receiving; and former real estate agent and owner of Essien & Co. Realty, Ltd., Uto Essien, former realtor Idara Ekiko, FHA-insured mortgagor Bradley Decker, and Enoch Etuk were collectively sentenced to 40 years incarceration and 12 years probation, ordered to perform 100 hours of community service and pay victims not yet identified more than \$1.1 million in restitution, and fined \$75,000 for their earlier conviction or guilty pleas to committing forgery, theft, computer crimes, or racketeering or violating the Colorado Organized Crime Control Act. The above defendants provided fraudulent information or documents used by them or other unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD realized losses of \$153,814 after three mortgages defaulted.



Laura Cobbins, a Cuyahoga Metropolitan Housing Authority Housing Choice Voucher program participant, was charged in Cuyahoga County Court of Common Pleas, **Cleveland, OH**, with allegedly tampering with records. Cobbins allegedly provided false financial and identification documents to obtain and later default on an FHA-insured mortgage. HUD realized a loss of \$95,890 after her mortgage defaulted.



Former Chicago Housing Authority (Chicago) Section 8 landlord Steven Sturdivant was sentenced in U.S. District Court, **Chicago, IL**, to 41 months incarceration and 3 years probation and ordered to pay HUD \$37,411 in restitution for his earlier guilty plea to committing wire fraud. Sturdivant provided fraudulent documents to obtain FHA-insured and conventional mortgages, filed numerous bankruptcies to delay foreclosure proceedings, and failed to report his Chicago housing assistance payments on bankruptcy petitions.



Real estate closing attorney Daniel Fox pled guilty in U.S. District Court, **Newark, NJ**, to making false statements to HUD. From October 2000 to November 2008, Fox and others created and provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD losses are not yet determined.



Real estate investor Mark McBride pled guilty in U.S. District Court, **Atlanta, GA**, to committing bankruptcy fraud and a conspiracy to commit mail and wire fraud. From September 2001 through August 2008, McBride and others provided false appraisals and fraudulent documents used by unqualified straw borrowers to obtain

FHA-insured and conventional mortgages for 600 Omni National Bank real estate-owned properties they purchased. The straw borrowers then placed the fraudulently obtained and mortgaged properties into the Atlanta Housing Authority Section 8 program but failed to pay their mortgage loans, caused temporary homelessness for Section 8 tenants, and contributed to the collapse of the Omni National Bank. HUD losses are not yet determined.



Julie Weaver, a former loan officer for Alliance Guaranty Mortgage Corporation, pled guilty in Denver County Court, **Denver, CO**, to committing theft. Weaver fraudulently used a power of attorney, signed closing documents for a straw buyer, and stole \$24,310 in mortgage loan proceeds derived from an FHA-insured refinance loan. HUD losses are not yet determined.

Identity Fraud and False Social Security Numbers

Karim Rangel, Rigoberto Hernandez, Jose Barraza, and Oscar Ibarra, also known as Oscar Ortega, were each indicted in Dallas County District Court, **Dallas, TX**, for allegedly securing execution of documents by deception. The above defendants allegedly used false Social Security numbers (SSN) to obtain FHA-insured mortgages. HUD realized losses of \$181,805 after four mortgages defaulted.



Antonio Vitale, also known as Tony Vitale, a former loan officer for Sterling Capital Mortgage Company, was sentenced in Adams County District Court, **Brighton, CO**, and ordered to pay HUD \$59,736 in restitution for his earlier guilty plea to offering a false instrument for recording and attempting to influence a public servant. Vitale provided forged documents and a fraudulent SSN used by an unqualified borrower to obtain an FHA-insured mortgage. In addition, FHA-insured mortgagor Iris Rodriguez was sentenced to 24 months probation and ordered to perform 24 hours of community service for her earlier guilty plea to offering a false instrument for recording. Rodriguez fraudulently sold her FHA-insured property to her undocumented immigrant spouse. HUD realized losses of \$137,252 after two mortgages defaulted.



Macarena Villalobos Javalera, a former loan officer for Prestige Capital Funding and an FHA-insured mortgagor, was charged in Adams County District Court, **Brighton, CO**, with allegedly offering a false instrument for recording, attempting to influence a public servant, and committing theft and forgery. Javalera allegedly provided a fraudulent SSN and documents to obtain her FHA-insured mortgage and assisted undocumented immigrants, who used fraudulent documents or SSNs to obtain their FHA-insured mortgages. HUD realized a loss of about \$91,000 after one mortgage defaulted.

East Point man pleads guilty to millions of dollars in loan fraud

By RACHEL TOBIN RAMOS
rtramos@ajc.com

Convicted felon Mark Anthony McBride on Friday pleaded guilty in federal court to taking out millions of dollars in fraudulent loans from a dozen banks.

The 43-year-old East Point man, who also went by the alias Charles Conley Jr., could receive a maximum sentence of 35 years in prison and a fine up to \$1,250,000. Sentencing is scheduled July 9.

Many of the loans were issued by loan officers at Omni National Bank, an Atlanta bank that failed in March. Omni failed, in part, for bankrolling risky loans to developers trying to flip homes in urban areas.

"These were examples of the hundreds of similar loans that contributed to the failure of the bank," said Assistant U.S. Attorney Gale McKenzie.

McBride was arrested in September for violating his

supervised release.

McBride had been imprisoned twice and has four prior federal convictions. McKenzie said McBride's crimes included fraud and perjury.

McBride started the mortgage fraud scheme before being released from prison in 2006, she said, including getting a name change before he hit the halfway house.

McBride also pleaded guilty to filing for eight bankruptcies designed to stall foreclosures, another type of fraud.

In his scheme, McBride applied for and received mortgages, vehicle loans, lines of credit and credit cards using his own name, aliases, stolen identities and the names of his children.

He also recruited straw buyers and asked them to quit claim properties to him.

He twice changed his name to apply for additional loans, McKenzie said.

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Civil and Administrative Actions

World Wide Financial Services, Inc. (World Wide), doing business as Loan Giant, entered into a False Claims Act settlement filed in U.S. District Court, **Detroit, MI**, and agreed to pay HUD and numerous bankruptcy creditors more than \$3.4 million. World Wide allegedly created and submitted fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$1.4 million after 10 mortgages defaulted.



Arvin Weiss, a real estate broker and president for Reserve Capital Funds, Inc., who was previously convicted in U.S. District Court, **Denver, CO**, of committing mail and wire fraud and tampering with a witness, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 10 years. Weiss and others submitted fraudulent documents or provided downpayment funds used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of about \$852,000 after 18 mortgages defaulted.



John Prados and Caridad Paz, straw buyers who previously pled guilty in U.S. District Court, **Newark, NJ**, to committing a conspiracy to defraud HUD or bankruptcy fraud and using a false SSN to obtain an FHA-insured mortgage, were each debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. Prados, Paz, and others used or supplied fraudulent documents to obtain FHA-insured mortgages. HUD realized losses of \$349,000 after 12 mortgages defaulted.



Madison Home Equities (Madison Home) and Nadine Malone, president of Madison Home, were each named in a civil consent decree and judgment filed in U.S. District Court, **Brooklyn, NY**, and issued a permanent civil injunction and administrative relief that prevents them from submitting claims for FHA insurance on loans in default. In addition, Madison Home and Malone are prohibited from originating, underwriting, or submitting loans to be insured by FHA and from participating in any Federal program involving mortgage loans. The civil consent decree and judgment further indemnifies the United States and its agencies for any losses with respect to 12 FHA-insured loans named in the civil complaint. Under an administrative agreement, Madison Home and Malone were permanently debarred, withdrawn from the FHA direct endorsement program, and ordered to pay HUD \$90,000 in civil penalties. Malone and Madison Home allegedly provided false information or documents used by unqualified borrowers to obtain FHA-insured mortgages.



National City Mortgage Company (National City), Wells Fargo Bank (Wells Fargo), and Wachovia Mortgage Corporation (Wachovia), each with offices located in **Newark, NJ**, and First Tennessee Bank, N.A., doing business as First Horizon Home Loan (First Horizon) located in **Boston, MA**, entered into Program Fraud Civil Remedies Act (PFCRA) settlements and agreed to collectively pay HUD \$133,752. National City knowingly certified a fraudulent FHA-insured loan and submitted a false claim for FHA-insurance benefits after the borrower defaulted; Wells Fargo knowingly certified a defaulted FHA-insured loan and submitted a false certification for FHA-insurance eligibility; Wachovia knowingly certified a defaulted FHA-insured loan as current and submitted the loan to HUD for late endorsement; and First Horizon originated and underwrote 41 FHA-insured mortgages that allegedly contained false employment information.



Wayne Puff, the former owner of the now-defunct N.J. Affordable Homes, who previously pled guilty in U.S. District Court, **Newark, NJ**, to committing a conspiracy to commit mail fraud; Kenneth Lagonie, the president of Quality Homes Are Us and doing business as Quality Homes R Us and Quality Land Development Corporation, who previously pled guilty to committing a conspiracy to commit wire fraud; and Anthony Natale, Mitchell Fishman, and Sydney Raposo, former real estate attorneys or a paralegal, who previously pled guilty to committing a conspiracy to commit mail or wire fraud or making false statements to HUD, were each suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment action. From March 2003 to September 2005, the above defendants and others created and provided fraudulent documents, provided to investors or used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD losses are not yet determined.



James Wright, a mortgage processor and HUD-certified direct endorsement underwriter who previously pled guilty to committing forgery in Utah State Court, **Layton, UT**, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. Wright forged documents and embezzled about \$20,000 from his employer.

Other Single-Family Fraud

Jamen Wood, a registered agent for BK Properties, LLC, was sentenced in U.S. District Court, **Salt Lake City, UT**, to 27 months incarceration and 36 months supervised release and ordered to pay HUD \$321,000 in restitution for his earlier guilty plea to committing equity skimming and mail fraud. From July 2002 to January 2005, Wood and others identified properties surrendered to bankruptcy courts in multiple States, posed as bankruptcy court or financial institution representatives and secured quit claim deeds from the property owners, and rented about 300 properties and collected rents but failed to remit mortgage loan payments and used the rents collected for personal expenditures. HUD realized losses of about \$1.6 million after 45 mortgages defaulted.



Paul Hariston, doing business as Pro-Fund Property Management, Ltd., Pro-Team Property Management, or Platinum Lending, was charged in Franklin County Court of Common Pleas, **Columbus, OH**, with allegedly committing theft, tampering with records, securing writings by deception, and engaging in a pattern of corrupt activity. Hariston obtained the deeds to six distressed FHA-insured properties and collected the mortgage payments from the homeowners but allegedly failed to pay the mortgages and filed fraudulent bankruptcies in the names of the homeowners to delay foreclosure proceedings. HUD realized losses of about \$127,000 after six mortgages defaulted.



Jermaine Spencer, a HUD Officer/Teacher Next Door program participant and former Federal Bureau of Prisons employee, was sentenced in U.S. District Court, **Denver, CO**, to 12 months probation for his earlier guilty plea to making false statements to HUD. Spencer obtained a HUD-owned property and received a \$72,500 discount but failed to reside in the property or report his nonresidency on HUD certifications.



Ernesto Tellez, a HUD Good Neighbor Next Door program participant and U.S. Department of Homeland Security Border Patrol agent, was arrested after his indictment in U.S. District Court, **El Paso, TX**, for allegedly making false statements to HUD. Tellez obtained a HUD-owned property and received a \$38,250 discount but allegedly failed to report his ownership interest in additional real estate on HUD certifications.



Thomas Ryan was charged in U.S. District Court, **Santa Ana, CA**, with allegedly committing false advertising or misuse of names to indicate a Federal agency. Ryan allegedly created several fraudulent computer Web sites that portrayed a HUD affiliation to solicit customers seeking to modify their mortgage loans and then sold the customer contact information to alleged loan modification firms.



Lawrence Luckett, the chief executive officer for Home Mortgage, Inc., a HUD-approved lender, was indicted in U.S. District Court, **Chicago, IL**, for allegedly committing bank fraud. Luckett allegedly obtained \$317,500 from GMAC Bank to fund a fictitious mortgage loan on a property currently occupied and FHA insured.

U.S. attorney charges 37 people with fraudulently receiving mortgages

BY DAVID ROEDER
droeder@suntimes.com

The U.S. attorney's office Tuesday charged 37 people and four businesses with fraudulently obtaining \$48 million in mortgages on homes in Chicago and the suburbs.

Prosecutors detailed five separate schemes that cost mortgage lenders millions of dollars when the

loans went into default and the properties were foreclosed. The defendants include an attorney, a title company vice president, appraisers, mortgage brokers and loan officers.

Among those indicted were:
◆ LaSalle Title Co. and 18 other defendants for allegedly scheming to obtain loans on 70 homes in Chicago, mostly blighted properties on the South Side. The U.S. attor-

ONLINE: Read the complaints online at suntimes.com

ney's office called it one of the most comprehensive mortgage frauds it has encountered.

◆ Ten people were accused of conspiring to get loans for expensive condominiums and penthouses

at 33 W. Ontario, known as Millennium Centre.

◆ Six people were accused of using stolen or fictitious identities to get \$3 million from various mortgage lenders.

◆ Lawrence Luckett, 52, former chief executive of Home Mortgage Inc. in Burr Ridge, was accused of bank fraud for allegedly defrauding GMAC Bank out of \$15 million

through more than 450 falsified loans. In 1996, he served a one-year term as president of a trade group now called the Illinois Association of Mortgage Professionals.

◆ Six people were named for allegedly using straw buyers to obtain loan proceeds for two expensive homes, one in Wheaton and one in Glenview.

Comment at suntimes.com.

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Inspections and Evaluations

Evaluation of Mortgage Review Board Enforcement Actions

In response to a request from Senator Charles Grassley, Ranking Member, Senate Committee on Finance, HUD OIG conducted an evaluation of Mortgage Review Board (MRB) enforcement actions in fiscal year 2008. The objectives of the evaluation were to identify the facts related to the 10 questions asked by the Senator and provide an independent assessment of the MRB's effectiveness in deterring abuse in FHA mortgage lending. The MRB's annual report indicated that it ruled on 94 single-family lender referrals in fiscal year 2008, 65 of which were administrative cases of noncompliance with FHA annual recertification requirements. We reviewed 25 referrals (no administrative cases) to the MRB for rulings on violations of FHA single-family regulations and policies.

The statutory mission of the MRB is to protect FHA and its mortgage insurance funds from fraud and program abuses and to deter noncompliance and mortgage lending irregularities. However, as disclosed by the evaluation, the MRB ruled on few cases and often after a lengthy referral process. The MRB sanctioned mostly technical violations of FHA policy; imposed penalties, but most penalties were without substantive financial consequences to the lenders; and imposed the strongest sanction of withdrawal on mostly routine cases of failure to recertify. (I&E Report: **IED09 003**)



Chapter 2

Public and Indian Housing Programs



The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to 3,496 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 8, page 129).

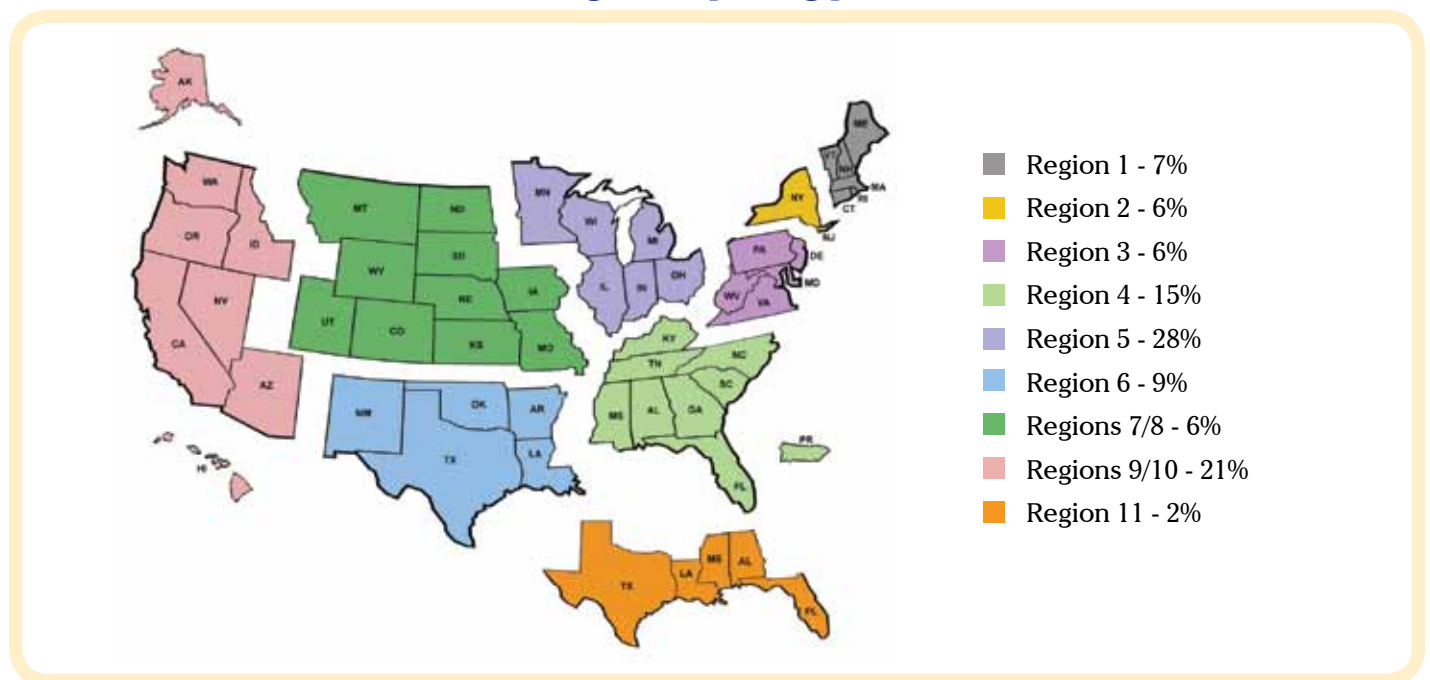
Audit

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results		Questioned costs	Funds put to better use
Audit	47 audits ¹	\$108.4 million	\$109.7 million
Our focus	Page 27	<ul style="list-style-type: none"> Section 8 Housing Choice Voucher and leased housing program activities at public housing agencies 	
	Page 34	<ul style="list-style-type: none"> Public housing program activities 	
	Page 38	<ul style="list-style-type: none"> Registered sex offenders' occupancy of HUD subsidized housing 	

¹The total public and Indian housing audits, questioned costs, and funds put to better use amounts include all American Recovery and Reinvestment Act of 2009 (nine audits) and disaster recovery (two audits) type audits conducted in the public and Indian housing area. The write-ups for these audits are shown separately in chapters 5 and 6 of this semiannual report.

Chart 2.1: Percentage of OIG public and Indian housing audit reports during this reporting period



During this reporting period, OIG reviewed HUD's controls over the Section 8 Housing Choice Voucher program, leased housing program, and public housing activities, and reviewed HUD's administration of registered sex offenders in public housing.

Section 8 Housing Choice Voucher and Leased Housing Program Activities at Public Housing Agencies

Audits of the Section 8 Housing Choice Voucher program were a priority during this semiannual reporting period. PHAs were selected for audit based on risk analysis and/or hotline complaints. While OIG's objectives varied by auditee, the majority of the reviews were to determine whether the units met housing quality standards, the PHA managed the program according to HUD requirements, and the eligibility of the tenants was correctly determined. The following section illustrates the audits conducted in the Section 8 Housing Choice Voucher program area.



HUD OIG audited the Housing Authority of the City of **Long Beach, CA**'s Section 8 Housing Choice Voucher program and found that the Authority did not adequately enforce HUD's housing quality standards. Of the 66 program units inspected, 56 did not meet minimum housing quality standards, and 29 of those units were in material noncompliance with the standards.

OIG recommended that HUD require the Authority to (1) implement adequate procedures and controls regarding its inspection process to ensure that all units meet HUD's housing quality standards to prevent \$5.9 million in program funds from being spent on units that are in material noncompliance with the standards, (2) create policies and procedures regarding quality control inspections, and (3) verify that the applicable owners have taken appropriate corrective action regarding the housing quality standards deficiencies identified or take enforcement action. (Audit Report: **2009-LA-1014**)



HUD OIG audited the Housing Choice Voucher program of the Quincy Housing Authority in **Quincy, MA**, and found that the Authority generally administered the program efficiently and effectively and in compliance with its annual contributions contract and HUD regulations. The Authority's Section 8 administrative plan met the requirements of 24 CFR (Code of Federal Regulations) 982.54, and the Authority maintained proper support for its indirect allocation of administrative expenses. However, it did not (1) properly account for and report interprogram fund transactions between its Federal and State programs, resulting in nearly \$4.6 million in unsupported transactions being recorded in its program accounts; (2) provide support and justification for more than \$426,000 in contracts to show that the contracts were properly documented; and (3) establish a reasonable travel policy to ensure that travelers submitted detailed travel expense vouchers.

OIG recommended that HUD require the Authority to (1) provide support for the interprogram fund transactions that are out of balance between Federal and State programs and implement procedures for recording and reconciling interprogram transactions and correcting imbalances; (2) provide support and justification for its contracts for financial advisory services, a fee accountant, inspection services, legal services, and payroll and landlord payment services or reimburse its operating funds from non-Federal funds for the applicable amounts; and (3) revise its travel policy and obtain approval of the policy from the Authority's board of commissioners. (Audit Report: **2009-BO-1006**)



HUD OIG audited the Section 8 program of the Housing Authority of the County of Los Angeles, **Los Angeles, CA**, and found that the Authority did not properly manage its Section 8 funding in fiscal years 2005 and 2006 and overallocated more than \$5 million in indirect administrative expenses to its Section 8 assisted housing program (of which only \$2.1 million was charged to an allowable source of reserve funds).

OIG recommended that HUD require the Authority to repay the Section 8 program from non-Federal funds \$2.9 million in overallocations that were charged to restricted funds. (Audit Report: **2009-LA-1009**)



HUD OIG audited the Wilmington Housing Authority in **Wilmington, DE**, regarding the administration of its housing quality standards inspection program for its Section 8 Housing Choice Voucher program, and found that the Authority did not adequately administer its inspection program to ensure that its program units met HUD's housing quality standards. Of 60 housing units inspected, 52 units did not meet HUD's standards, and 37 of the units materially failed to meet the standards. The units had significant health and safety violations that the Authority's inspectors did not observe or report during their last inspection. The Authority spent nearly \$67,000 in program and administrative funds for these 37 units.

OIG recommended that HUD require the Authority to (1) ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards, (2) reimburse its program from non-Federal funds for the improper use of program and administrative funds for units that materially failed to meet HUD's standards, and (3) implement adequate procedures and controls to ensure that in the future, program units meet housing quality standards to prevent an estimated \$1.9 million from being spent annually on units that materially fail to meet HUD's standards. (Audit Report: **2009-PH-1011**)



HUD OIG performed two audits of the Section 8 Housing Choice Voucher program at the Chicago Housing Authority, **Chicago, IL**, under its Moving to Work Demonstration program. The first audit found that the Authority's program administration regarding zero-income households and the recovery of overpayments of housing assistance and utility allowances for duplicate individuals was inadequate. The Authority failed to comply with its program administrative plan regarding zero-income household reviews. It did not effectively use HUD's Enterprise Income Verification (EIV) system or other third-party verification methods to appropriately adjust the housing assistance payments or seek repayment of overpaid housing assistance when it became aware of the unreported income. As a result, it overpaid nearly \$60,000 in housing assistance and utility allowances for the period January 1, 2007, through September 30, 2008.

The Authority also failed to ensure that its program participants did not receive multiple subsidies. Of the 59 households reviewed, 17 received multiple subsidies totaling more than \$16,000 in housing assistance and utility allowances. OIG recommended that HUD require the Authority to reimburse its program from non-Federal funds for the improper use of nearly \$91,000 in program funds and implement adequate procedures and controls to address the findings cited. These procedures and controls should help to ensure that over the next year, more than \$578,000 in program funds will be spent on housing assistance that meets HUD's and Authority's requirements. (Audit Report: **2009-CH-1009**)

The second audit found that the Authority's program administration regarding the effectiveness of its abatement process, rent reasonableness determinations, and the recovery of overpayments of housing assistance and utility allowances to multiple owners for a single household was inadequate. Of 98 program households reviewed, the Authority failed to properly abate program units that failed housing quality standards inspections. As result, it overpaid more than \$49,000 in housing assistance and utility allowances and allowed tenants to reside in units that were not decent, safe, and sanitary.

The Authority did not properly determine or document the reasonableness of program rents before approving housing assistance contracts and rent increases. It received more than \$63,000 in program administrative fees related to the 133 households for which contract rents were inadequately determined to be reasonable. Further, the Authority failed to ensure that owners did not receive multiple housing assistance payments for a single household. Of the 105 households reviewed, 12 owners received more than \$64,000 in improper housing assistance and utility allowances.

OIG recommended that HUD require the Authority to reimburse its program from non-Federal funds for the improper use of more than \$117,000 in program funds, provide documentation or reimburse its program more than \$63,000, and implement adequate procedures and controls to address the findings cited to prevent more than \$1.4 million in program funds from being spent on units that are not in compliance with HUD's housing quality standards. (Audit Report: **2009-CH-1018**)



HUD OIG audited the Public Housing Agency of the City of **Saint Paul, MN**'s Section 8 Project-Based Voucher program and found that the Agency's administration of its program was inadequate. It (1) was unable to provide documentation showing that it conducted initial inspections before executing housing assistance payments contracts to support more than \$1.3 million in housing assistance and utility allowance payments, (2) did not ensure that duplicate housing assistance payments totaling more than \$12,000 were not made to owners of program projects, and (3) did not obtain subsidy-layering reviews of program projects as required by HUD's regulations.

The Agency substantially complied with HUD's and its requirements regarding housing assistance payment calculations. However, it incorrectly calculated households' payments, resulting in more than \$7,000 in overpayments and more than \$9,000 in underpayments for the period January 1, 2007, through December 31, 2008.

OIG recommended that HUD require the Agency to reimburse its program from non-Federal funds for the improper use of more than \$26,000 in program funds, provide documentation or reimburse its program more than \$1.3 million, and implement adequate procedures and controls to address the findings cited. (Audit Report: **2009-CH-1015**)



HUD OIG performed two audits of the Section 8 Housing Choice Voucher program of the Cincinnati Metropolitan Housing Authority in **Cincinnati, OH**. The first audit found that the Authority's program administration regarding housing assistance payment calculations, documentation to support households' eligibility for housing assistance, and Section 8 project-based certificate contract was inadequate. The Authority incorrectly calculated households' payments, resulting in more than \$44,000 in overpayments and more than \$11,000 in underpayments for the period July 2006 through August 2008.

The Authority also did not ensure that its households' files contained the required documentation to support its housing assistance and utility allowances. Of the 111 files reviewed, 31 did not contain documentation required by HUD and the Authority's program administrative plan to support nearly \$216,000 in housing assistance and utility allowance payments.

In addition, the Authority failed to appropriately manage its Section 8 project-based certificate contract. It improperly received more than \$87,000 in program administrative fees for 51 months while it made housing assistance payments for units without valid housing assistance payments contracts, including payments for 20 months to an owner that notified the Authority that it did not want to renew its contract.

OIG recommended that HUD require the Authority to reimburse its program from non-Federal funds for the improper use of more than \$135,000 in program funds, provide documentation or reimburse the applicable program nearly \$238,000, and implement adequate procedures and controls to address the finding cited to prevent more than \$925,000 in program funds from being spent on excessive housing assistance and utility allowances over the next year. (Audit Report: **2009-CH-1010**)

The second audit found that the Authority's Family Self-Sufficiency program was operated in compliance with HUD's and its requirements. The Authority properly funded its participants' escrow accounts, made escrow payments when appropriate, and maintained documentation to support its Family Self-Sufficiency program operations. However, the Authority's administration regarding housing assistance payments for larger housing units than its policy permitted, its use of HUD's EIV system regarding households claiming to have zero income, and the timeliness of initial housing quality standards inspections were deficient.

The Authority provided program vouchers to 32 families for units that were larger than its subsidy standards allowed. As a result, it made excessive housing assistance payments of more than \$100,000. By implementing adequate procedures and controls regarding its housing assistance payments, OIG estimates that more than \$25,000 in payments will be accurately spent over the next year.

The Authority did not effectively use HUD's EIV system or other third-party verification methods to determine that reported zero-income households had unreported income. It made excessive housing assistance payments of more than \$32,000 for 20 of 31 households that had unreported income. OIG estimates that over the next year, the Authority will overpay more than \$11,000 in housing assistance and utility allowances.

The Authority did not always comply with HUD's requirements when conducting initial inspections after receiving a request for tenancy approval.

OIG recommended that HUD require the Authority to reimburse its program from non-Federal funds for the improper use of more than \$136,000 in program funds and implement adequate procedures and controls to address the findings cited to prevent more than \$36,000 in program funds from being spent on excessive housing assistance over the next year. (Audit Report: **2009-CH-1014**)



HUD OIG audited the Section 8 Housing Choice Voucher program of the Lake Metropolitan Housing Authority in **Painesville, OH**, based upon a congressional request. OIG found that the Authority's program administration regarding housing assistance payment calculations and documentation to support households' eligibility for housing assistance was inadequate. Of the 100 files reviewed, 88 did not contain documentation required by HUD and the Authority's program administrative plan to support more than \$801,000 in housing assistance and utility allowance payments. The Authority also incorrectly calculated or issued households' payments in 86 of the files, resulting in more than \$30,000 in overpayments and more than \$4,200 in underpayments for January 2007 through July 2008. Further, the Authority improperly received more than \$40,000 in program administrative fees for the households with incorrect and unsupported housing assistance payments.

OIG recommended that HUD require the Authority to (1) provide documentation or reimburse its program more than \$836,000 from non-Federal funds for the unsupported payments cited, (2) reimburse its program from non-Federal funds for the improper use of more than \$71,000 in program funds, and (3) implement adequate procedures and controls to address the finding cited to prevent more than \$259,000 in program funds from being spent on excessive housing assistance and utility allowance payments. (Audit Report: **2009-CH-1012**)



HUD OIG audited the Section 8 Project-Based Voucher program of the Michigan State Housing Development Authority, in **Lansing, MI**, and found that the Authority lacked documentation to support its selection and approval of program projects. As a result, it could not support that any of the five projects it had approved since January 1, 2007, were eligible for more than \$1 million in program assistance and nearly \$85,000 in program administrative fees received by the Authority were appropriate. OIG estimates that over the next 12 months, the Authority will receive more than \$70,000 in program funds for improper administrative fees.

The Authority's program units generally met HUD's housing quality standards. Of 60 program units inspected, 23 did not meet minimum housing quality standards, and four materially failed due to 24-hour exigent health and safety hazards that predated the Authority's previous inspections. As a result, nearly \$6,000 in program funds was spent on units that were not decent, safe, and sanitary.

OIG recommended that HUD require the Authority to (1) reimburse its program from non-Federal funds for the improper use of program funds, (2) provide documentation or reimburse its program from non-Federal funds for the unsupported payments cited, and (3) implement adequate procedures and controls to address the findings cited to prevent more than \$93,000 in program funds from not being used over the next year to house needy families. (Audit Report: **2009-CH-1019**)



HUD OIG audited the Housing Authority of the City of **York, PA**'s administration of its housing quality standards inspection program for its Section 8 Housing Choice Voucher program and found that the Authority did not ensure that its program units met housing quality standards. Of 61 program units inspected, 44 did not meet HUD's housing quality standards, and 23 were in material noncompliance with HUD's standards. The Authority spent more than \$24,000 in program and administrative funds for these 23 units.

OIG recommended that HUD require the Authority to (1) ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards, (2) reimburse its program from non-Federal funds for the improper use of program and administrative funds for units that materially failed to meet HUD's standards, and (3) implement adequate procedures and controls to ensure that in the future, program units meet housing quality standards to prevent an estimated \$587,000 from being spent annually on units that materially fail to meet HUD's standards. (Audit Report: **2009-PH-1012**)



HUD OIG audited the Section 8 Project-Based Voucher program of the DuPage Housing Authority in **Wheaton, IL**, and found that the Authority's program administration regarding documentation of households' eligibility and housing assistance and utility allowance payment calculations was inadequate. The Authority did not ensure that its household files contained the required documentation to support households' admission to and continued assistance on the program. All of the 41 files reviewed were missing support documentation required by HUD and the Authority's administrative plan to support more than \$400,000 in housing assistance and utility allowance payments and associated administrative fees.

In addition, the Authority did not effectively manage its housing assistance calculation and payment process in accordance with HUD requirements and its administrative plan, resulting in more than \$4,000 in overpayments and nearly \$2,000 in underpayments for the period July 1, 2007, through March 31, 2009. Further, the Authority improperly received more than \$6,000 in administrative fees for the households with incorrect and unsupported housing assistance payments. OIG estimates that over the next year, the Authority will overpay nearly \$6,000 and underpay nearly \$1,000 in housing assistance and utility allowances due to calculation errors.

OIG recommended that HUD require the Authority to (1) reimburse its program from non-Federal funds for the improper use of more than \$10,000 in program funds, (2) provide documentation or reimburse its

program more than \$400,000, and (3) implement adequate procedures and controls to address the finding cited. These procedures and controls should help to ensure that more than \$8,000 in program funds is spent on program administration that meets HUD's requirements over the next year. (Audit Report: **2009-CH-1016**)



HUD OIG audited the administration of the Housing Choice Voucher and Family Self-Sufficiency programs of the North Hempstead Housing Authority in **Great Neck, NY**, and found that the Authority properly determined Section 8 tenant eligibility and accurately calculated rental subsidies. However, it improperly selected both units and tenants for project-based voucher assistance, incorrectly accounted for portable administrative fees, did not adequately administer its housing quality standards quality control inspection process, and improperly calculated and funded Family Self-Sufficiency program participants' escrow accounts.

OIG recommended that HUD instruct Authority officials to (1) develop an allocation plan to ensure that project-based vouchers are issued in accordance with regulations and that tenants for project-based voucher assistance are properly selected; (2) pay portable administrative fees due to receiving authorities and provide documentation to support fees paid; (3) strengthen controls over its housing quality standards quality control inspection process; and (4) fund underfunded Family Self-Sufficiency program participant escrow accounts, reimburse graduated participants for escrow owed, and recoup funds from overfunded accounts. (Audit Report: **2009-NY-1011**)



HUD OIG audited the Section 8 Housing Choice Voucher program of the Springfield Housing Authority in **Springfield, IL**, and found that the Authority's program administration regarding housing assistance payment calculations and zero-income households was inadequate. The Authority did not effectively manage its housing assistance calculation and payment process in accordance with HUD requirements, resulting in nearly \$57,000 in overpayment, more than \$21,000 in unsupported payments, and nearly \$22,000 in underpayment for the period January 1, 2007, through August 31, 2008. In addition, the Authority improperly received more than \$19,000 in program administrative fees for the households with incorrect and unsupported housing assistance payments.

Further, the Authority failed to comply with its program administrative plan regarding zero-income household reviews. It did not effectively use HUD's EIV system or other third-party verification methods to determine whether the households reporting zero income had unreported income. As a result, it unnecessarily paid housing assistance totaling more than \$41,000 for households that were required to meet their rental obligations. The Authority also improperly received more than \$6,000 in program administrative fees for the reported zero-income households with overpaid housing assistance. OIG recommended that HUD require the Authority to reimburse its program from non-Federal funds for the improper use of more than \$123,000 in program funds, provide documentation or reimburse its program more than \$21,000, and implement adequate procedures and controls to address the findings cited to help ensure that more than \$241,000 in program funds is spent on program administration that meets HUD's requirements over the next year. (Audit Report: **2009-CH-1007**)



HUD OIG audited the **State of Connecticut** Department of Social Services to determine whether it properly administered its Housing Choice Voucher program in compliance with its annual contributions contracts and HUD regulations. OIG found that the agency did not comply with HUD requirements in the administration of its program. A review of 66 tenant files found that the agency's contractor did not adequately support tenant eligibility, properly calculate rent payments, or always perform timely annual reexaminations for 49 of the tenants. As a result of these errors, the agency paid nearly \$195,000 in unsupported rent and nearly \$32,000

in overpaid rent and underpaid more than \$9,000 in rent to landlords and limited-income households. This amount includes housing assistance payments and utility reimbursements for these 49 tenant files.

OIG recommended that HUD require the agency to (1) support or reimburse its program for the unsupported and ineligible rent payments, (2) reimburse rent underpayments to tenants and landlords, and (3) implement a corrective action plan. (Audit Report: **2009-BO-1005**)



HUD OIG audited the Richmond Redevelopment and Housing Authority in **Richmond, VA**, regarding the administration of its housing assistance payments for leased housing, and found that the Authority did not properly maintain documentation to support housing assistance payments and did not always accurately calculate them for its leased housing. Of the 31 tenant files reviewed, 29 contained errors. The Authority did not maintain complete documents required by HUD and its own administrative plan and inaccurately calculated housing assistance payments, resulting in more than \$70,000 in unsupported housing assistance payments, nearly \$19,000 in overpayments, and more than \$5,000 in underpayments.

OIG recommended that HUD require the Authority to (1) correct the errors in the tenant files, (2) provide documentation to support housing assistance payments or reimburse its program for the payments that it cannot support, (3) reimburse its leased housing program for the housing assistance and utility allowance overpayments, and (4) reimburse applicable tenants for the housing assistance and utility allowance underpayments. (Audit Report: **2009-PH-1009**)



HUD OIG audited the City of Baldwin Park Housing Authority's Housing Choice Voucher program in **Baldwin Park, CA**, and found that the Authority did not determine housing assistance payments correctly in 29 of the 60 tenant files reviewed, which resulted in overpayments of more than \$16,000 in housing assistance. In addition, it made underpayments of housing assistance of nearly \$4,000. Based on the statistical sample, OIG estimates that over the next year, the Authority will overpay more than \$24,000 and underpay more than \$13,000 in housing assistance. In addition, the Authority did not complete annual reexaminations in a timely manner for 52 of the 60 tenant files reviewed, which resulted in overpayments of more than \$3,000 in housing assistance. Based on the statistical sample, OIG estimates that over the next year, the Authority will overpay more than \$8,000 in housing assistance.

OIG recommended that HUD require the Authority to reimburse its program from non-Federal funds for the overpayment of housing assistance, reimburse the appropriate tenants for the underpaid housing assistance, and implement quality control procedures to ensure that more than \$49,000 in housing assistance will be funds put to better use in the future. (Audit Report: **2009-LA-1012**)



HUD OIG audited HUD's oversight of public housing agencies' unrestricted and restricted Section 8 administrative fee reserves to determine whether HUD had policies, procedures, and controls in place to ensure that public housing agencies properly accounted for their administrative fees and used them for their intended purpose.

HUD lacked the necessary policies, procedures, and controls to ensure that agencies segregated restricted and unrestricted Section 8 program fees. As a result, HUD could not be assured that administrative fee reserves were tracked and used properly.

OIG recommended that HUD (1) develop and implement detailed policies, procedures, and controls to ensure that public housing agencies properly account for their administrative fees and use them in compliance with HUD rules and regulations; (2) consider requesting that the Real Estate Assessment Center add an extra line item in the Financial Assessment Subsystem to capture the unrestricted and restricted administrative fee reserves to better track those balances; and (3) require public housing agencies to perform a reconciliation of their administrative fee reserves to determine the correct balances in their restricted and unrestricted accounts. (Audit Report: **2009-LA-0802**)

Public Housing Program Activities

HUD OIG audited the Lackawanna Municipal Housing Authority in **Lackawanna, NY**, regarding the administration of its capital fund program, to determine whether the Authority disbursed capital funds and procured contracts in accordance with HUD requirements.

The Authority disbursed capital funds for questionable expenditures. Further, it did not follow HUD requirements, its own procurement policy, and New York State General Municipal Law when awarding contracts. Specifically, the Authority had no basis for charging management improvement expenditures to its capital fund program, charged the same expenses for multiple capital fund drawdowns, could not support the eligibility of charges, and improperly procured contracts and professional services. As a result, it lacked assurance that expenditures were necessary or reasonable and that the services contracted for were provided as intended.

OIG recommended that HUD instruct the Authority to (1) reimburse the capital fund program from non-Federal funds for nearly \$8,000 in excess drawdowns and more than \$2.6 million in costs associated with its lead abatement/modernization contract; (2) provide supporting documentation to justify the eligibility of more than \$676,000 in questionable capital fund expenditures or reimburse the program from non-Federal funds any amounts not supported; (3) seek legal advice on whether the lead abatement/modernization contract should be rescinded in the best interest of the Authority; and (4) review and, if appropriate, disapprove any future change orders associated with the lead abatement/modernization contract. (Audit Report: **2009-NY-1014**)



HUD OIG audited the Housing Authority of Travis County in **Austin, TX**, to determine whether (1) the Authority and/or its related entities followed HUD procurement regulations for nonprofit development or procurement activities, if required, and (2) the Authority used Federal funds only for eligible program activities.

TRAVIS COUNTY

Audit: U.S. funds misspent

Housing authority officials dispute some findings but say they will cooperate

By **Suzannah Gonzales**
AMERICAN-STATESMAN STAFF

Federal auditors found that the Housing Authority of Travis County could not fully account for millions of federal dollars, including more than \$2.5 million "haphaz-

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ardly" transferred between federal and nonfederal programs without justification, more than \$600,000 in undocumented spending and more than \$3,000 that was improperly used for travel expenses.

In addition, the auditors said in a report dated Aug. 17 that the housing authority's books and records were not auditable.

Wiley Hopkins, who worked for 10 years at the housing authority, resigned as executive director effective July 31, days after he sent the housing authority's official response to the federal audit.

Hopkins, who is 70 years old and is now retired, said Wednesday that his resignation was unrelated to the audit and that he was "coerced" to sign a separation agreement that prevents him from commenting about the housing authority, its

See **FUNDS, A5**

BUSINESS INSIDE METRO & STATE
Good signs for a recovery?
Sales of new homes surged nearly 10 percent from June to July in another sign of a gathering turnaround, **B5**

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In violation of its annual contributions contract and Federal regulations, the Authority could not adequately account for its use of Federal program funds or support that it used program funds only for eligible program activities. Specifically, (1) the Authority haphazardly transferred more than \$2.5 million between its Federal and non-Federal programs and activities without proper support or justification, (2) its books and records were not auditable, and (3) it did not properly allocate costs. In addition, the Authority could not support more than \$600,000 in costs charged to Federal programs, spent more than \$3,000 on ineligible costs, and did not always follow procurement requirements.

OIG recommended that the Authority (1) correct its books and records; (2) hire an outside accounting firm to perform a comprehensive review of the transfers; (3) provide support for expenditures or repay the unsupported costs; (4) repay the ineligible costs; and (5) develop policies, procedures, and controls to ensure that Federal funds are only used for eligible program activities and that interprogram balances are reconciled and paid in a timely manner. OIG also recommended that HUD take appropriate administrative actions against Authority officials as applicable. (Audit Report: **2009-FW-1015**)



HUD OIG audited the Housing Authority of the City of **Richmond, CA**'s procurement activities to determine whether the Authority followed procurement requirements.

The Authority could not adequately support that procurement activities were conducted in accordance with applicable requirements. As a result, it could not demonstrate that contracts were awarded to vendors whose proposals were most advantageous to the Authority. In addition, the Authority's written procedures contained inconsistent instructions, payments were processed and issued without proper supporting documentation and required approvals, contract limits were ignored, and controls for safeguarding the Authority's financial assets were not in place or not effective.

OIG recommended that HUD require the Authority to (1) terminate the existing contracts and ongoing purchases for security services, landscaping maintenance, Section 8 housing quality standards annual inspection services, and Section 8 housing quality standards initial inspection services; (2) conduct new procurements for these services in accordance with applicable requirements; (3) repay from non-Federal funds nearly \$113,000 to its public housing program or Section 8 program, as appropriate, for ineligible costs; (4) support or repay from non-Federal funds more than \$2.4 million to its public housing program or Public Housing Capital Fund or Section 8 program, as appropriate, for unsupported costs; (5) obtain HUD's review and approval of all contracts and amendments totaling more than \$100,000, in part or aggregate before execution, for the next 3 years or until HUD is satisfied that procurement actions are appropriate; and (6) provide training to responsible personnel to ensure that they understand Federal procurement requirements. (Audit Report: **2009-LA-1020**)



HUD OIG audited the development activities of the **Kansas City, KS**, Housing Authority to determine whether the Authority improperly spent Federal public housing funds when developing and operating non-Federal developments.

The Authority inappropriately transferred nearly \$1 million of its public housing funds to a nonprofit affiliate, which used the funds for non-Federal development activities. It also inappropriately spent Federal funds for payroll costs when its staff worked on non-Federal development activities.

OIG recommended that HUD require the Authority to (1) repay its public housing program nearly \$184,000 from non-Federal sources for Federal funds that were inappropriately used and not yet repaid and (2) provide

documentation to support payroll costs allocated to HUD programs or reimburse its HUD programs from non-Federal sources for costs that it cannot adequately support. (Audit Report: **2009-KC-1010**)



HUD OIG audited the financial operations of the Chattanooga Housing Authority in **Chatanooga, TN**, to determine to what extent funds subject to an annual contributions contract were used to benefit non-HUD activities or were otherwise inappropriately disbursed.

The Authority generally complied with HUD requirements with respect to its development activities. However, its deteriorating financial condition led its management to use restricted funds to cover excessive general operating expenses. In addition, management unnecessarily expended scarce resources during a time of financial crisis and failed to provide adequate financial reporting to its board. In total, the Authority misused more than \$1 million in funding that could have been used to carry out its mission of providing families with decent, safe, and sanitary housing. Authority management (1) used more than \$788,000 in Section 8 housing assistance funds for Authority operating expenses, (2) used \$1.2 million in restricted Fannie Mae loan proceeds to cover operating expenses, (3) paid employee bonuses of more than \$210,000 and a cost of living adjustment of more than \$180,000, (4) approved more than \$193,000 in excessive severance payments during two 2008 reductions in force, (5) used more than \$49,000 in public housing operating funds to pay non-HUD expenses, and (6) liquidated more than \$4 million in investments without adequately informing its board.

OIG recommended that the Authority (1) repay more than \$1 million in ineligible costs, (2) support or repay from non-Federal funds excessive performance-based compensation and cost of living adjustment payments totaling nearly \$403,000, and (3) develop and implement internal controls over the use of HUD funds to ensure that funds are expended only for eligible expenses. (Audit Report: **2009-AT-1007**)



HUD OIG audited the Housing Authority of the City of **Milwaukee, WI**'s nonprofit development activities to determine whether the Authority maintained complete and accurate books of record for its funds subject to its annual contributions contract, other agreements, or HUD regulations.

The Authority lacked documentation to support that funds, totaling more than \$1.4 million, disbursed from its general fund were not Federal funds. The funds were used to pay non-Federal expenses incurred by the Redevelopment Authority of the City of Milwaukee (City). Further, the Authority could not provide documentation to support that it did not use Federal funds to pay more than \$38,000 in City expenses.

OIG recommended that HUD require the Authority to provide documentation to support that the funds disbursed from its general fund were not Federal funds and the City expenses were not paid with Federal funds. (Audit Report: **2009-CH-1013**)



HUD OIG audited the Housing Authority of the City of **Terre Haute, IN**'s nonprofit development activities to determine whether the Authority diverted or pledged resources subject to its annual contributions contract, other agreements, or regulations for the benefit of non-HUD developments.

The Authority diverted assets subject to its contract, other agreements, or HUD's regulations for the benefit of Terre Haute Housing Authority Development Corporation, the Authority's nonprofit entity. The Authority's 21 properties, valued at more than \$1 million, were used to support the activities of its nonprofit. In addition, the Authority violated its contract with HUD when it provided \$33,000 to its nonprofit to finance preconstruction costs for its nonprofit's housing units and did not maintain complete and accurate books of record. Further,

the Authority's former executive director created a conflict-of-interest relationship as the Authority's executive director/resident agent for its nonprofit developments. As a result, HUD lacked assurance that (1) the disposition of the 21 properties served the best interests of the Authority and its residents; (2) the Authority used HUD funds in accordance with specific program requirements and not for non-HUD development activities; and (3) the former executive director performed his official duties for the benefit of HUD, the Authority, and its residents.

OIG recommended that HUD require the Authority to (1) transfer the 21 properties back to the Authority and secure deeds of trust or provide documentation to show that HUD funds were not used to acquire and/or rehabilitate the properties, (2) improve its existing procedures and controls to ensure that Authority assets are safeguarded against mismanagement, (3) reimburse the applicable HUD program from non-Federal funds for the improper payments cited or provide documentation to show that HUD funds were not used, (4) implement adequate procedures and controls to ensure compliance with its contract with HUD regarding the general fund account, (5) continue restructuring its books of record to adequately identify the source and application of its funds, and (6) reimburse its low-rent housing program nearly \$137,000 from non-Federal funds for the former executive director's payments as the resident agent of the nonprofit in addition to his salary. (Audit Report: **2009-CH-1011**)



HUD OIG audited the Housing Authority of the City of **Newnan, GA's** activities with its related nonprofit organization, the Newnan Housing Development Corporation, to determine whether the Authority inappropriately used funds and assets restricted by its annual contributions contract with HUD to support the operations of its nonprofit organization and incurred costs for insurance that involved a conflict of interest.

The Authority inappropriately encumbered nearly \$650,000 in HUD-restricted funds in violation of its contract with HUD and violated an agreement with HUD concerning the sale and disposition of Authority property. It inappropriately used nearly \$222,000 of its public housing program funds for non-Federal development activities in violation of its annual contributions contract with HUD. In addition, it inappropriately used HUD funds to make 31 monthly payments on a \$150,000 loan on behalf of its nonprofit organization. HUD granted a waiver for conflict-of-interest provisions and permitted the Authority to purchase insurance from a company that employed a board member

OIG recommended that HUD require the Authority to (1) develop a plan to bring it into compliance with HUD's requirements and, if necessary, ensure that the lender formally releases nearly \$674,000 in HUD-related funds as collateral; (2) propose a legal solution regarding the ownership structure of the nonprofit organization and if a legal solution is not possible, repay its public housing program; (3) implement adequate controls and procedures to ensure that it does not encumber or spend HUD assets on non-Federal activities without HUD approval; and (4) develop and implement a strategic, comprehensive marketing plan for the nonprofit organization to ensure that it becomes financially sound. (Audit Report: **2009-AT-1009**)



HUD OIG audited the Housing Authority of the City of **Terre Haute, IN's** Turnkey III Homeownership program to determine whether the Authority followed HUD's requirements regarding the administration of its program.

The Authority did not comply with HUD's requirements regarding the use of the proceeds from the sale of its program units. It did not maintain documentation to support that the sales proceeds were used in accordance with its approved program plan. As a result, the Authority and HUD lacked assurance that the sales proceeds benefitted low-income families.

OIG recommended that HUD require the Authority to maintain accurate books of record to account for the activities and expenditures under the program and provide adequate supporting documentation for the

use of the proceeds from the sale of its program units. If the Authority cannot account for the activities and expenditures under the program and/or provide supporting documentation, it should reimburse more than \$579,000 in sales proceeds to the program from non-Federal funds. (Audit Report: **2009-CH-1017**)



HUD OIG audited the Housing Authority of the City of **Milwaukee, WI**'s 5(h) and Section 32 homeownership programs to determine whether the Authority properly accounted for and used its programs' proceeds in accordance with HUD's requirements and properly administered its programs in accordance with the Authority's plans.

The Authority did not adequately administer its programs with regard to whether program units were used by purchasers as their residences, were sold to eligible purchasers, were sold at their appraised value, and met HUD's recapture requirements. It also did not ensure that outstanding mortgage notes owed to it were recaptured. It failed to recover more than \$68,000 for two units that it sold that were not used by the purchasers as their residences and failed to recover two outstanding mortgage amounts owed to it totaling nearly \$24,000. In addition, it improperly sold a Section 32 program unit for nearly \$115,000 to an individual, who, 5 months before the sale, had acquired a non-Authority property, and sold six Section 32 program units for a total of \$150,000 below their appraised values. Further, the Authority did not require the appropriate restrictions and/or covenants for any of its 21 Section 32 program units sold.

OIG recommended that HUD require the Authority to reimburse its applicable homeownership program from non-Federal funds for the improper use of more than \$356,000 in program funds and implement adequate procedures and controls to address the findings cited to properly secure its interest in program units. (Audit Report: **2009-CH-1006**)



HUD OIG audited HUD's Office of Public Housing field office in **Phoenix, AZ**, to determine whether its procedures for monitoring the Nogales Housing Authority were effective.

The office did not always identify and/or properly address significant deficiencies at the Authority and did not always apply the correct standards when performing its reviews. As a result, problems with the Authority's Section 8 and public housing programs persisted for years without appropriate corrective actions. In 14 Section 8 tenant files reviewed, nearly \$94,000 in unsupported and nearly \$5,000 in ineligible housing assistance payments were identified. Additionally, the field office failed to appropriately address the Authority's use of HUD funds for questionable pension fund expenses totaling nearly \$172,000.

OIG recommended that HUD (1) require the Phoenix field office to implement procedures to improve its monitoring and follow-up processes, (2) require the Authority to support or reimburse the unsupported and ineligible housing assistance payments, and (3) review the Authority's questionable pension plan costs and require the Authority to reimburse its program if appropriate. (Audit Report: **2009-LA-0001**)

Registered Sex Offenders' Occupancy of HUD-Subsidized Housing

HUD OIG audited HUD's requirement prohibiting lifetime registered sex offenders from admission to HUD-subsidized housing to determine the extent to which HUD-subsidized housing was occupied by lifetime registered sex offenders.

Based upon a statistical sample, HUD subsidized an estimated 2,094 to 3,046 households that included lifetime registered sex offenders. As a result, it did not accomplish the objective of the statute to prevent

admission of dangerous sex offenders, and the same offenders who were deemed too dangerous for admission were allowed to continue living in subsidized housing.

OIG recommended that HUD seek legislative and program rule changes to require denial of continued occupancy and termination of tenancy or continued subsidy, as appropriate, for all lifetime registered sex offenders residing in subsidized housing. If legislative changes are passed, OIG recommended that HUD develop and implement a plan to detect lifetime registered sex offenders occupying subsidized housing. Additionally, OIG recommended that HUD require projects and housing authorities to revise their admission, screening, and recertification procedures and urge them to aggressively pursue termination of assistance for lifetime sex offenders to the extent allowed by law. (Audit Report: **2009-KC-0001**)



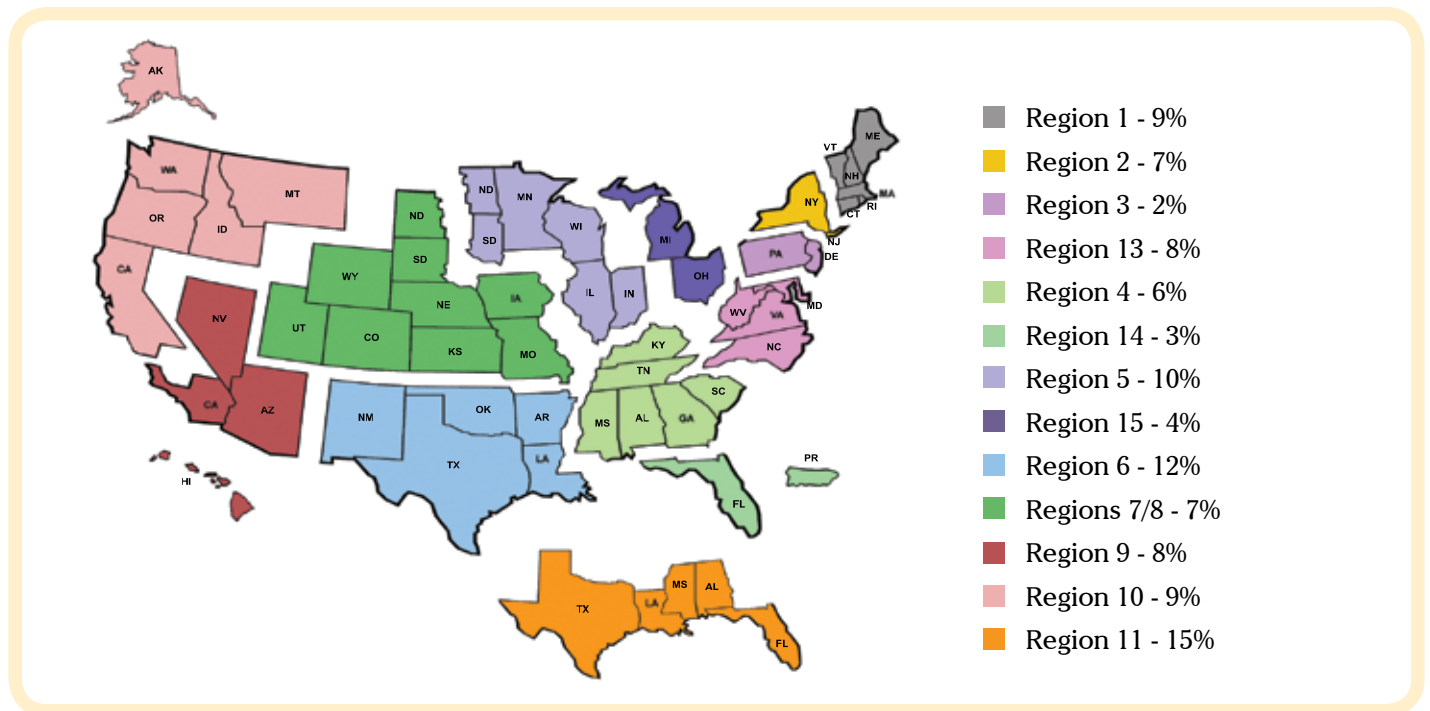
Investigations

Some investigations discussed in this report were generated from leads provided by HUD public and Indian housing program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	352	\$10,416,272	277	299
Our focus	<ul style="list-style-type: none"> Page 41 Page 44 Page 48 Page 50 Page 51 	<ul style="list-style-type: none"> Public housing authority theft/embezzlement Rental assistance fraud FedRent initiative Fugitive Felon Initiative Other fraud and crimes 		

Chart 2.2: Percentage of OIG public and Indian housing closed investigation cases during this reporting period



Public Housing Authority Theft/Embezzlement

Chester Carl, the former chief executive officer for the Navajo Housing Authority, an organization that receives HUD public and Indian housing funds, and William Aubrey, doing business as Lodgebuilder, Inc., a former developer under contract with the Fort Defiance Housing Corporation, an organization that receives HUD funding through the Navajo Housing Authority, were each indicted in U.S. District Court, **Las Vegas, NV**, for allegedly committing a conspiracy, bribery, or embezzlement. From June 2002 through October 2006, Carl allegedly accepted bribes from Aubrey in exchange for favorable contractor treatment, and Aubrey allegedly obtained and personally used about \$2.5 million in Indian Housing Block Grants.

Grand jury indicts Aubrey, Carl

Pair accused of misusing federal housing money meant for Navajo families

By Kathy Helms
Diné Bureau

WINDOW ROCK — Former Navajo Housing Authority CEO Chester Carl, 52, of Gallup, has been indicted by a federal grand jury in Nevada on charges of conspiracy, bribery, and embezzlement charges relating to a U.S. Housing and Urban Development grant program which funded development of low-income housing on the Navajo Nation.

Greg Brower, U.S. Attorney for the District of Nevada, announced Wednesday that Carl and William Aubrey, 66, of Mesquite, Nev., were charged in a federal indictment returned May 19 and unsealed May 27. Both men are charged with conspiracy to commit bribery relating to federal program funds and bribery relating to federal program funds.

Aubrey also is charged with two counts of embezzlement and theft from Indian tribal organizations.

Aubrey and Carl each could face up to five years in prison and

a \$250,000 fine on the conspiracy charge, and up to 10 years in prison and a \$250,000 fine on the bribery charge if convicted. Aubrey also faces up to five years in prison and a \$250,000 fine on each of the embezzlement and theft charges.

If convicted, the government also seeks forfeiture of any properties of the defendants derived from proceeds of the crimes of up to approximately \$8.5 million.

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Elias Castellanos, a former Housing Authority of New Orleans (New Orleans) contract chief financial officer, pled guilty in U.S. District Court, **New Orleans, LA**, to committing embezzlement. From September 2006 to June 2009, Castellanos allegedly submitted false billings for accounting services and fraudulently obtained \$900,927 in New Orleans funds.



Rita Gestring, the former executive director for the Steele Housing Authority (Steele), was indicted in U.S. District Court, **Steele, MO**, for allegedly committing embezzlement and forgery. From 2006 to 2009, Gestring allegedly embezzled \$171,749 in Steele rents and other housing program funds and forged authorized signatures on \$52,530 in Steele checks to bypass the Steele board review.



Cassandra Ashe, the former East Haven Housing Authority (East Haven) executive director and New London Housing Authority (New London) Section 8 coordinator, and former New London employee Jonathan Ashe were collectively sentenced in U.S. District Court, **Hartford, CT**, to 58 months and 1 day incarceration, 6 months home confinement, and 6 years supervised release and ordered to pay East Haven and New London \$397,191 in restitution for their earlier guilty pleas to committing a conspiracy. From August 2003 through August 2005, Cassandra and Jonathan

Ex-HANO financial chief pleads guilty

*Stolen money spent
on fancy home, cars*

By Katy Reckdah!
Staff writer

Elias Castellanos, a Florida contractor hired by the Housing Authority of New Orleans to oversee its finances, pleaded guilty Wednesday in federal district court to stealing nearly \$1 million from the beleaguered agency.

Castellanos, who spent two years as HANO's chief financial officer, faces up to 10 years in prison in addition to fines, restitution and three years of subsequent parole.

Castellanos' theft "violated the public trust in the worst way," by taking from the city's "most vulnerable citizens, those in public housing," U.S. District Attorney Jim Letten said after the arraignment.

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Former E. Haven official gets prison

Housing director helped steal \$400G

By Mark Zaretsky
Register Staff

EAST HAVEN — Former East Haven Housing Authority Executive Director Cassandra Ashe was sentenced Thursday to one year and one day in federal prison for her role in a conspiracy to steal nearly \$400,000 from the East Haven and New London Housing authorities.

Chief U.S. District Judge Robert N. Chatigny in Hartford also sentenced Ashe to three years of supervised release, and ordered her and her husband, co-conspirator Jonathan Ashe, whom he sentenced last week to 36 months in prison, to pay \$397,181 in restitution to the two housing authorities.

That includes \$204,591 to New London, and \$192,600 to East Haven. Acting U.S. Attorney Nora R. Dannehy said.

Among other crimes, the Ashes, who live in North Haven, were charged with stealing money from the East Haven Housing Authority's Section 8 voucher program.

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Ashe conspired and created a fictitious landlord to obtain \$204,591 in New London housing contract payments, and from March 2007 through April 2008, Cassandra and Jonathan Ashe stole \$192,600 in East Haven housing funds through unauthorized bank withdrawals. HUD realized losses of \$397,191.



Juanita Montalvo-Cruz, a former Deland Housing Authority (Deland) Section 8 case manager, pled guilty in U.S. District Court, **Orlando, FL**, to committing embezzlement and aggravated identity theft. From November 2003 to September 2008, Cruz created a fictitious landlord and used former tenant identities without authorization to fraudulently obtain \$292,446 in housing assistance payments. In addition, from May 2002 to November 2004, Cruz diverted and personally used \$27,798 in Deland housing assistance funds.



Ronnie Faison, the former deputy director for the Englewood Housing Authority (Englewood), and former Englewood bookkeeper Sergio Gonzalez each pled guilty in U.S. District Court, **Newark, NJ**, to committing theft of government funds. Faison and Gonzalez used Englewood funds for their personal gain. HUD losses are not yet determined.



Tracey White-Jenkins, the former Irvington Housing Authority (Irvington) Section 8 director, pled guilty in U.S. District Court, **Newark, NJ**, to committing theft of government funds and submitting a false Federal income tax return. White-Jenkins fraudulently obtained, deposited, and personally used \$98,878 in Irvington housing assistance payments.



Marianne Henry pled guilty in U.S. District Court, **New Orleans, LA**, to committing a conspiracy to steal government funds. In addition, Henry Taylor, a former community liaison officer for the Housing Authority of New Orleans, was sentenced to 12 months incarceration and 36 months supervised release and ordered to pay HUD \$89,795 in restitution for his earlier guilty plea to committing theft of government funds. From January 2006 to March 2008, Henry conspired with Taylor, who falsified security personnel time sheets and embezzled \$89,795 in HUD funds.



Robert Newell, the former governor for the Passamaquoddy Tribe Indian Township Reservation (Passamaquoddy), a HUD-funded Indian tribal organization, and former Passamaquoddy financial officer James Parisi were collectively sentenced in U.S. District Court, **Bangor, ME**, to 72 months incarceration and

Former Housing Authority worker faces 20 years

By PATRICIO G. BALONA
STAFF WRITER



CRUZ

DELAND — A former subsidized-housing tenant who worked as the coordinator of rental agreements for the Deland Housing Authority faces 20 years in prison after pleading guilty to stealing more than \$320,000 from the agency, the Department of Justice said Tuesday.

Juanita Cruz, 38, of DeLand, who worked for the agency for 13 years, is charged with stealing money from the U.S. government and five counts of aggravated identity theft. Sentencing will be scheduled within 60 to 90 days.

An investigation by federal agents and DeLand police

showed that Cruz created a fictitious landlord and opened a bank account at the Riverside Bank on New York Avenue in her name. Cruz then diverted housing authority checks into that account, paying rent benefits for Section 8 tenants who had actually stopped getting assistance, investigators said.

Cruz used the identity and information of those tenants to show that rent was being paid

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6 years probation and ordered to jointly pay Passamaquoddy \$59,990 and others more than \$1.68 million in restitution for their earlier convictions of making false statements and claims and committing a conspiracy and embezzlement. From 2003 to 2006, Newell and Parisi diverted and personally used more than \$1.7 million in Passamaquoddy funds without authorization, including \$82,488 in HUD funds.



Joy Holloway, the McAlester Housing Authority executive director, entered into a pretrial diversion filed in U.S. District Court, **McAlester, OK**, and agreed to undergo 18 months probation and pay HUD \$12,874 in restitution for allegedly making a false statement. Holloway allegedly used \$76,435 in housing authority funds to provide health insurance for an adult family member not employed with the housing authority.



Earb Kimble, the executive director for the United Ketoowah Band Housing Authority (United Ketoowah), was indicted in U.S. District Court, **Muskogee, OK**, for allegedly committing theft from a program receiving Federal funds. Kimble allegedly failed to disclose his ownership interest in companies under contract with United Ketoowah and approved and personally deposited \$71,220 in United Ketoowah payments without authorization.



Angelene Gaskins, a former housing manager for the Pinellas County Housing Authority (Pinellas County), pled guilty in U.S. District Court, **Tampa, FL**, to committing theft from a program receiving Federal funds. From August 2004 to February 2006, Gaskins embezzled Pinellas County funds when she altered and forged \$44,791 in tenant money orders and deposited them into her personal business account.



LaVina McNeil, the former executive director for the Wolf Creek Community Committee (Wolf Creek), a Navajo Housing Authority contractor, was sentenced in U.S. District Court, **Phoenix, AZ**, to 2 years probation and ordered to pay the Navajo Housing Authority \$28,296 in restitution for her earlier guilty plea to committing embezzlement and theft from an Indian tribal organization. McNeil embezzled Wolf Creek funds when she prepared, endorsed, and negotiated one \$28,296 Wolf Creek check without authorization.



Charles Jones, a former Vicksburg Housing Authority (Vicksburg) maintenance supervisor, was charged in Mississippi State Court, **Jackson, MS**, with allegedly committing embezzlement, possession of a controlled substance, and possession of a controlled substance with the intent to distribute. Jones allegedly stole \$24,000 in Vicksburg equipment and supplies and accepted delivery of one kilo of cocaine at the Vicksburg Housing Authority.



Jeffrey Copley, the former executive director for the Christian County Housing Authority (Christian County), entered into a pretrial diversion filed in U.S. District Court, **Springfield, IL**, and agreed to undergo 18 months probation, perform 100 hours of community service, resign his position, and pay the U.S. District Court \$2,500 for his earlier admission to committing embezzlement. Copley used about \$19,500 in Christian County funds to purchase trips and other items for family members, Christian County board members, or himself.



Connie Jordan, the former Vanceburg Housing Authority (Vanceburg) office manager, pled guilty in U.S. District Court, **Ashland, KY**, to committing embezzlement. From April 2002 through March 2004, Jordan fraudulently obtained \$18,865 in Vanceburg funds when she created, endorsed, and negotiated unauthorized Vanceburg checks.



Five former San Antonio Housing Authority (San Antonio) employees were each indicted in U.S. District Court, **San Antonio, TX**, for allegedly accepting something of value involving Federal program funds or making false statements. The above defendants allegedly accepted cash or other personal enrichment items in exchange for providing San Antonio repair contracts for a specific contractor. HUD losses are not yet determined.



Jeffrey Stanfield, a former Tarkio Housing Authority maintenance employee, was charged in Atchison County District Court, **Tarkio, MO**, with allegedly committing theft of property. Stanfield allegedly stole tools and other housing authority property during his employment.



Robert Ratkovich, the former maintenance superintendent for the Lawrence County Housing Authority (Lawrence County); previously indicted real estate appraiser Anthony Staph; and Nicholas DeRosa were each charged in U.S. District Court, **Pittsburgh, PA**, with allegedly committing a conspiracy and money laundering or bank and mail fraud. Ratkovich, Staph, DeRosa, and others allegedly conspired and obtained kickbacks or provided false documents to facilitate the fraudulent transfer of Lawrence County properties to Affordable Housing of Lawrence County, a nonprofit organization created and funded by Lawrence County.



Teresa Meegan, the former executive director for the Moline Housing Authority, was sentenced in U.S. District Court, **Rock Island, IL**, to 2 years probation and fined \$2,500 for her earlier guilty plea to making false statements to HUD. Meegan falsified and altered public housing waiting lists for the benefit of family members and friends.

Rental Assistance Fraud

Thirty-two former Georgia Department of Community Affairs Section 8 tenants were each arrested and charged in Houston, Twiggs, Peach, Baldwin, and Jasper County Courts, located throughout **Southeast Georgia**, with allegedly making false statements and committing theft by deception. From 2004 to 2008, the above defendants allegedly failed to report income or familial relationships to their Section 8 landlords on housing certifications and collectively obtained about \$330,000 in housing assistance they were not entitled to receive.



SAHA workers are charged in kickbacks

They're facing counts of accepting things of value or lying to the feds.

BY GUILLERMO CONTRERAS
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Five employees of the San Antonio Housing Authority were charged with taking kickbacks from contractors or lying about it, according to federal indictments unsealed Thursday.

The workers, all immediately fired by SAHA, were in the maintenance division, and four had supervisory positions.

In exchange for kickbacks that included a motorcycle trailer and cash payoffs every week or every other day, the five are accused of steering repair work to certain contractors, according to the indictments.

Those arrested Thursday by agents with the FBI and the Housing and Urban Development's

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Six New York City Housing Authority (New York City) housing recipients were each arrested and charged in U.S. District or Manhattan Criminal Courts, **Manhattan, NY**, with allegedly committing theft of government funds, Social Security Administration (SSA) fraud, or grand larceny or falsifying business records. In addition, six former New York City housing recipients were collectively sentenced to 20 months incarceration and 168 months supervised release, ordered to pay New York City \$109,805 and the New York City Department of Social Services \$50,000 in restitution, and fined \$6,200 for their earlier convictions or guilty pleas to making false statements to HUD or committing theft of government funds or a conspiracy to steal government funds. The above defendants allegedly failed to report income, assets, unauthorized residents, or familial relationships to their Section 8 landlords on housing certifications and collectively obtained \$326,722 in housing assistance and \$50,000 in other benefits they were not entitled to receive.



Eight Cuyahoga Metropolitan Housing Authority (Cuyahoga Metropolitan) housing recipients, landlords, or unauthorized residents were each charged in Cuyahoga County Court of Common Pleas, **Cleveland, OH**, with allegedly tampering with records; receiving stolen property; possession of criminal tools or weapons; or committing theft, money laundering, drug trafficking, or a pattern of corrupt activity. The above defendants allegedly failed to report income or accurately identity information or familial relationships to their Section 8 landlords on housing certifications. In addition, four former Cuyahoga Metropolitan Section 8 tenants were collectively sentenced to 45 months incarceration, 2 years community control, 6 years probation, and 3 years supervised release and ordered to perform 100 hours of community service and pay Cuyahoga \$62,508 and SSA \$36,096 in restitution for their earlier guilty pleas to committing theft of public money, making false statements, or tampering with records. Collectively, the above defendants caused HUD losses of \$278,269.



Daisy Cruz, Balbina Almonte, and Catalina Torres, Yonkers Municipal Housing Authority (Yonkers) Section 8 tenants, were each arrested and charged in Westchester County or Yonkers Criminal Courts, **Yonkers, NY**, with allegedly committing grand larceny or offering a false instrument for filing. In addition, former Yonkers Section 8 tenant Nancis Sulpeveda, also known as Sonia Luciano, was sentenced to 3 years probation and ordered to pay Yonkers \$11,728 in restitution for her earlier guilty plea to committing petit larceny. Cruz, Almonte, and Torres allegedly and Sulpeveda admittedly failed to report income, assets, or unauthorized residents on housing and other certifications and collectively obtained about \$156,478 in housing assistance and \$58,000 in other benefits they were not entitled to receive.



Linda Perez and Kerry Eccleston, New York City Housing Development Corporation (New York HDC) Section 8 tenants, entered into deferred prosecutions filed in U.S. District Court, **Manhattan, NY**, and each agreed to undergo 6 months supervised release and collectively pay HUD \$37,240 in restitution. In addition, former New York HDC housing recipients Antonia Pearson and Betty Hidalgo were collectively sentenced to 48 months supervised release and ordered to pay HUD \$85,786 in restitution for their earlier guilty pleas to committing theft of government funds. The above defendants admittedly failed to report income on housing certifications and collectively obtained \$123,026 in housing assistance they were not entitled to receive.



Kimberly Simpson, a Palm Beach County Housing Authority (Palm Beach County) Housing Choice Voucher program participant, was arrested on probable cause for allegedly committing public assistance fraud, an organized scheme to defraud, and grand theft; Palm Beach County housing recipient Carol Oliver was indicted in U.S. District Court, **Miami, FL**, for allegedly making false statements and committing theft of government funds; and former Palm Beach County housing recipient Kayla Robertson pled guilty to committing theft of

government funds. From 2002 to 2005, Simpson and Oliver allegedly and Robertson admittedly failed to report income or the criminal history of an authorized resident on housing certifications and collectively obtained \$115,884 in housing assistance they were not entitled to receive.



Frederick Billings, Martha Smith, and Monica Sparkman, Chicago Housing Authority (Chicago) Section 8 landlords, and former Chicago housing recipients Veronica Eason and Hubert Williams were each charged in U.S. District or Cook County Circuit Courts, **Chicago, IL**, with allegedly committing embezzlement, theft, forgery, or financial institution and loan fraud. In addition, former Chicago Section 8 tenants Norma Lara and Myrtis Burkhart, also known as Myrtis Griffin, were collectively sentenced to 30 days incarceration and 36 months probation and ordered to pay HUD \$49,813 and SSA \$140,144 in restitution for their earlier guilty pleas to committing theft of government funds. The above defendants allegedly and Lara and Burkhart admittedly obtained housing assistance contract payments for properties they did not own or failed to report income or assets on housing and other certifications and collectively obtained \$114,538 in housing assistance they were not entitled to receive.



Denise Nguyen and Sonny Vo, a former Norwood Housing Authority Section 8 tenant and landlord, were each indicted in U.S. District Court, **Boston, MA**, for allegedly committing mail fraud. From August 2001 to September 2008, Nguyen allegedly failed to report Vo's residency in her subsidized unit and together they obtained \$104,496 in housing assistance they were not entitled to receive.



Carl Johnson, a Miami-Dade Housing Agency (Miami-Dade) Housing Choice Voucher program participant, was arrested on probable cause for allegedly committing public assistance fraud, an organized scheme to defraud, and grand theft. In addition, former Miami-Dade housing recipients Irma Saucedo and Geornika Jones were collectively sentenced in U.S. District Court, **Miami, FL**, to 7 months incarceration, 1 year probation, and 2 years supervised release and ordered to perform 100 hours of community service and pay HUD \$56,364 in restitution for their earlier conviction or guilty plea to committing theft of government funds, grand theft, or public assistance fraud. Johnson allegedly failed to report his criminal history, and Saucedo and Jones failed to report income or fraudulently used the Social Security number belonging to another. Collectively, the above defendants obtained \$104,299 in housing assistance they were not entitled to receive.



Esther Belardes, a former Santa Clara County Housing Authority (Santa Clara) Section 8 tenant, was charged in Santa Clara County Superior Court, **San Jose, CA**, with allegedly committing grand theft. In addition, former Santa Clara Section 8 landlord Rebecca Marine entered into a Program Fraud Civil Remedies Act (PFCRA) settlement and agreed to pay HUD \$2,000, and former Santa Clara Section 8 tenant Blanca Gomez was sentenced to 8 months home confinement and 3 years probation and ordered to pay Santa Clara \$50,412 in restitution for her earlier guilty plea to making false statements to HUD. From 2002 to 2005, Belardes and Marine allegedly and Gomez admittedly failed to report income or an accurate household composition on housing certifications and collectively obtained \$102,571 in housing assistance they were not entitled to receive.



Kisha Parks, a former Rochester Housing Authority (Rochester) Housing Choice Voucher program participant, pled guilty in U.S. District Court, **Rochester, NY**, to committing theft of government funds; former Rochester Section 8 landlord Ismael Cruz, who previously pled guilty to creating false documents, entered

into a PFCRA settlement and agreed to pay HUD \$17,000; and former Rochester housing recipient Rita Gaston was sentenced to 5 years probation and ordered to pay Rochester \$46,017 in restitution for her earlier guilty plea to committing theft of government funds. Parks failed to report her concurrent receipt of New York City Housing Authority housing assistance on Rochester certifications, Cruz fraudulently certified a Section 8 tenant in his Rochester subsidized property after he leased the property to others, and Gaston failed to report income. Collectively, the above defendants obtained \$94,950 in housing assistance they were not entitled to receive.



Ruth Herman, a former Concord Housing Authority public housing tenant, was indicted in Middlesex County Superior Court, **Woburn, MA**, for allegedly making false statements and committing perjury and larceny over \$250. From August 2001 to January 2007, Herman allegedly failed to report an unauthorized resident or his income on housing certifications and obtained \$90,231 in housing assistance she was not entitled to receive.



Man sentenced for HUD fraud

Wife was his tenant

By MARGARET BAKER
mbaker@sunherald.com

A Moss Point man who served as a landlord over federally subsidized housing has been sentenced to five years of probation, with six months under house arrest and more than \$24,000 in court-ordered restitution, for fraudulently accepting housing benefits he wasn't entitled to, according to acting U.S. Attorney Stan Harris.

Craig Fornett was sentenced in U.S. District Court on

Wednesday, less than three months after he pleaded guilty to the fraud.

In addition to house arrest, probation and restitution, Fornett was ordered to complete 70 hours of community service.

Officials with the state Housing Authority and the U.S. Department of Housing and Urban Development started investigating Fornett after receiving an anonymous tip that he had been renting a government subsidized home on Fairwood Drive in Moss Point to a woman he'd actually married in Mobile in January 2005.

As a result, Fornett was fraudulently receiving more

than \$600 in governmental rental reimbursements monthly until June 2007.

"In today's economic times, it is all the more important to remain diligent in pursuing those who would defraud our limited resources and programs," Kenneth M. Donohue, inspector general of the Department of Housing and Urban Development said. "There are many deserving families in great need, who are on long lists across the nation, waiting for the opportunity to be chosen to receive Section 8 vouchers. We will continue to vigorously investigate and prosecute those who would illegally profit while other go without."

Brenda Tillman, a former Mississippi Regional Housing Authority VIII (Mississippi Regional) Section 8 tenant, was indicted in U.S. District Court, **Jackson, MS**, for allegedly making false statements and claims and committing theft of government funds and mail fraud; Mississippi Regional Section 8 tenant Eva Reynolds pled guilty to committing theft of government funds; and Mississippi Regional Section 8 tenant and landlord Kawaina Franklin and Craig Fornett were collectively sentenced to 6 months home confinement, 3 years probation, and 5 years supervised release and ordered to perform 70 hours of community service and pay Mississippi Regional \$26,476 and the U.S. Department of Agriculture (USDA) \$13,608 in restitution for their earlier guilty pleas to committing theft of government funds. Tillman allegedly and the remaining defendants admittedly failed to report income, familial relationships to their Section 8 landlords, or their unauthorized residency in subsidized units and collectively obtained \$89,882 in housing assistance and \$13,608 in other benefits they were not entitled to receive.



Tammie Terry, a former Pasadena Community Development Commission (Pasadena) Section 8 tenant, was charged in Los Angeles County Superior Court, **Los Angeles, CA**, with allegedly committing grand theft. In addition, former Pasadena Section 8 tenant Debbie Clarke was sentenced to 24 hours incarceration and 36 months supervised probation and ordered to pay Pasadena \$63,515 in restitution for her earlier guilty plea to committing grand theft. Terry allegedly failed to report income, Clarke failed to report her familial relationship to her Section 8 landlord, and together they obtained \$87,725 in housing assistance they were not entitled to receive.



Sharon Reid and her husband, Willie Herron, a Nassau County Housing Authority Section 8 tenant and landlord, were each arrested and charged in Nassau County Court, **Mineola, NY**, with allegedly committing grand larceny or offering a false instrument for recording. From September 2003 to March 2009, Reid and Herron allegedly failed to report their joint residency on housing certifications and together obtained \$86,715 in housing assistance they were not entitled to receive.



Custom One Properties, LLC (Custom One), an Indianapolis Housing Authority (Indianapolis) Section 8 landlord, was sentenced in Marion County Superior Court, **Indianapolis, IN**, and ordered to pay Indianapolis \$66,000 in restitution for its earlier guilty plea to committing welfare fraud. Custom One failed to report the transfer of Custom One ownership or the criminal history of a principal owner and obtained about \$76,900 in housing assistance payments it was not entitled to receive.



Ruthie Christensen, a former Salt Lake County Housing Authority (Salt Lake County) Housing Choice Voucher program participant, pled guilty in U.S. District Court, **Salt Lake City, UT**, to committing mail fraud, and former Salt Lake County housing recipient Patricia Jeffs was sentenced to 60 months supervised probation and ordered to pay Salt Lake County \$29,927 in restitution for her earlier guilty plea of making false statements and misrepresentations. From August 1997 to January 2008, Christensen and Jeffs failed to report an accurate household composition or their familial relationship to their Section 8 landlord on housing certifications and together obtained \$76,144 in housing assistance they were not entitled to receive.



Patricia Stroud, a New York City Department of Housing Preservation and Development Housing Choice Voucher program participant, was arrested and charged in U.S. District Court, **Manhattan, NY**, with allegedly committing embezzlement of public money. Stroud allegedly failed to report income on housing certifications and obtained more than \$72,000 in housing assistance she was not entitled to receive.

FedRent Initiative

Recent studies indicate an estimated 60 percent of all subsidized housing rents are miscalculated, and approximately \$3.2 billion in erroneous and \$2 billion in net annual subsidy overpayments are a result of both errors in program administration and tenants underreporting income.

In an effort to combat administrative overpayments and tenant fraud, HUD and HUD OIG commenced “Operation FedRent,” a joint effort to address rental assistance fraud involving Federal employees. Operation FedRent compares HUD tenant data to current and retired Federal employee information maintained by the U.S. Office of Personnel Management. After the data comparison, an income eligibility determination is made, and the Social Security numbers for family members 6 years of age and older are verified. If a discrepancy exists, an investigation is opened, and appropriate administrative or legal actions are initiated to collect any overpaid housing assistance. Results of Operation FedRent during this semiannual reporting period are described below.



Natasha Acoff, Diane Reid, and Karen Isom, former Cook County Housing Authority (Cook County) Section 8 tenants and Transportation Security Administration (TSA) or U.S. Postal Service (USPS) employees, were collectively sentenced in U.S. District Court, **Chicago, IL**, to 90 months probation and 6 months home

confinement and ordered to perform 250 hours of community service and pay HUD \$84,943 in restitution for their earlier guilty pleas to committing theft of government funds. In addition, former Cook County Section 8 tenant and U.S. Department of Veterans Affairs (VA) employee Cecilia Smith-Carson entered into a pretrial diversion and agreed to pay HUD \$19,620 in restitution for her earlier admission to making false statements. The above defendants failed to report income on housing certifications and collectively obtained \$104,563 in housing assistance they were not entitled to receive.



Lakeesha Jefferson, a former San Francisco Housing Authority Section 8 tenant and Federal Emergency Management Agency (FEMA) employee, was sentenced in U.S. District Court, **San Francisco, CA**, to 5 years probation and 6 months home detention and ordered to perform 100 hours of community service and pay HUD \$41,029 and FEMA \$16,252 in restitution for her earlier guilty plea to committing theft of government funds. From October 2004 through October 2006, Jefferson failed to report income or her familial relationship to her Section 8 landlord on housing certifications, submitted fraudulent FEMA travel vouchers, and obtained \$41,029 in housing assistance and \$16,252 in travel reimbursements she was not entitled to receive.



Birdie Toomes, a former Housing Authority of the City of Los Angeles Section 8 tenant and current VA employee, pled guilty in U.S. District Court, **Los Angeles, CA**, to committing theft. From October 2003 to December 2007, Toomes failed to report income on housing certifications and obtained \$41,022 in housing assistance she was not entitled to receive.



Doris Smith and Quinchitta Jackson, former Chicago Housing Authority Section 8 tenants and USPS employees, were collectively sentenced in U.S. District Court, **Chicago, IL**, to 84 months probation and ordered to pay HUD \$39,499 in restitution for their earlier guilty pleas to committing theft of government funds. Smith and Jackson failed to report income on housing certifications and together obtained \$39,499 in housing assistance they were not entitled to receive.



Violet Berry-Simmons, a Newark Housing Authority Section 8 tenant and USPS employee, was arrested and charged in U.S. District Court, **Newark, NJ**, with allegedly committing theft of government funds. Berry-Simmons allegedly failed to report income on housing certifications and obtained \$32,455 in housing assistance she was not entitled to receive.



Narissa McMillion, a former Aurora Housing Authority public housing tenant and USPS employee, was sentenced in U.S. District Court, **Chicago, IL**, to 2 years probation and ordered to pay HUD \$28,495 in restitution for her earlier guilty plea to committing theft of government funds. McMillion failed to report income on housing certifications and obtained \$28,495 in housing assistance she was not entitled to receive.



Dora Fry, a former Kansas City Housing Authority Housing Choice Voucher program participant and Internal Revenue Service (IRS) employee, was sentenced in U.S. District Court, **Kansas City, MO**, to 5 years probation and ordered to pay HUD \$25,424 in restitution for her earlier guilty plea to committing theft of government

funds. From 2000 through 2004, Fry failed to report income on housing certifications and obtained \$25,424 in housing assistance she was not entitled to receive.



Cherie Nelson, a former Fresno City and Fresno County Housing Authorities (Fresno) Section 8 tenant and VA employee, was indicted in U.S. District Court, **Fresno, CA**, for allegedly committing theft of government funds. In addition, former Fresno Section 8 tenant and IRS employee Vickie McGrue pled guilty to making false statements to HUD. Between January 2004 and October 2006, Nelson allegedly and McGrue admittedly failed to report income on housing certifications and together obtained \$21,029 in housing assistance they were not entitled to receive.



Lekeisha McKinney, a former Memphis Housing Authority Housing Choice Voucher program participant and USDA and U.S. Department of Treasury employee, was sentenced in U.S. District Court, **Memphis, TN**, to 3 months home detention and 2 years probation and ordered to pay HUD \$9,034 in restitution for her earlier guilty plea to committing theft of public money. From 2001 to 2005, McKinney failed to report income on housing certifications and obtained \$11,520 in housing assistance she was not entitled to receive.



Aleesha Rosemond, a former Las Vegas Housing Authority Section 8 tenant and current IRS employee, was charged in U.S. District Court, **Las Vegas, NV**, with allegedly making false statements and committing theft of government funds. From May 2004 through October 2006, Rosemond allegedly failed to report income or an accurate household composition on housing certifications and obtained \$9,209 in housing assistance she was not entitled to receive.



Tara Maxwell, a New York City Housing Authority (New York City) public housing tenant and TSA employee, entered into a deferred prosecution filed in U.S. District Court, **Manhattan, NY**, and agreed to undergo 3 months supervised probation and pay New York City \$8,592 in restitution. Maxwell admittedly failed to report income on housing certifications and obtained \$8,592 in housing assistance she was not entitled to receive.



Victoria Walker, a former Charlotte Housing Authority Section 8 tenant and USPS employee, was sentenced in U.S. District Court, **Charlotte, NC**, to 2 years probation and ordered to pay HUD \$7,542 in restitution for her earlier guilty plea to committing theft of government funds. From 2003 through 2005, Walker failed to report income on housing certifications and obtained \$7,542 in housing assistance she was not entitled to receive.

Fugitive Felon Initiative

Enacted into law in 1996, Section 903 of Public Law 104-193, “Elimination of Housing Assistance with Respect to Fugitive Felons and Probation and Parole Violators,” allows for the termination of housing subsidies for public or assisted housing tenants who flee to avoid prosecution, avoid confinement after conviction of a felony, or violate conditions of their parole or probation. The law also authorizes Federal, State, and local law enforcement agencies to exchange information and perform data matches.

OIG supports a Fugitive Felon Initiative (FFI) by matching HUD housing assistance information with crime data from the National Crime Information Center, U.S. Marshals Service (Marshals), and other participating law enforcement data banks. In addition, OIG special agents actively participate in the Marshals' "Operation FALCON," a joint Federal, State, city, and county law enforcement effort to locate and apprehend fugitive felons wanted for violent crimes. Conducted in most major cities throughout the United States and its territories, Operation FALCON places a strong emphasis on apprehending fugitive felons involved in gangs, homicides, sexual assaults, or crimes against the elderly and children. Since the inception of OIG's FFI, hundreds of cases have been opened and closed, resulting in more than 8,651 arrests. OIG strongly supports Operation FALCON in an effort to make HUD public and assisted housing a safe place for families to live. FFI results during this semiannual reporting period are described below.



HUD OIG participated in "Operation FALCON," a joint Marshals effort to locate and apprehend fugitive felons in **Hattiesburg, MS**. As a result, 122 individuals were arrested on outstanding warrants, and 17 of those arrested resided in HUD-subsidized housing.



HUD OIG participated in "Operation FALCON," a joint Marshals effort to locate and apprehend fugitive felons in **New Orleans, LA**. As a result, 97 individuals were arrested on outstanding warrants, and 10 of those arrested resided in HUD-subsidized housing.



HUD OIG participated in "Operation FALCON," a joint Marshals effort to locate and apprehend fugitive felons in **Cleveland and Columbus, OH**. As a result, 59 individuals who resided in HUD-subsidized housing were arrested on outstanding felony warrants.



HUD OIG participated in "Operation FALCON," a joint Marshals effort to locate and apprehend fugitive felons in **Miami, FL**. As a result, 14 individuals who resided in HUD-subsidized housing were arrested on outstanding warrants.



Henry Taylor, a Montgomery Housing Authority (Montgomery) public housing applicant, pled guilty in U.S. District Court, **Montgomery, AL**, to failing to register as a sex offender. Taylor failed to register as a sex offender in Alabama or report his criminal history on his Montgomery housing application.

Other Fraud/Crimes

Orlando Brown, also known as Mike Brown, was indicted in U.S. District Court, **New Orleans, LA**, for allegedly committing arson and aiding and abetting. Brown allegedly participated in setting two fires in a St. John the Baptist Parish Housing Authority apartment building. Damages are estimated to be about \$573,400.



Marcelino Salazar-Lopez and 57 members of his organization were each indicted in U.S. District Court, **San Juan, PR**, for allegedly committing a conspiracy to interfere with commerce by threats or violence; aiding and abetting in the interference of commerce by threats or violence; committing a conspiracy to possess firearms in furtherance of drug trafficking crimes; committing a conspiracy to distribute narcotic controlled substances; and aiding and abetting in the distribution of heroin, cocaine, cocaine base, and marijuana. From July 2006 through December 2008, Salazar-Lopez and the above defendants allegedly extorted about \$118,000 from North Constructors Group, Inc., a company under contract with the Jardines De Campo Rico public housing project, and distributed narcotic controlled substances within the public housing units.

Task force busts 40 members of drug gang

BY XAVIER MEGERS CRESCIONI
of the Daily Sun Staff
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Federal and local law enforcement agents arrested 40 people Friday morning in a massive bust to break up a gang that controlled narcotics sales in Jardines de Campo Rico, Berwind Towers and Monte Hatillo housing projects in San Juan, authorities said.

The group allegedly headed by Marcelino Salazar López — also known as "Audi" and "El Father" — is linked to more than 10 homicides, including that of Puerto Rico police officer José Juan Burgos who was killed during a shootout with Monte Hatillo drug dealers in December 2006, Police Superintendent Figueroa Sancha said Friday.

The group was constantly warring with other drug gangs at Monte Hatillo, he said. "This group is very violent ... It a hard blow [to criminals] in the metropolitan area," Figueroa Sancha said in an interview with WKAQ Radio.

Gang leader Salazar López and some gang members remain fugitives in the Dominican Republic, FBI Special Agent in Charge Luis Fraticelli said.

What sparked a three-year investigation leading to Friday's bust was the drug gang's extortion of weekly payments from managerial employees from the North Constructors Group, which manages the Monte Hatillo

housing project, authorities said.

Threats were such that gang leaders were able to get some gang members onto the company's payroll, U.S. Attorney Rosa Emilia Rodriguez said. "Without doing this, they wouldn't have been able to manage the public housing project," she said.

Over the past three years the organization, which controlled the sale of heroin, cocaine, crack and marijuana in the three housing projects, has taken some \$10 million in profits, which are the focus of a criminal forfeiture count in a nine-count indictment issued Thursday charging 58 members of the gang with drug trafficking and firearms offenses.

If convicted, the defendants face a minimum of 10 years and up to life in prison as well as \$4 million in fines. Most of those charged were arrested in Jardines de Campo Rico, while only one person was arrested in Monte Hatillo.

Some 150 FBI agents and 300 state police officers participated in the raid.

Gov. Fortuño is scheduled to visit the housing projects today along with a support network of officials from public agencies to talk with residents, while the FBI and Police Department will hold a press conference to provide further details on the arrests.

"Since November 2006, when the [joint] Strike Force teams began these types of investigations and arrest operations, 999 individuals have been indicted. Today we add 58



Daily Sun/Humberto "Tico" Rodriguez
An unidentified woman was escorted by local and federal law enforcement agents who on Friday morning conducted a massive raid in several housing projects, arresting 40 people.

more defendants, and we guarantee you that the law enforcement agencies, federal as well as local, will continue working together so we can return the respect and peace the communities in Puerto Rico deserve," Rodriguez said.

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Roosevelt Nicholson pled guilty in U.S. District Court, **St. Louis, MO**, to committing a conspiracy to manufacture counterfeit securities. In addition, Kim Nicholson, Virtis Lewis, and Edlan Jones were collectively sentenced to 13 years probation and ordered to pay the St. Louis Housing Authority \$2,347 and others \$122,333 in restitution for their earlier guilty pleas to committing a conspiracy to manufacture counterfeit securities. The above defendants conspired to manufacture and negotiate \$33,261 in fraudulent St. Clair County Housing Authority, \$17,292 in fraudulent St. Louis Housing Authority, and \$32,639 in other counterfeit checks.



Angela Moffett was sentenced in Harris County Court, **Houston, TX**, to 30 days incarceration for her earlier guilty plea to committing forgery. Moffett caused a \$1,152 loss to the Leesville, LA, Housing Authority (Leesville) when she cashed a counterfeit check and used the Leesville checking account and routing numbers.



Christopher Summers was charged in U.S. District Court, **Kansas City, KS**, with allegedly producing and possessing counterfeit securities. Summers and others allegedly conducted a counterfeit check scheme involving numerous businesses and the Kansas City Housing Authority from a public housing complex. HUD losses are not yet determined.



Elizabeth Sammut, a Section 8 landlord for the Detroit Housing Commission, the Michigan State Housing Development Authority, and several additional housing authorities, and Kenderick Foster and Jeffrey Johnson were each charged in 36th District Court, **Detroit, MI**, with allegedly conducting a criminal enterprise, committing public utility fraud and weapons offenses, and malicious destruction of public utilities. The above defendants allegedly tampered with Detroit Edison Energy electric meters on HUD-subsidized properties and stole about \$706,000 in electric utilities.



Anna Delle Donna, a Guttenberg Housing Authority (Guttenberg) Section 8 landlord previously convicted in U.S. District Court, **Newark, NJ**, of committing a conspiracy to commit extortion and filing false Federal income tax returns, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. Anna Delle Donna failed to report \$25,000 in Guttenberg housing contract payments on her 2004 and 2005 Federal income tax returns.



Mortgage brokers Richard Lisnek and Alex Bulmash; attorney Judy Kien; loan officer Michael Bulmash; loan processors Allen Bulmash and Anthony Navickas; LaSalle Title Company vice president Lynn Liskiewicz; appraisers James Heiland, Brandon Bradford, and Vlad Ostromogilsky; K & L Real Estate, Inc., D & J Properties II, Inc., Investment Group, Inc., and LaSalle Title Company; and five investors were each charged in U.S. District Court, **Chicago, IL**, with allegedly committing mail and wire fraud. The above defendants allegedly obtained HUD real estate-owned and other distressed properties, performed cosmetic rehabilitations, and resold the properties to investors; provided fraudulent documents and appraisals used by the investors to obtain conventional mortgages; and assisted with placing some of the properties into the Chicago or Cook County Housing Authorities Section 8 programs.



Craig Long, a former loan officer for Ries Enterprises and Homesmartz, was sentenced in U.S. District Court, **Kansas City, MO**, to 12 months incarceration and 2 years probation and ordered to pay numerous lenders \$441,156 in restitution for his earlier guilty plea to committing a conspiracy, wire fraud, and money laundering. In addition, former real estate agent and Kansas City Housing Authority (Kansas City) Section 8 landlord Joseph Balano, who was previously sentenced for his earlier guilty plea to committing a conspiracy, mail fraud, and money laundering, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 5 years. Long, Balano, and others fraudulently used the identities of Federal Housing Administration-approved and other appraisers and submitted or provided false documents used by unqualified borrowers to obtain conventional mortgages, including a HUD-subsidized property under contract with Kansas City. HUD realized no losses.



Uri Gofman, a Cuyahoga Metropolitan Housing Authority (Cuyahoga Metropolitan) Section 8 landlord doing business as Real Asset Fund and Karka, Inc.; 27 additional Cuyahoga Metropolitan Section 8 landlords; and 17 others were each charged in Cuyahoga County Court of Common Pleas, **Cleveland, OH**, with allegedly engaging in a pattern of corrupt activity; committing theft, telecommunications fraud, or money laundering; violating the Mortgage Broker Act; receiving stolen property; or tampering with records. Gofman and the remaining defendants allegedly conspired to obtain \$44 million in fraudulent conventional mortgage loans for 453 properties and then placed 58 of these properties into the Cuyahoga Metropolitan Section 8 program. HUD realized no losses.



Joseph Baumeister, the owner of Prophet Development, was sentenced in U.S. District Court, **St. Louis, MO**, to 37 months incarceration and 5 years supervised release and ordered to pay several financial institutions \$364,504 in restitution for his earlier guilty plea to committing bank fraud. Baumeister was also suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment action. Baumeister provided inflated sales documents used by straw borrowers to fraudulently obtain conventional mortgages. HUD realized no losses.



Housing recipients Michala Braxton and Sharon Sullivan, Christopher Summers, and 16 others were each indicted or charged in U.S. District or various State Courts in **Kansas City and Overland Park, KS, and Kansas City, MO**, for allegedly producing counterfeit securities. The above defendants allegedly operated or engaged in a counterfeit check scheme from a Kansas City, KS, public housing unit that involved more than 1,000 counterfeit checks, including 17 counterfeit checks showing bank account information belonging to the Kansas City and Independence, MO, housing authorities. HUD realized no losses.



18-month probe uncovers scheme involving \$44 million in fake loans

MARK GILLISPIE
Plain Dealer reporter

cleveland.com/metro

See the complete list of 41 people indicted in the county mortgage-fraud scam.

A Beachwood man has been accused of orchestrating what officials say is the largest mortgage fraud scheme in the history of Ohio and possibly the entire country.

Uri Gofman, 36, was indicted by a Cuyahoga County grand jury along with 40 people and four companies in a conspiracy prosecutors say involved 453 homes in Cuyahoga County and \$44 million in fraudulent loans.

Prosecutors said Wednesday that 79 percent of these homes eventually fell into foreclosure and that the scheme has contributed to the blight and loss of property values in neighborhoods where Gofman and his associates bought and sold homes.

Just over half of the homes were in Cleveland, nearly all on the city's East Side, which has been particularly devastated by foreclosures and seen home prices collapse.

The foreclosures led to

\$787,000 in delinquent property taxes, prosecutors said.

"Gofman and his criminal associates saw Cuyahoga County as a breeding ground for fraud, capitalizing on the subprime [mortgage] industry's relaxed standards and our high rate of foreclosures," Cuyahoga County Prosecutor Bill Mason said at a news conference in front of a home sold by Gofman on Kildare Road in Cleveland Heights.

The charges come after an 18-month investigation by the Cuyahoga County Mortgage Fraud Task Force, which is made up of state, local and federal law enforcement officers.

The scheme, prosecutors said, involved both nonexistent and fraudulent loans.

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Chapter 3

Multifamily Housing Programs



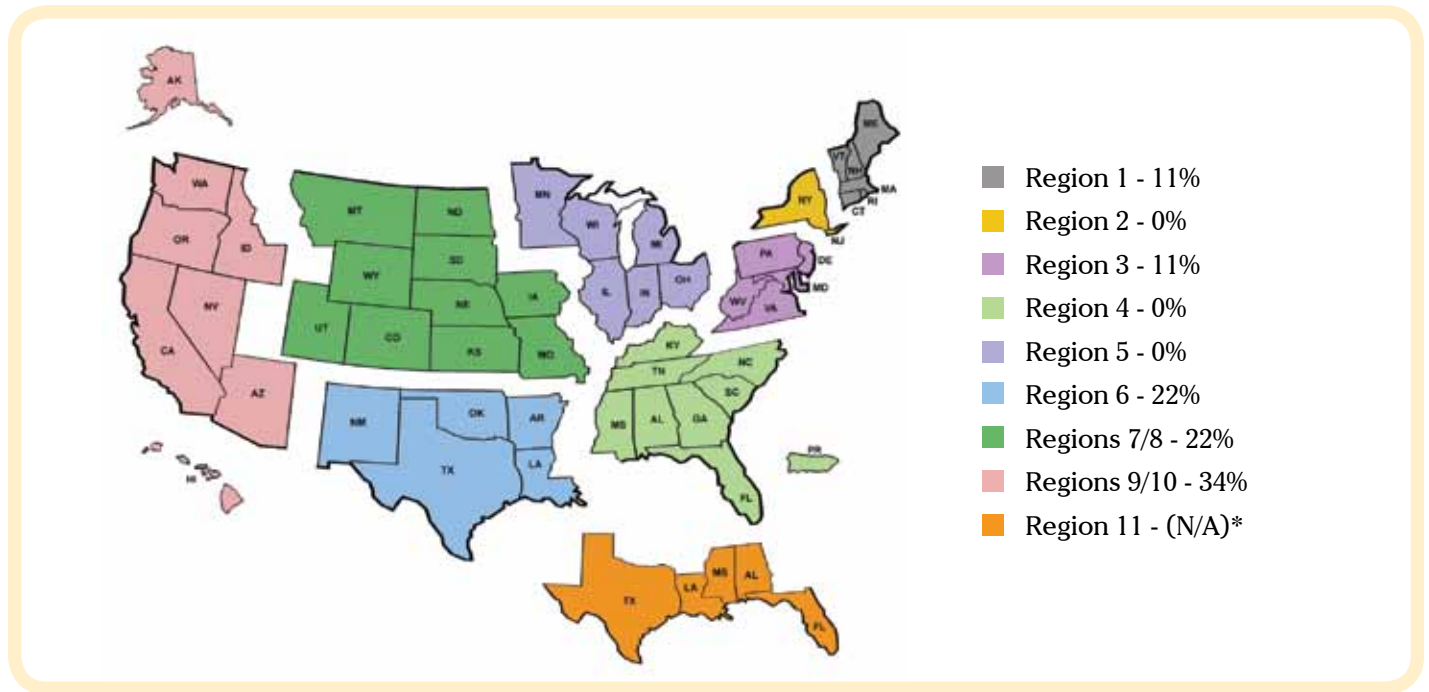
In addition to multifamily housing developments with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages, the Department owns multifamily projects acquired through defaulted mortgages, subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly and handicapped.

Audit

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results		Questioned costs	Funds put to better use
Audit	9 audits	\$6.4 million	\$138,000
Our focus	Page 57	<ul style="list-style-type: none"> Review of HUD’s monitoring of performance-based contract administrators 	
	Page 57	<ul style="list-style-type: none"> Owner and management agent operations 	
	Page 59	<ul style="list-style-type: none"> Review of HUD’s approval of commercial rents 	

Chart 3.1: Percentage of OIG multifamily housing audit reports during this reporting period



* This does not include disaster relief audits. See chapter 5 for these reviews.

Review of HUD’s Monitoring of Performance-Based Contract Administrators

HUD’s Office of Inspector General (OIG) audited HUD’s monitoring of the performance-based contract administration contract administrators (PBCA) to determine whether HUD’s monitoring of PBCAs nationwide was adequate. HUD is authorized to enter into contracts for contract administration services for project-based Section 8 housing assistance payment contracts. Performance-based service contracting is based on the development of a performance work statement, which defines the work in measurable, mission related terms with established performance standards and review methods to ensure quality.

HUD did not adequately monitor the PBCAs’ performance with respect to the Section 8 performance-based contract administration initiative, resulting in a lack of assurance that Section 8 rental subsidies were correctly calculated and paid, project-based Section 8 housing assistance payments contracts were administered consistently, and HUD received quality work and the best value for more than \$28 million spent on administrative fees paid to the PBCAs monitored by the six HUD offices reviewed.

OIG recommended that HUD revise the performance-based contract administration initiative guides to (1) clarify inconsistencies or unclear guidance in monitoring the PBCAs, including clarification of PBCA performance that requires issuing incentive fees or the assessment of disincentives; (2) ensure that HUD staff follows the revised guidance when conducting the annual compliance reviews and monthly remote reviews to ensure that HUD receives quality work and the best value for funds spent on contract administration activities; and (3) reassess the resources allocated to overseeing the PBCAs to ensure that the resources are sufficient to monitor their performance. (Audit Report: **2009-SE-0003**)

Owner and Management Agent Operations

In response to requests from HUD and a United States senator, HUD OIG audited the property owner’s application and the loan processing and underwriting of the HUD-insured mortgage loan to Greystone Apartments, Inc., for Cypress Ridge Apartments in **Oklahoma City, OK**. Harry Mortgage Company, the lender, processed and recommended loan approval under the multifamily accelerated processing (MAP) program. The audit objective was to determine whether the lender satisfied HUD requirements for processing and underwriting the \$5.87 million mortgage loan to rehabilitate Cypress Ridge Apartments.

The MAP lender’s underwriting analysis did not assess, as required, the financial wherewithal of the owner and general contractor, which are related entities, or the construction capabilities of the general contractor. As a result, the MAP lender did not identify risk and take necessary corrective action before recommending the loan for approval. Based on the lender’s recommendation, HUD approved the project and general contractor. The project failed, resulting in a \$3.7 million loss on the mortgage loan insured by the Federal Housing Administration (FHA).

OIG recommended that HUD request that the Mortgagee Review Board take action against Harry Mortgage Company for negligence that resulted in a default and a resulting FHA insurance claim on Cypress Ridge Apartments. (Audit Report: **2009-FW-1010**)



HUD OIG audited Cypress Ridge Apartments in **Oklahoma City, OK**, regarding its use of HUD-insured mortgage loan proceeds and property operating funds governed by a regulatory agreement, to determine whether the project’s management agent, William Commercial Property Management, used project and operating funds consistent with the regulatory agreement and HUD regulations. Specifically, OIG wanted to determine whether the management agent (1) used loan proceeds for other than reasonable project expenses,

(2) used operating funds to pay for other than reasonable operating expenses and necessary repairs, and (3) paid distributions from other than surplus cash.

The management agent obtained and used funds contrary to the regulatory agreement. It received loan proceeds totaling more than \$356,000 without construction cost documentation to support the release of proceeds. From the operating account, it paid related entities and others more than \$386,000 without required justification for payments. As a result, the management agent drew and paid out funds without assurances that it used the funds for legitimate expenditures. The owner later defaulted on the loan with a resulting loss of \$3.75 million to FHA.

OIG recommended that HUD (1) require the owner to either support or repay HUD for loan proceeds it received and funds it paid out of the operating account and (2) take appropriate actions against the owner and management agent for violating the project's regulatory agreement. (Audit Report: **2009-FW-1014**)



HUD OIG audited the John C. Cannon Retirement and Assisted Living Residence in **Seattle, WA**, to determine whether the project owner used project funds in accordance with its regulatory agreement with HUD.

The project owner failed to get HUD approval for leases costing \$189,000, used project funds to obtain unneeded equipment costing nearly \$11,000, and failed to keep adequate documentation to support expenditures of \$317,000.

OIG recommended that HUD (1) require the owner to repay the amount spent for the unapproved leases and unnecessary equipment and provide documentation supporting expenses paid for with project funds and (2) pursue double damage remedies, civil money penalties, and/or administrative sanctions, as appropriate, against the former administrator and the board of directors. (Audit Report: **2009-SE-1002**)



HUD OIG audited Park Lee Apartments in **Phoenix, AZ**, to determine whether it complied with the HUD's regulatory agreement and other Federal requirements.

Park Lee Apartments did not use its project funds in compliance with HUD and other Federal requirements. Specifically, the owner and/or management agents violated the regulatory agreement with HUD by paying nearly \$513,000 in questioned costs from the project's operating account when the project was in a non-surplus-cash position. The questioned costs included the payment of development expenses from operating funds, ineligible and unsupported disbursements, and a wire transfer of project revenue to the owner. In addition, the owner maintained the project in poor physical condition and submitted annual audits of the financial statements that did not meet HUD requirements.

OIG recommended that HUD (1) require the project's owner to repay or support the questioned costs, (2) pursue double damages remedies, and (3) pursue civil money penalties and administrative sanctions as appropriate. (Audit Report: **2009-LA-1019**)



HUD OIG audited the Casa Otonal multifamily housing project in **New Haven, CT**, to determine whether the project owner managed and operated the project in accordance with HUD regulations and the project's regulatory agreement. OIG also wanted to (1) determine the extent of unauthorized distributions made while the project was in a non-surplus-cash position, (2) determine whether goods and services were properly procured, and (3) ensure that the project's cost allocation plan adequately prorated staff time and shared office space.

The project owner did not always use project funds in accordance with HUD regulations or the regulatory agreement. OIG identified questioned costs totaling more than \$265,000 while the project was in a non-surplus-cash position. Specifically, the owner (1) made more than \$236,000 in unauthorized loans/distributions to an affiliate, Casa Otonal, Inc.; (2) did not follow proper procurement procedures; (3) incurred more than \$18,000 in ineligible, nearly \$9,000 in unsupported, and more than \$2,000 in unreasonable costs; and (4) did not prepare a formal written cost allocation plan to appropriately allocate staff time spent on nonproject activity or the use of office space by nonproject personnel.

OIG recommended that HUD (1) require the project owner to (a) reimburse the project for the ineligible and unreasonable disbursements and (b) provide documentation to support the unsupported disbursements or reimburse the project; (2) require the project owner to establish a written procurement policy that follows Federal procurement regulations and an adequate cost allocation plan to appropriately allocate staff time at the project; and (3) pursue (a) double damages remedies against the responsible parties for the ineligible/inappropriate, unsupported disbursements that were used in violation of the project's regulatory agreement and (b) civil money penalties and administrative sanctions, as appropriate, against the responsible parties for their part in the regulatory violations. (Audit Report: **2009-BO-1009**)



HUD OIG audited Milestone Management Services, Inc., in **Topeka, KS**, to determine whether Milestone complied with HUD's cash management requirements for management agents.

Milestone's management controls were not adequate in three respects. Milestone did not (1) adequately segregate duties of on-site staff or provide proper oversight of these employees, (2) have a system for tracking significant rehabilitation and related costs for individual units, or (3) practice proper budgetary controls. In addition, Milestone did not provide its properties with adequate fidelity bond coverage, and it overpaid itself management fees.

OIG recommended that HUD (1) ensure that Milestone/property owners implement an adequate system of management controls and provide technical assistance and guidance as needed, (2) require Milestone/property owners to implement procedures to periodically assess the adequacy of fidelity bond coverage and adjust the coverage for each property when needed, (3) ensure that Milestone/property owners use a reliable process to calculate and pay management fees and that Milestone immediately repays overpaid management fees to the overcharged properties, and (4) take appropriate administrative actions against Milestone/property owners if Milestone is unable or unwilling to comply with HUD requirements. (Audit Report: **2009-KC-1009**)

Review of HUD's Approval of Commercial Rents

HUD OIG audited HUD's process for reviewing and approving commercial rents for multifamily properties to determine whether HUD's review and approval process for commercial rents ensured that multifamily properties received commercial rents that were comparable to market rate rents. OIG found that HUD did not have a uniform process to ensure that commercial rent rates were comparable to market rate rents.

OIG recommended that HUD develop and implement a uniform, written process to ensure that regional and field office staff fully understands and uniformly complies with requirements to ensure that owners set commercial rents at appropriate levels. (Audit Report: **2009-KC-0002**)



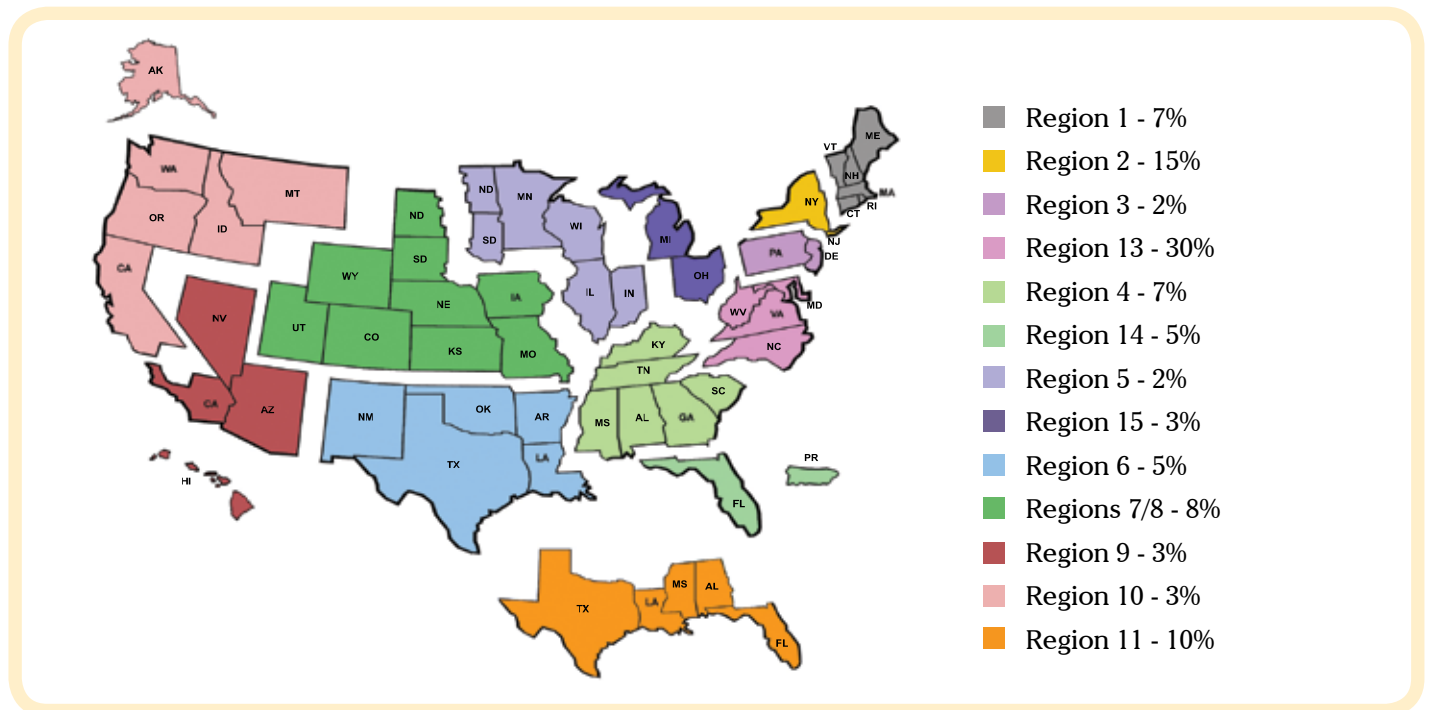
Investigations

Some investigations discussed in this report were generated from leads provided by HUD multifamily housing program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	40	\$1,709,466	47	46
Our focus	Page 61 Page 62 Page 63	<ul style="list-style-type: none"> • Theft/embezzlement • Rental assistance fraud • Other fraud/crimes 		

Chart 3.2: Percentage of OIG multifamily housing closed investigation cases during this reporting period



Theft/Embezzlement

Jesse Turner, the president of Pyramid Construction and a contractor for Desire Community Housing Corporation, a HUD-funded multifamily property manager, was charged in Louisiana State Court, **New Orleans, LA**, with allegedly committing theft and misappropriation of funds. Turner allegedly failed to perform contracted repairs at Gordon Plaza Apartments, a HUD-owned multifamily housing development, and fraudulently obtained \$1.8 million in HUD funds.

Former HANO official arrested

Turner booked with contractor fraud

From staff reports

A community activist and former high-level Housing Authority of New Orleans employee has been arrested on charges of stealing more than \$1.8 million through contracting fraud.

Jesse Turner, 54, of New Orleans, was booked Tuesday morning into Orleans Parish jail in connection with two cases, both of which included a count

of theft and a count of misapplication of payments by a contractor, according to court records.

The Louisiana Department of Justice had investigated Turner for billing property owners of more than \$1.8 million, according to an arrest warrant filed in court. Details of the alleged infraction were not included in the court file.

In a separate case, Turner allegedly signed a contract last summer to rebuild a home in the 1900 block of Odeon Avenue for \$45,474. After receiving the first payment of \$18,189, Turner never returned to start the job, according to police records filed in court.

Hours after his arrest Tuesday, Turner appeared in magistrate court. A judge ordered him held in lieu of \$150,000 bond.

Turner had spent many years working within the city's housing ranks. He also ran an unsuccessful campaign for City Council in 1994.

He is next scheduled to appear in court in late August.

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Debbie Bethany, the owner of Southern Investment Management Company and the management agent for Hillview Apartments, a HUD-subsidized multifamily housing development, pled guilty in U.S. District Court, **Oxford, MS**, to committing theft of government funds. Bethany embezzled and personally used \$550,000 in HUD and other housing funds



Richard Arroyo and Margarita Villegas, the president and director of the South Bronx Community Corporation Management Corporation (South Bronx), a management agent for two HUD-subsidized multifamily housing developments, were each charged in U.S. District Court, **Manhattan, NY**, with allegedly committing embezzlement from a program receiving Federal funds and mail fraud. Between June 2002 and August 2008, Arroyo and Villegas allegedly used about \$180,000 in South Bronx funds for their personal benefit, and between May 2005 and April 2009, Arroyo and Villegas allegedly misused about \$20,000 in South Bronx funds when they contributed to the campaign of a New York State Assembly member.



Nina Donehue, a former Section 8 tenant and member of the board of directors for Northridge Cooperative Homes (Northridge), a HUD-subsidized multifamily housing development, was convicted in U.S. District Court, **San Francisco, CA**, of committing embezzlement from a program receiving Federal funds. Between January and February 2006, Donehue embezzled and personally used \$34,983 in Northridge funds.



Betty Jefferson, the former president of the St. Stephen Manor, Inc. (St. Stephen), a HUD-subsidized multifamily housing development; her brother, Mose Jefferson; former St. Stephen manager Angela Coleman; and former State representative and City of New Orleans councilwoman Renee Pratt were each indicted in U.S. District Court, **New Orleans, LA**, for allegedly making false statements and committing a conspiracy, mail fraud, money laundering, aggravated identity theft, tax evasion, and racketeering activities. From April 1991 to May 2002, the above defendants allegedly embezzled and personally used about \$931,224 in Federal and State funds, including \$9,230 in HUD housing assistance payments.

Renee Gill Pratt is indicted

Federal charges lump her with Jeffersons

By Laura Maggi
Staff writer

Renee Gill Pratt, a former state representative and New Orleans city councilwoman, was indicted by

a federal grand jury Friday on federal racketeering charges that accuse her and members of the Jefferson political family of operating a "criminal enterprise" that raided nonprofit organizations created to help disadvantaged people.

The indictment of Gill Pratt comes nearly one year after a grand jury indicted her longtime boyfriend, Mose Jefferson; his sister, 4th District Assessor Betty Jefferson; and Angela Coleman, Betty

Jefferson's daughter; on various charges of skimming money from nonprofit organizations that were supposed to help impoverished communities. A trial in that case was scheduled for early August but will be pushed back.

The indictment of Gill Pratt also includes the two Jeffersons, siblings of U.S. Rep. Bill Jefferson, and Coleman. The four operated "a criminal enterprise for the financial and political benefit of the defen-

dants" from 1991 through 2006, according to a news release issued by U.S. Attorney Jim Letten's office.

The indictment issued Friday incorporates Gill Pratt into the alleged conspiracy to launder money from nonprofit groups, while offering up some new details of how the money was spent. Gill Pratt is also accused of improperly taking possession of vehicles donated to the



Renee Gill Pratt
Former N.O. city councilwoman and state representative

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Diane Mandell, the former associate director of the Forward Housing Corporation, the owner and management agent for Forward Shady Apartments, a HUD-subsidized multifamily housing development, pled guilty in U.S. District Court, **Pittsburgh, PA**, to committing embezzlement. In 2004, Mandell embezzled more than \$5,000 in HUD funds.



Nina Parker-Davis, an occupancy specialist for Pilgrim Baptist Village, a HUD-subsidized multifamily housing development, pled guilty in U.S. District Court, **Newark, NJ**, to accepting bribes. Parker-Davis accepted cash payments from prospective tenants in exchange for immediate placement into subsidized housing units. HUD losses are not yet determined

Rental Assistance Fraud

Latasha Greene, Kelly Roberson, Gloria Montalvo, and Brenda Howard, Section 8 tenants in HUD-subsidized multifamily housing developments, were each arrested and charged in U.S. District or Manhattan Criminal Courts, **Manhattan, NY**, with allegedly committing theft of government funds or grand larceny or falsifying business records. In addition, Section 8 tenant Genevieve Simmons was sentenced to 1 year probation and

ordered to pay HUD \$40,332 in restitution for her earlier guilty plea to committing theft of government funds. Greene, Roberson, Montalvo, and Howard allegedly and Simmons admittedly failed to report income or unauthorized residents on housing certifications and collectively obtained more than \$158,053 in housing assistance they were not entitled to receive.



Six Section 8 tenants in HUD-subsidized multifamily housing developments were each arrested and charged in U.S. District or Bronx Criminal Courts, **Bronx, NY**, with allegedly making false statements, falsifying business records, or committing embezzlement or grand larceny. The above defendants allegedly failed to report income or used fraudulent identities on housing certifications and collectively obtained \$143,024 in housing assistance they were not entitled to receive.



Nichole Baker and Richard Spears, Section 8 tenants in HUD-subsidized multifamily housing developments, were each arrested and charged in U.S. District Court, **Brooklyn, NY**, with allegedly committing theft of government funds. In addition, former Section 8 tenant Fazia Monroe, also known as Fazia Edwards, was sentenced to 1 year probation and ordered to pay HUD \$59,942 in restitution for her earlier guilty plea to making false statements to HUD. Baker and Spears allegedly and Monroe admittedly failed to report income on housing certifications and collectively obtained \$142,702 in housing assistance they were not entitled to receive.



Dawn Jackson, a Section 8 tenant at Rolling Hills, a HUD-subsidized multifamily housing development, pled guilty in Montgomery County Court of Common Pleas, **Norristown, PA**, to committing false swearings and a conspiracy. Jackson failed to report income or an accurate household composition on housing certifications and obtained \$70,825 in housing assistance she was not entitled to receive.

Other Fraud/Crimes

Charles Livecchi, the former owner of Cambridge Court Apartments (Cambridge Court), a HUD-insured and -subsidized multifamily housing development, was ordered to pay HUD more than \$1.1 million in a civil judgment filed in U.S. District Court, **Buffalo, NY**. Livecchi allegedly used \$481,438 in HUD project funds to pay his personal debt while the Cambridge Court mortgage was in default and the property was in a non-surplus-cash position.



Serena Ruthford-Sylvia, a former accounts receivable manager for Haven HealthCare Management, LLC, the owner and management agent for numerous FHA-insured nursing facilities, was arrested and charged in U.S. District Court, **New Haven, CT**, with allegedly obstructing a Federal investigation, making false statements, and committing embezzlement from a health care program. In addition, former Jewett City Haven Healthcare facility administrator Kimberly Boccacio pled guilty to obstructing a Federal investigation. Ruthford-Sylvia allegedly forged the signature of a nursing home resident, provided false

ACCUSED OF EMBEZZLEMENT

Nursing Home Worker Charged

Wire and Staff Reports

NEW HAVEN—A former bookkeeper faces charges of embezzling money from residents at Haven Healthcare as part of a larger federal investigation of the troubled nursing home chain.

Serena Sylvia, 40, of Waterford, is charged with obstruction of a federal health care fraud investigation, making false statements relating to health care, and embezzlement from a health care benefit program, prosecutors said.

She was arrested Thursday and released on bond pending

a probable-cause hearing May 20. Her attorney, Elliot Warren, declined to comment.

Authorities say Sylvia forged the signature of a resident of Haven Health Center of Jewett City nursing home to help the nursing home collect money owed by the resident and lied about it.

Sylvia also is charged with embezzling money in 2007 and 2008 from accounts containing residents' personal funds at Haven Health Center of Jewett City, Norwich, Waterford and West Haven. Authorities did not disclose the amount, but an affidavit cites thousands of dollars.

"This alleged conduct was discovered during a larger investigation of the operation of Haven Healthcare," said acting U.S. Attorney Nora Dannehy. "As part of our obligation to ensure that health care funds are properly accounted for and spent, our investigation is continuing."

Haven Healthcare filed for bankruptcy in 2007 following a series of stories in The Courant that detailed the chain's mounting debt problems and repeated citations for deficient patient care.

The company has denied the allegations.

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testimony in court, denied her forgery to Federal agents, and embezzled trust account funds belonging to nursing home residents, and Boccacio misled Federal agents when questioned during a health care fraud investigation.



Michael Sorrentino, a former Section 8 tenant at Belmont Shelter, a HUD-subsidized multifamily housing agency, pled guilty in U.S. District Court, **Buffalo, NY**, to using the identity of another. Sorrentino diverted \$15,042 in housing assistance payments from his Section 8 landlord to himself and used his landlord's identity to fraudulently acquire credit.



Chapter 4

Community Planning and Development Programs



The Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 8, page 132).

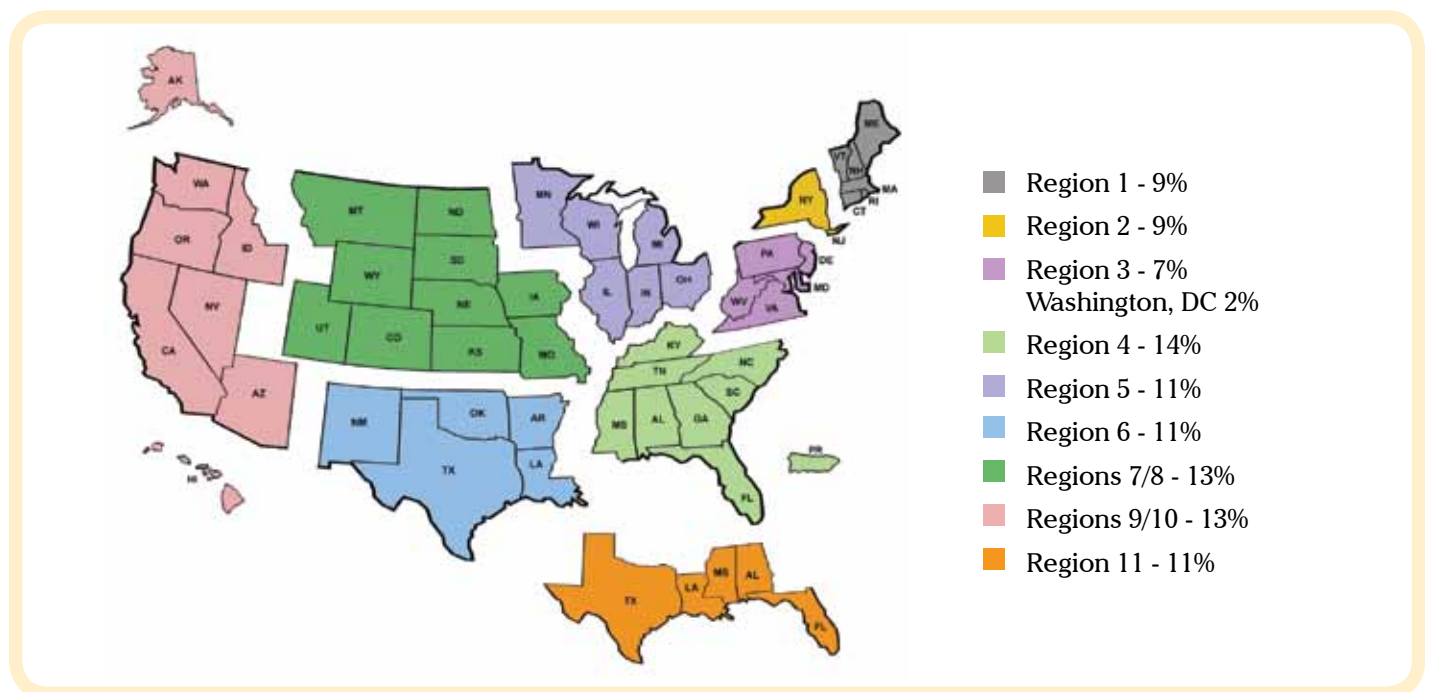
Audit

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	45 audits ¹	\$58.9 million	\$180.5 million
Our focus	Page 67 Page 70 Page 74 Page 74 Page 74	<ul style="list-style-type: none"> Community Development Block Grant programs HOME Investment Partnerships program Neighborhood Initiative grants Neighborhood Stabilization Program Housing Opportunities for Persons with AIDS 	

¹The total CPD audits, questioned costs, and funds put to better use amounts include all American Recovery and Reinvestment Act of 2009 (13 audits) and disaster recovery (seven audits) type audits conducted in the CPD area. The write-ups for these audits are shown separately in chapters 5 and 6 of this semiannual report.

Chart 4.1: Percentage of OIG community planning and development audit reports during this reporting period



OIG audited the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships Program (HOME), Neighborhood Initiative grants, the Neighborhood Stabilization Program (NSP), and Housing Opportunities for Persons with AIDS (HOPWA). While OIG's objectives varied by auditee, the majority of the reviews were to determine whether the grant funds were administered for eligible activities and that the auditee met program objectives. The following section illustrates the audits conducted in the CPD area.

Community Development Block Grant Programs

HUD OIG audited the CDBG program administered by the City of **Miami, FL**, and found that the City did not administer its CDBG program in accordance with applicable HUD requirements. It did not meet national objectives for its commercial façade program. As a result, it had no assurance that more than \$4.1 million in expended CDBG funds achieved the intended national objective or met program requirements. In addition, the City did not properly allocate salary expenditures to its CDBG program or maintain adequate supporting documentation demonstrating that employees worked in the program. As a result, it improperly allocated more than \$690,000 to the program. The City also did not accurately report CDBG financial information to HUD in accordance with Federal requirements. It inaccurately reported administrative/planning costs for program year 2006 and failed to report nearly \$266,000 in reprogrammed CDBG funds to HUD. As a result, there was a lack of assurance that the City reported accurate CDBG financial information to HUD in accordance with HUD regulations.

OIG recommended that HUD require the City to (1) provide documentation to support that CDBG program requirements were followed and the intended national objective was met for two commercial façade activities or reimburse its program from non-Federal funds, (2) reimburse its program from non-Federal funds for unsupported salary expenditures, and (3) provide documentation to support the reprogrammed funds or reimburse its program from non-Federal funds for canceled CDBG activities for which funds were reprogrammed. (Audit Report: **2009-AT-1011**)



HUD OIG audited the CDBG program administered by **Miami-Dade County, FL**, and found that the County did not administer its CDBG program in accordance with applicable HUD requirements. It did not comply with HUD requirements in meeting national objectives and performance goals and failed to recapture CDBG funds for canceled activities that did not meet a national objective. In addition, the County did not accurately report CDBG financial and program information to HUD in accordance with Federal requirements. It failed to report CDBG program income for four activities, inaccurately reported program income for 2007, and inaccurately reported the status and accomplishments of CDBG activities to HUD.

OIG recommended that HUD require the County to (1) provide documentation to support that CDBG program requirements were followed and national objectives and performance goals were met for eight activities or reimburse its program \$4 million from non-Federal funds and (2) recapture more than \$649,000 expended for eight activities that had been canceled. In addition, HUD should require the County to (1) ensure that CDBG program income is properly reported for four activities and (2) implement and enforce written policies and procedures to ensure effective performance and compliance with HUD regulations for meeting CDBG national objectives and performance goals and reporting program information and income to HUD. (Audit Report: **2009-AT-1008**)



HUD OIG audited **Adams County, CO's** CDBG program administered by its Community and Economic

Opportunity Department and found that the Department did not have adequate controls over its CDBG funds. Specifically, it did not (1) have written policies and procedures for the administration of its CDBG funds, (2) monitor the use of the funds, (3) maintain documentation showing that its activities met national objectives, (4) compare disbursement requests to existing contracts to ensure that CDBG funds were spent in accordance with the contract, and (5) have a process in place to eliminate known conflicts of interest. As a result, Adams County spent more than \$1.2 million on ineligible CDBG activities, awarded nearly \$308,000 in CDBG funds without amending its written agreements with the subrecipients, and did not ensure that more than \$1.6 million in CDBG activities met a national objective.

OIG recommended that HUD ensure that Adams County (1) reimburses its CDBG funds from non-Federal funds for any ineligible expenditures, (2) provides supporting documentation showing that the CDBG funds met a national objective, (3) implements an acceptable internal control structure by preparing and implementing effective policies and procedures, and (4) receives technical assistance from HUD to ensure compliance. (Audit Report: **2009-DE-1005**)



HUD OIG audited the City of **Rome, NY**'s administration of its economic development activity, known as General Cable, under its CDBG program and found that the City did not always carry out its activities effectively, efficiently, and economically in compliance with HUD regulations. Further, it expended CDBG funds for an activity that did not meet a national objective of the program. Specifically, the City failed to (1) develop a plan to ensure that the required job creation goal would be achieved, (2) adequately address known concerns about the activity's progress, and (3) maintain adequate supporting documentation. As a result, no jobs were created, and there was no assurance that activity costs were necessary, reasonable, and in accordance with Federal regulations. Consequently, the City did not use CDBG funds to address community needs.

OIG recommended that HUD instruct the City to (1) implement procedures and controls to ensure that funded economic development activities are feasible and can be completed in a timely manner to meet a national objective of the CDBG program, (2) establish a schedule for documenting completion of the activity and the jobs retained and/or created at the site, and (3) reimburse HUD any portion of the more than \$2.95 million in CDBG funds expended on the activity for costs that do not qualify as meeting the job creation requirement. (Audit Report: **2009-NY-1012**)



HUD OIG audited the CDBG program administration of the Union County Consortium in **Elizabeth, NJ**, and found that the County did not always disburse CDBG funds in accordance with regulations, maintain a financial management system that always safeguarded funds, or establish sufficient controls to ensure that program activities were properly administered and complied with CDBG national objectives. Specifically, the County (1) drew down CDBG funds instead of first using available program income, (2) transferred program income and CDBG funds for non-CDBG uses, (3) used program income for unsupported items, (4) inadequately recorded and reported program income, and (5) inadequately monitored its consultant.

OIG recommended that HUD instruct the County to (1) establish controls to ensure that available program income is used before drawing down funds from HUD's line of credit, (2) reimburse the program income account nearly \$464,000 from non-Federal sources if the County cannot provide supporting documentation, (3) implement policies and procedures to ensure that program income is accurately recorded and reported, and (4) instruct its consultant to remit nearly \$32,000 to the County to be put back into the County's line of credit since the funds were not disbursed. (Audit Report: **2009-NY-1010**)



HUD OIG audited the City of **Thornton, CO**'s CDBG program and found that the City did not maintain sufficient records demonstrating that each CDBG activity met a national objective. Of the 10 CDBG projects reviewed, the City sufficiently documented that five of the projects met a national objective. However, for four projects that the City certified met the national objective based on area benefit, it did not identify the specific area to be benefited by the activity, document that at least 51 percent of the residents in the area were low- and moderate-income persons, or document that the area was primarily residential. For the remaining project, it did not certify what national objective the project would meet or document that a national objective was ultimately met.

OIG recommended that HUD require the City to (1) provide documentation supporting that the five CDBG projects met a national objective and (2) establish and implement effective policies and procedures to ensure that it maintains adequate documentation to support compliance with the CDBG national objective requirements. (Audit Report: **2009-DE-1004**)



HUD OIG audited the City of **Little Falls, NY**'s Small Cities CDBG and HOME programs administered by its Urban Renewal Agency (URA) and found that the City and its URA did not comply with HUD requirements while administering the programs. Although the City and its URA are attempting to correct deficiencies that exist within their HUD-funded programs, the City's books and records could not be relied upon to provide current or accurate data and were, therefore, not auditable.

OIG recommended that HUD instruct the State of New York's Office of Community Renewal and Housing Trust Corporation to (1) coordinate its efforts to conduct a comprehensive monitoring of the City and its URA to ensure that they adequately administer the City's HUD-funded Small Cities CDBG grants and HOME program in compliance with applicable HUD and State of New York requirements; (2) fully reconcile the sources and uses of all grant funds for each CDBG and HOME project and cash account that it administers and develop procedures to ensure that the appropriate cash accounts are used for grant income and expense transactions; (3) account for, reconcile, and report on all program income transactions; (4) develop administrative control procedures to ensure compliance with all HOME program disbursement and reporting requirements; and (5) establish procedures to ensure the proper monitoring and maintenance of CDBG and HOME program activity files. (Audit Report: **2009-NY-1801**)



HUD OIG audited HUD's monitoring of its CDBG program grantees under the jurisdiction of the **Philadelphia, PA, and Baltimore, MD**, CPD field offices and found that the Philadelphia and Baltimore CPD field offices did not adequately document their monitoring of CDBG program grantees. Specifically, the field offices did not always maintain documentation to demonstrate that their monitoring was complete and did not always notify grantees of the findings and concerns identified during on-site monitoring within the required time limit.

OIG recommended that HUD reemphasize to field office staff the importance of following established monitoring procedures, specifically to ensure that (1) all correspondence, documentation, and work papers relating to monitoring and conclusions are maintained in the official monitoring files; (2) monitoring officials use the required monitoring exhibits; (3) monitoring officials answer all of the questions and fill in all of the text boxes in the monitoring exhibits; and (4) staffs prepare and send notification of the monitoring results to the grantees within the required 45-day time limit. In addition, OIG recommended that HUD develop and implement a written quality assurance procedure and/or mechanism to ensure that monitoring conclusions are appropriately supported by complete documentation and that monitoring letters are submitted to grantees within the 45-day requirement. (Audit Report: **2009-PH-0002**)

HOME Investment Partnerships Program

HUD OIG audited HUD's HOME program and found that HUD needs to improve efforts to require participating jurisdictions to cancel more than \$62 million in HOME fund balances for open activities that were committed more than 5 years ago. The prolonged delay or failure to cancel the fund balances caused an overstatement of commitments in HUD's Integrated Disbursement and Information System (IDIS), which prevented the accurate identification of funds that were subject to recapture by HUD or the United States Treasury. In addition to the excessive fund balances, OIG questioned the eligibility of more than \$11.6 million disbursed to participating jurisdictions for activities that were more than 5 years old, showed evidence of stalled performance, and may have warranted classification as terminated activities.

Participating jurisdictions made more than \$20.9 million in incorrect commitment entries into IDIS. The inaccuracies undermined the integrity of IDIS and reports generated from it. HUD did not routinely monitor the accuracy of commitments that participating jurisdictions entered into IDIS, nor did it require participating jurisdictions to implement adequate internal controls over commitments that they entered into IDIS. The significant inaccuracies bring into question the reliability of commitments that other participating jurisdictions entered into IDIS.

HUD used a cumulative technique for assessing deadline compliance and a first-in first-out method for HOME commitments and expenditures that conflicted with statutory requirements to identify HOME commitments and expenditures by the program funding year to which they relate. These practices contributed to the old activities remaining open. HUD would have recaptured the funds due to the missed 5-year disbursement requirement were it not for the cumulative technique. The first-in first-out method contributed to misclassification of funds in HUD's financial system that are subject to recapture by HUD or the United States Treasury pursuant to a separate statutory deadline.

OIG recommended that HUD (1) identify which of the old open activities have been completed or terminated, cancel those balances, recapture shortfalls generated by the cancellations, and require repayment for HOME expenditures on terminated activities; (2) implement procedures to ensure that field offices monitor the accuracy of future commitments that participating jurisdictions enter into IDIS and provide technical assistance to participating jurisdictions regarding what constitutes acceptable documentation for commitments; (3) require participating jurisdictions to close out old HOME activities as appropriate, reallocate remaining balances for future HOME projects in a timely manner, and establish and implement adequate internal controls over commitments they enter into IDIS; and (4) obtain a formal legal opinion and revise its regulations to ensure that its procedures for assessing compliance with commitment and expenditure requirements are consistent with statutory requirements. (Audit Report: **2009-AT-0001**)



HUD OIG audited HUD's oversight of HOME program income (including recaptured program funds) and found that HUD did not ensure that participating jurisdictions complied with HUD's requirements in their use of program income and properly reported program income in IDIS. At least 29 of the 45 participating jurisdictions reviewed inappropriately drew down more than \$79.4 million in program funds from their HOME trust fund treasury accounts from January 1, 2007, through December 31, 2008, when they had available program income. Of the 29 participating jurisdictions, 26 had more than \$39.6 million in available program income as of December 31, 2008, associated with their inappropriate drawdowns of program funds. In addition, at least 38 of the participating jurisdictions did not report program income in IDIS accurately and/or in a timely manner from January 1, 2007, through December 31, 2008.

OIG recommended that HUD ensure that the 26 participating jurisdictions disburse the available program income as of December 31, 2008, for eligible housing activities and/or administrative costs before drawing

down program funds from their treasury accounts, as appropriate, and implement adequate procedures and controls to address the findings cited. (Audit Report: **2009-CH-0002**)



HUD OIG audited the HOME program administered by the City of **Boston, MA**'s Department of Neighborhood Development and found that the Department (1) awarded community housing development organization (CHDO) set-aside funding totaling more than \$4.7 million to 18 organizations that did not meet all legal and organizational characteristics of CHDOs or did not have the required capacity to operate as CHDOs; (2) provided more than \$2.1 million in CHDO operating funds to the 18 ineligible organizations; and (3) did not ensure that proper, fair, and equitable procurement practices were followed for more than \$5.1 million in HOME funding expended on construction and development work.

In addition, the Department (1) could not ensure that payroll costs of more than \$1.7 million charged to the HOME program for fiscal years 2007 and 2008 were accurate and (2) did not maintain a cost allocation plan and used an allocation method based, for the most part, on estimates or past experience. As a result, some of its programs may have incurred a disproportionate share of staffing costs, while some local City programs were not charged.

OIG recommended that HUD require the Department to (1) cease spending set-aside and operating expense funding until it can be determined whether the organizations can achieve CHDO status in accordance with HUD regulations and (2) assist the organizations in achieving CHDO status as deemed necessary. OIG also recommended that the City (1) deobligate unexpended set-aside funding of more than \$3.9 million and provide funding to organizations that are eligible to receive the funding or reimburse funds to the HOME program, (2) reimburse approximately \$800,000 expended from set-aside funds from non-Federal funds to the HOME program, (3) deobligate unexpended operating funds of approximately \$1 million and reimburse these funds to the HOME program, and (4) reimburse expended operating funds of more than \$1 million from non-Federal funds to the HOME program.

In addition, OIG recommended that HUD require the Department to (1) conduct an independent cost analysis for each of the procurements to ensure that HOME program expenditures were reasonable and supported and reimburse the HOME program from non-Federal funds for unsupported amounts; (2) monitor and provide technical assistance to ensure that developers follow HUD procurement regulations; (3) implement a cost allocation plan that adequately describes the process for personnel who work on multiple programs; (4) revise its job descriptions so that they are consistent with the allocation plan; and (5) provide supporting documentation for payroll costs charged to the HOME program in fiscal years 2007 and 2008, submit documentation to HUD for approval, and reimburse the HOME program from non-Federal funds for any unsupported costs. (Audit Report: **2009-BO-1011**)



HUD OIG audited the City of **Los Angeles, CA**, Housing Department's administration of the HOME program and found that the City improperly allocated HOME funds for the Buckingham Place project to its subrecipient without adequate controls in place to ensure that program requirements were met.

OIG recommended that HUD require the City to (1) provide documentation supporting the eligibility of an \$8.5 million investment of HOME funds for its proposal to complete one partially completed building and have it ready for occupancy within two years or repay the funds from non-Federal sources and (2) establish and implement written procedures for projects administered by its subrecipients that are not processed through its Affordable Housing Trust Fund Unit. (Audit Report: **2009-LA-1011**)



HUD OIG audited the City of **Atlanta, GA**'s HOME program and found that the City did not comply with HUD requirements for committing HOME funds within the 24-month statutory deadline. The audit identified more than \$6.8 million in incorrect commitment entries that the City made to IDIS. The incorrect entries masked a shortfall of more than \$3.9 million that is subject to recapture by HUD. The recaptures will deprive City residents of services that the HOME program was intended to provide. The incorrect commitments also undermined the integrity of IDIS and of reports HUD generated from it to monitor the City's compliance with the 24-month statutory commitment requirement.

OIG recommended that HUD recapture the funds not committed by the 24-month statutory deadline and require the City to (1) implement controls to ensure that future HOME funds are committed by the required deadline, (2) monitor commitments entered into IDIS, and (3) take appropriate action to promptly correct detected violations. (Audit Report: **2009-AT-1013**)



HUD OIG audited the City of **Flint, MI**'s HOME program and found that the City did not effectively commit and disburse HOME funds. It (1) inappropriately reported in IDIS at least \$2.5 million in HOME funds as subgrants, (2) did not cancel subgrants in IDIS totaling \$400,000 in HOME funds, (3) did not reduce a subgrant in IDIS by nearly \$1,000 in HOME funds, and (4) could not provide written agreements supporting nearly \$141,000 in subgrants in IDIS. As a result, the City must commit nearly \$870,000 in HOME funds for eligible subgrants and/or activities by September 30, 2009.

The City also inappropriately drew down and disbursed more than \$1 million in HOME funds that were not used for eligible costs for more than 15 days after the City drew down the funds from its HOME trust fund treasury account and/or HUD's 5-year disbursement deadlines as of July 31, 2007, and June 30, 2008. As a result of the inappropriate drawdowns and disbursements, the City avoided not meeting HUD's 5-year disbursement deadlines and losing more than \$499,000 in HOME funds.

OIG recommended that HUD reduce the City's line of credit in its treasury account for the HOME funds that the City did not appropriately commit by HUD's 24-month commitment deadline and draw down and disburse by HUD's 5-year disbursement deadlines and require the City to (1) cancel incorrect subgrants in IDIS totaling more than \$1.5 million in HOME funds, (2) provide written agreements supporting subgrants or decommit the HOME funds in IDIS, (3) reduce subgrants by more than \$30,000 in HOME funds, and (4) implement adequate procedures and controls to address the findings cited. These procedures and controls should help to ensure that HOME funds are committed and disbursed in accordance with Federal requirements and the City does not lose more than \$730,000 in HOME funds over the next month. (Audit Report: **2009-CH-1020**)



HUD OIG audited the City of **Holyoke, MA**, Office of Community Development's award and use of HOME program set-aside funds for CHDO project activities carried out by Contemporary Apartments and Olde Holyoke Development Corporation and found that the City awarded more than \$1.7 million in HOME program CHDO set-aside funds to Contemporary Apartments, which was not eligible to receive set-aside funds. The City certified Contemporary Apartments as a CHDO and provided set-aside funds for three homeownership projects. As a result, the City significantly overstated the HOME set-aside funds recorded in HUD's financial reporting systems for fiscal years 2006, 2007, and 2008. Also, due to the overstatement of reserved and expended set-aside funds, the City will not meet the statutory 15 percent spending requirement, totaling \$501,000, for set-aside funds unless other qualifying projects can be identified and funded.

OIG recommended that HUD require the City to (1) deobligate the HOME set-aside funds awarded to Contemporary Apartments for the three ineligible projects and reduce the amount of set-aside funds reported in HUD financial systems accordingly; (2) ensure that the Regional Consortium, of which the City of Holyoke

is a member, has designated development projects for fiscal years 2006 through 2008 sufficient to meet the statutory requirement of nearly \$501,000 in HOME set-aside funds for CHDOs; and (3) develop and implement controls to ensure that only eligible entities are certified as CHDOs and related HOME set-aside spending amounts are appropriately awarded and reported in the future. (Audit Report: **2009-BO-1008**)



HUD OIG audited the City of **East Cleveland, OH**'s use of HOME and CDBG program funds and found that the City did not effectively administer its HOME and CDBG programs. It (1) lacked documentation to support its use of nearly \$444,000 in HOME funds for 12 rehabilitation projects and four financing activities, (2) inappropriately disbursed nearly \$60,000 in HOME funds for a rehabilitation project that did not meet HUD's property standards requirements and had unused prepurchased construction materials for three organization projects, (3) and provided nearly \$97,000 and committed more than \$24,000 in HOME funds for an improper organization project.

The City also failed to disburse CDBG funds drawn down from its line of credit within a reasonable number of days and lacked documentation to support that it used CDBG funds for appropriate expenses. As a result, HUD lost more than \$4,000 in interest on the more than \$183,000 in CDBG funds that the City failed to disburse within a reasonable number of days, and the City was unable to support its use of nearly \$5,000 in CDBG funds for eligible costs.

OIG recommended that HUD require the City to (1) provide documentation or reimburse its HOME and CDBG programs from non-Federal funds for the unsupported payments, (2) reimburse its HOME and CDBG programs from non-Federal funds for the improper use of funds, (3) decommit the HOME funds inappropriately committed for a CHDO project, (4) disburse or reimburse HUD for the CDBG funds not disbursed, (5) reimburse HUD from non-Federal funds for the interest HUD lost on the CDBG funds that the City failed to disburse within a reasonable number of days of being drawn down from its line of credit, and (6) implement adequate procedures and controls to address the findings cited. (Audit Report: **2009-CH-1008**)



HUD OIG reviewed the City of **Oakland, CA**'s HOME program and found that the City did not always administer its HOME program in accordance with Federal requirements and its own policies and procedures. Specifically, it did not follow HUD and Office of Management and Budget requirements and its own policies for (1) initial cost estimates, (2) rehabilitation standards, (3) income determinations, and (4) IDIS entries. As a result, the City did not fulfill all of its responsibilities as a HOME participating jurisdiction, more than \$286,000 was not available for eligible projects and activities, and more than \$118,000 in HOME expenditures was not supported.

OIG recommended that HUD require the City to (1) repay HUD more than \$286,000 or bring the homeowners' properties up to all applicable rehabilitation standards, (2) support or repay HUD more than \$118,000 in unsupported costs, (3) follow its own policies and procedures for initial cost estimates, and (4) establish adequate policies and procedures for income determinations and IDIS entries. (Audit Report: **2009-LA-1013**)



HUD OIG audited the HOME program of the City of **Kansas City, KS**, and found that the City did not obtain adequate environmental reviews, improperly awarded HOME construction projects, improperly charged employee costs to the HOME program, and allowed contracts that did not include required provisions. In addition, the City did not verify the eligibility of CHDOs before awarding them HOME funds, nor did it spend program income and recaptured funds before drawing down additional funds.

OIG recommended that HUD require the City to properly support or repay to its HOME program more than \$400,000 in unsupported costs; repay more than \$17,500 in ineligible costs; and obtain environmental review, procurement, contract content, and CHDO eligibility training. (Audit Report: **2009-KC-1006**)



HUD OIG audited the City of **Augusta, GA**'s HOME program and found that the City did not comply with the HOME requirements for performing its monitoring and follow-up reviews or have sufficient documentation to support that required reviews were conducted. In addition, it did not properly monitor the use of its CHDOs' proceeds. The City did not implement its procedures to ensure that the required monitoring and follow-up reviews were performed and documented. Also, City officials did not follow and enforce program monitoring requirements. HUD lacked assurance that HOME funds were spent for activities that were administered in compliance with program requirements, and CHDOs' proceeds and more than \$105,000 in grant funds were used for eligible program costs.

OIG recommended that HUD require the City to (1) properly support or repay more than \$105,000 in questioned costs because of program violations and (2) establish and implement proper controls and procedures to ensure compliance with all program requirements. (Audit Report: **2009-AT-1005**)

Neighborhood Initiative Grants

HUD OIG audited Grace Hill Neighborhood Health Centers in **St Louis, MO**, and found that Grace Hill charged unsupported salary and benefit costs and improperly charged computer support expenses as direct costs to its grants. As a result, it charged more than \$3.2 million in unsupported payroll expenses to the grants and received nearly \$197,000 more than allowable from the grants.

OIG recommended that HUD require Grace Hill to (1) design and implement a process to track actual staff hours, base future drawdown requests on actual activity, and provide documentation to support salary and benefits charged to the grants or reimburse the grants from non-Federal sources for costs that it cannot adequately support and (2) review the direct and indirect costs, certify that no other duplications have occurred, and strengthen the review process by training the reviewer on what is included in the indirect cost rate. (Audit Report: **2009-KC-1008**)

Neighborhood Stabilization Program

HUD OIG audited the **State of Washington**'s NSP and found that the State's NSP implementation was generally compliant with HUD requirements. However, the distribution was not entirely based on greatest need. As a result, some communities received excessive allocations, while others that had a greater need did not receive an allocation.

OIG recommended that HUD ensure that the State (1) awards funds to subrecipients that were not funded or were underfunded so that these funds will be used for communities that had a greater need than some of the communities that received funding and (2) fully understands external data before using it to make future allocations of funds. (Audit Report: **2009-SE-1802**)

Housing Opportunities for Persons with AIDS

HUD OIG audited the HOPWA program of the City of **Houston, TX**, and found that the City and its project sponsors generally complied with HOPWA grant requirements and HUD regulations. However, in violation of its HOPWA grant agreement, the City did not consistently monitor 15 of 18 project sponsors. The City's failure to monitor the project sponsors put \$7.5 million in HUD funds at risk.

OIG recommended that HUD require the City to (1) consistently monitor its project sponsors in compliance with its grant agreements and (2) ensure that project sponsors submit the required monthly and quarterly reports in a timely manner or enforce its grant agreements, including declaring breach and withholding funding, if the project sponsors fail to submit them. (Audit Report: **2009-FW-1011**)



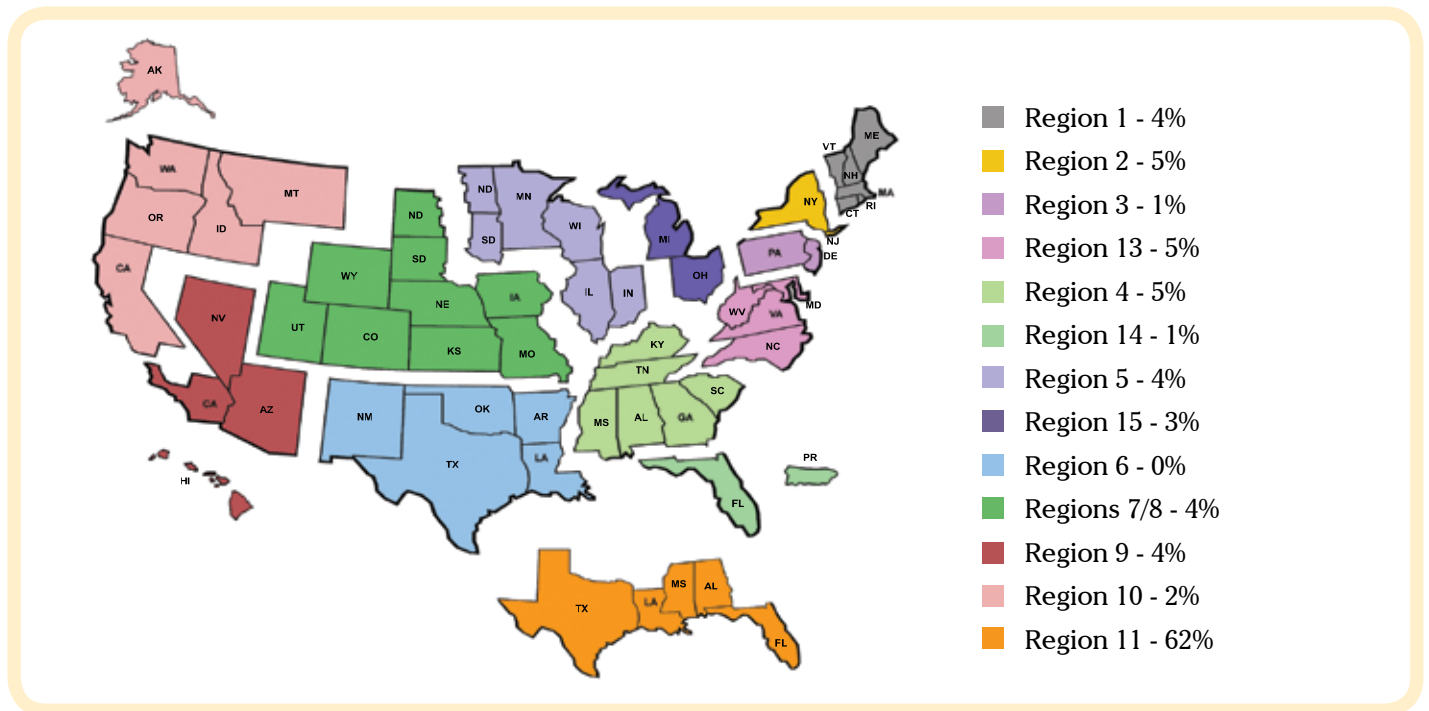
Investigations

Some investigations discussed in this report were generated from leads provided by HUD CPD program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	77	\$7,585,696	39	18
Our focus	Page 77 Page 79	<ul style="list-style-type: none"> • Theft/embezzlement • Other fraud/crimes 		

Chart 4.2: Percentage of OIG community planning and development closed investigation cases during this reporting period



Theft/Embezzlement

Linda Bevins, a former payroll supervisor at the Crotched Mountain Foundation (Crotched Mountain), an organization that receives HUD CDBG and Supportive Housing Program (SHP) funds, pled guilty in U.S. District Court, **Concord, NH**, to committing theft from a program receiving Federal funds. From June 2004 to August 2007, Bevins diverted and personally used about \$1.6 million in Crotched Mountain funds without authorization. New Hampshire civil default judgments in the amount of \$1.6 million were also individually awarded against Bevins and her daughter, Holly Sears.



Gordon Harlin, a former grant writer for Community of Family and Friends, a nonprofit organization that receives HUD SHP funds, pled guilty in U.S. District Court, **Fort Worth, TX**, to making false statements to a Federal agency and aiding and abetting. Harlin provided false documents that enabled Community of Family and Friends to fraudulently obtain more than \$1.1 million in SHP funds..



Joseph Giacalone and Daniel Robin, doing business as OK Industries, an organization that receives HUD CDBG funds, each pled “nolo contendere” in Seventh Circuit Court, **Flint, MI**, to committing larceny by conversion greater than \$20,000. Giacalone and Robin applied for and received about \$870,000 in CDBG funds to relocate their manufacturing business to an economically deprived area and expand their operations, but Giacalone and Robin allegedly failed to comply with HUD stipulations and defaulted on their loan. HUD recovered the funds by offsetting future City of Flint CDBG funding.



Henry Humphrey and Kevin Harris, the chief executive officer and treasurer of Shiloh Baptist Church Community Renewal Center, an organization that receives HUD CPD and other funds, were each indicted in U.S. District Court, **Louisville, KY**, for allegedly committing a conspiracy, embezzlement, wire fraud, and aiding and abetting. From 1998 to 2005, Humphrey and Harris allegedly diverted about \$500,000 in HUD funds to themselves.

Pastor indicted in HUD case

Humphrey, bookkeeper allegedly diverted funds for renovation of Maupin school

By Andrew Wolfson
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The Courier-Journal

The pastor of Shiloh Baptist Church and the church's bookkeeper have been indicted for allegedly diverting federal funds earmarked for the renovation of the old Maupin Elementary School into a community center.

A federal grand jury Wednesday returned an 11-count indictment against the Rev. Henry M. Humphrey and bookkeeper Kevin Harris on charges of conspiring to defraud the federal government.

Humphrey, who also was charged with soliciting and receiving an illegal kickback, was arraigned Thursday in U.S. District Court in Louisville and pleaded

not guilty.

Humphrey's attorney, Scott C. Cox, said he expects his client to continue his church duties as he fights the charges, which carry maximum prison sentences of 160 years and a fine of up to \$2.5 million.

Cox said he met Humphrey for the first time on Wednesday but had spoken to "quite a few people who have known him for a long time and say he is universally respected for the work he has done in the 30 years he has been pastor."

"I look forward to learning

more about the case," Cox said. Humphrey couldn't be reached for comment.

Harris also pleaded not guilty. His attorney, Brian C. Edwards, couldn't be reached for comment.

In 2008, U.S. Rep. John Yarmuth, D-3rd District, asked the De-

partment for Housing and Urban Development to audit the project's spending, including four congressional earmarks totaling \$1.2 million that were secured by Yarmuth's predecessor, Republican Anne Northup. Yarmuth said the money was wasted because the school was still boarded up.

Trey Pollard, a spokesman for Yarmuth, said he couldn't comment on the case because of the criminal charges.

Northup, who was endorsed by

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Frank Rose, the director of the Linden Neighborhood Preservation program, an organization that receives HUD CDBG and HOME funds; Anthony Rose, the former director of the Linden Department of Transportation and Parks; and Walter Zawacki, a partner in Zawacki Construction, were collectively sentenced in U.S. District Court, **Newark, NJ**, to 60 months incarceration and 108 months probation and ordered to pay HUD \$281,148 in restitution for their earlier guilty pleas to committing mail fraud or filing a false Federal income tax return. From January 1998 to October 2007, Frank Rose accepted bribes from Zawacki and others in exchange for more than \$5 million in Linden Neighborhood Preservation construction contracts, and Anthony Rose awarded more than \$1.3 million in construction and maintenance contracts to companies he owned.



Barbara Alvarado, a former bookkeeper for the Los Angeles House of Ruth (House of Ruth), a homeless and domestic violence shelter that receives HUD SHP funds, was sentenced in U.S. District Court, **Los Angeles, CA**, to 1 year incarceration, 1 year home detention, and 3 years probation and ordered to pay House of Ruth \$138,370 in restitution for her earlier guilty plea to committing misapplication of property from an organization receiving Federal funds. Alvarado altered House of Ruth accounting records and victim funding requests and fraudulently obtained and personally used \$238,000 in House of Ruth funds.



Jubilee Restoration, Inc. (Jubilee), a nonprofit organization that receives HUD SHP funds, was sentenced in U.S. District Court, **Oakland, CA**, to 5 years probation and ordered to pay HUD \$177,381 in restitution for its earlier guilty plea to submitting fraudulent claims to HUD. From 2002 through 2004, Jubilee submitted \$199,476 in fraudulent claims for fictitious or previously paid homeless youth counseling services.



Yvette Crayton, a grant-writing consultant for the Shiloh Community Renewal Center (Shiloh Community), an organization that receives HUD CPD funds, pled guilty in U.S. District Court, **Louisville, KY**, to making false statements and committing embezzlement and a conspiracy. From 2001 to 2005, Crayton and others diverted about \$120,000 in Shiloh Community rehabilitation and construction funds earmarked for a senior living center.



Phyllis Rawley, the former executive director of the El Paso Empowerment Zone, a nonprofit organization that receives HUD Empowerment Zones and Rural Housing and Economic Development (Rural Housing) program funds, was indicted in U.S. District Court, **El Paso, TX**, for allegedly committing theft of HUD funds and wire fraud. From August 2004 to November 2006, Rawley allegedly embezzled \$116,675 in Rural Housing funds when she received duplicate payments for the same expenses she charged to different grants.



Danny Davis, a former Community Planning and Homeowner Rehabilitation program administrator for Johnson City, a municipality that receives HUD CDBG funds, was indicted in Washington County District Court, **Johnson City, TN**, for allegedly committing theft, money laundering, forgery, and official misconduct. From March 2003 to June 2007, Davis allegedly created a shell company, awarded housing rehabilitation contracts to himself, and fraudulently obtained more than \$60,000 in HUD funds.



Christine Baker, the former executive director of the South Elyria Neighborhood Development Corporation (South Elyria), an organization that receives HUD CDBG funds, was indicted in U.S. District Court, **Cleveland, OH**, for allegedly making false statements and committing embezzlement, theft of government funds, and credit card fraud. Baker allegedly embezzled \$59,857 in South Elyria funds, failed to report her South Elyria and other income on U.S. Department of Agriculture (USDA) certifications, and obtained \$44,271 in USDA benefits she was not entitled to receive.



Dawn Monteneri, a former bookkeeper for Support Ministries, Inc., an organization that receives HUD CDBG, Emergency Shelter Grant, and other funding, was indicted in Albany County Court, **Albany, NY**, for allegedly committing grand larceny and filing false business documents. Monteneri allegedly diverted and personally used \$56,000 in Support Ministries' funds.



William Redden, a former building and construction inspector for the City of Rochester, a municipality that receives HUD CDBG funds, pled guilty in U.S. District Court, **Rochester, NY**, to committing bribery. Between 2003 and 2008, Redden accepted between \$8,000 and \$10,000 from previously indicted Michael Cenzi and others in exchange for Rochester demolition contracts.



Anthony Saccomanno, the former director of the Cherry Hill Department of Code Enforcement and Inspections (Cherry Hill), an organization that receives HUD CDBG funds, and Russell McLaughlin, Jr., the former president of Building Inspections Underwriters, Inc. (Building Inspections), each pled guilty in U.S. District Court, **Newark, NJ**, to committing mail fraud or giving and offering a bribe. In November 2007, Saccomanno caused a letter to be mailed when he accepted money from a Building Inspections representative, and McLaughlin paid about \$5,000 to Saccomanno in return for \$240,000 in Cherry Hill contracts. HUD losses are not yet determined.

Other Fraud/Crimes

Neil Goldstein was indicted in New York Superior Court, **Manhattan, NY**, for allegedly falsifying business records; Riad Khalil was arrested after his indictment for allegedly falsifying business records and committing banking violations; and Charles Goldberg, the owner of multiple check cashing companies, pled guilty to falsifying business records. Goldstein and Khalil allegedly and Goldberg admittedly obtained and negotiated about \$40 million in checks payable to the John Galt Corporation (John Galt), Regional Scaffolding & Hoisting (Regional Scaffolding), and other organizations to avoid filing New York currency transaction reports. The checks to John Galt, Regional Scaffolding, and other organizations were payments from the Lower Manhattan Development Corporation, an organization that received HUD CDBG Disaster Recovery Assistance funds for demolition of the Deutsche Bank building, a building damaged during the September 11, 2001, terrorist attacks



Janei Walker, a Buffalo Urban Renewal Agency (Urban Renewal) CDBG recipient, pled guilty in U.S. District Court, **Buffalo, NY**, to making false statements. Walker failed to report income or an accurate marital status on her lead abatement application and fraudulently obtained \$16,960 in CDBG funds she was not entitled to receive.



Heather Little, a former employee of the Columbus House, a homeless shelter that receives HUD CDBG and Emergency Shelter Grant funds, was sentenced in U.S. District Court, **Bridgeport, CT**, to 6 months home confinement and 5 years probation for her earlier guilty plea to possession of stolen mail. Little and others stole, altered, and negotiated U.S. Treasury checks delivered to the Columbus House.



Inspections and Evaluations

Inspection of Whether Duplicate Rental Assistance Payments Were Made to HUD Grant Recipient

HUD OIG completed an inspection to determine whether recipients of rental assistance payments under HUD's CPD programs also received rental assistance subsidies from HUD's Section 8 housing programs. The inspection was limited to rental assistance payments made under two HUD homeless grant programs—Shelter Plus Care (S+C) and SHP—during 2008 to grantees/sponsors in the New York downstate area. The five grants reviewed (two S+C grantees and one SHP grantee) accounted for the disbursement of approximately \$660,000 in rental assistance funds on behalf of 123 individuals.

The inspection disclosed no instances of duplication of rental assistance payments made using both CPD funds and Section 8 funds. However, CPD grantees administering the programs were not consistent in their approach to enforcing the prohibition against such duplications. Also, we identified one instance in which rental assistance payments continued for an individual after the person moved out.

OIG recommended that CPD provide clear guidance and technical support to its grantees to ensure that they fully understand their responsibilities to enforce Federal regulations designed to prevent duplicate payment of rental assistance subsidies. Specifically, CPD should follow up with a grantee, when a potential overpayment of rental assistance is identified, and direct the grantee to take appropriate measures to recapture the funds. (I&E Report: **IED09 004**)



Chapter 5

American Recovery and Reinvestment Act of 2009



Introduction and Background

The United States Department of Housing and Urban Development (HUD) has received \$13.61 billion in funding under the American Recovery and Reinvestment Act of 2009 (ARRA) in several housing program areas. Table 1 shows the HUD program areas receiving funding and the amounts appropriated to each program.

Table 1: HUD programs receiving ARRA funding

Program	Area	Funding amount
Office of Public and Indian Housing	• Public Housing Capital Fund	\$4,000,000,000
	• Native American Housing Block Grant	\$510,000,000
Office of Community Planning and Development	• Community Development Block Grant	\$1,000,000,000
	• Neighborhood Stabilization Program	\$2,000,000,000
	• HOME Investment Partnerships Program-Tax Credit Assistance Program	\$2,250,000,000
	• Homelessness Prevention Fund	\$1,500,000,000
Office of Multifamily Housing	• Assisted Housing Stability Grant	\$2,000,000,000
	• Green Retrofit Grant	\$250,000,000
Office of Healthy Homes and Lead Hazard Control	• Lead Hazard Reduction Demonstration Program	\$100,000,000
Total		\$ 13,610,000,000

ARRA also provided \$15 million to the HUD Office of Inspector General (OIG). This funding will remain available until September 2013. The purpose of the funding is for “oversight and audit of programs, grants, and activities funded by this Act and administered by the Department of Housing and Urban Development.”

Through its audit and investigative programs, HUD OIG will constantly tailor and adjust its short- and long-term activities for timely and effective oversight of the ARRA funds expended by HUD programs. OIG’s plan will be adjusted as the HUD programs develop plans and distribute their ARRA funds. OIG will step up outreach and training efforts for the prevention of fraud, waste, and abuse to the Department and recipients of ARRA funds.



Office of Audit Activities

The Office of Audit has initiated a three-phased approach to conducting related audit work. The actions it has taken and plans to take will help position it to meet the increased workload under ARRA and protect the Federal investment over the long term.

The Office of Audit’s overall oversight objectives for HUD funding under ARRA are to determine whether

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes, and instances of fraud, waste, error, and abuse are mitigated;
- Projects funded under ARRA avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

HUD OIG reviewed HUD’s front-end risk assessments (FERA) for eight of the nine program areas. In addition, OIG audited HUD’s formula allocation dictated in ARRA for the Public Housing Capital Fund, Community Development Block Grants (CDBG), the Homelessness Prevention Fund, Native American Housing Block Grants, and the HOME Investment Partnerships Program (HOME). HUD OIG has also audited the information system HUD is using to consolidate its ARRA reporting, the Recovery Act Management and Reporting System (RAMPS).

Another focus of OIG’s reviews to date has been to assess the administrative capacity of selected grantees to effectively administer ARRA funds. To date, a relatively small portion of HUD’s ARRA funds has been expended by the grantees. In future periods, OIG’s audit emphasis will shift from these capacity assessments to audits of grantee expenditures. OIG will also focus on HUD’s oversight activities.

The following section demonstrates the audit work that has been completed since the initiation of ARRA in February 2009.

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	31 audits ¹	\$481,000	\$36.3 million
Our focus	<ul style="list-style-type: none"> Page 86 Page 86 Page 90 Page 92 Page 95 Page 95 Page 95 Page 96 	<ul style="list-style-type: none"> • Department-wide audits • Public Housing Capital Fund audits and reviews • Community Development Block Grant audits and reviews • Neighborhood Stabilization Program audits and reviews • Homelessness Prevention Fund audit • Multifamily Green Retrofit Program audit • Office of Healthy Homes and Lead Hazard Control audit • HOME Investment Partnerships Tax Credit Assistance Program audit 	

¹ The total ARRA-related audits consist of community planning and development, public and Indian housing, and other activity audits. The questioned costs and funds put to better use amounts relate only to ARRA-related costs.

In addition to the audits described in this chapter, HUD OIG, has conducted numerous outreach efforts (see chapter 8, page 137).

Department-Wide Audits

HUD OIG audited HUD's management procedures, practices, and controls related to RAMPS to assess HUD's compliance with reporting requirements under ARRA and to determine whether the RAMPS project team followed Federal and HUD's security requirements during the development of RAMPS.

HUD has taken the following actions to comply with the reporting requirements under ARRA: (1) worked with program offices and developers to identify and develop a process for meeting ARRA's National Environmental Policy Act (NEPA) and recipient reporting requirements, (2) conducted security categorization and vulnerability scans early in the system development process, and (3) developed business requirements and provided those requirements to the Office of Information Technology Security for review early in the system development process. However, HUD's effort to implement procedures, practices, and controls related to RAMPS did not fully meet the reporting requirements under ARRA. Specifically, HUD did not (1) meet the NEPA reporting requirements to ensure that NEPA data were reported to the public in a timely and accurate manner and (2) complete required security and privacy documents before or during the early phase of system development.

OIG recommended that HUD ensure that system owners (1) develop the system security plan and risk assessment early in the development process and (2) complete the privacy impact assessment for a new system before placing it into development and production. (Audit Report: **2009-DP-0008**)



HUD OIG audited HUD's formula-based allocations related to five programs funded under ARRA to satisfy the ARRA mandate that "every taxpayer dollar spent on economic recovery be subject to unprecedented levels of transparency and accountability." OIG reviewed all five HUD programs with funds that were allocated based on a statutory formula. The five programs are the (1) Public Housing Capital Fund, (2) Native American Housing Block Grant, (3) Community Development Fund, (4) HOME program, and (5) Homelessness Prevention Fund.

HUD allocated the \$7.96 billion in formula-based grant funds in accordance with the requirements of ARRA for each of the five programs reviewed and properly calculated the amounts to be distributed to HUD recipients. As a result, OIG made no recommendations. (Audit Report: **2009-FO-0006**)

Public Housing Capital Fund Audits and Reviews

HUD OIG reviewed HUD's FERAs for the Public Housing Capital Fund formula and competitive grant programs funded under ARRA to determine whether HUD's FERAs of the programs complied with Office of Management and Budget (OMB) guidance for implementing ARRA and whether HUD's risk mitigation activities were adequate in relation to the assessed level of risk.

HUD's final FERAs for the Public Housing Capital Fund competitive and formula grant programs were in general compliance with OMB's guidance. The risk mitigation activities in the final FERAs were adequate in relation to the assessed level of risk, and OIG concerns regarding specific risk factors contained in the initial draft FERAs had been adequately addressed. As a result, no recommendations were made. (Audit Report: **2009-NY-0803**)



HUD OIG audited the Capital Fund Financing Program of the Puerto Rico Public Housing Administration in **San Juan, PR**, to determine whether (1) the authority obligated and expended the 2003 Financing Program funds in accordance with HUD requirements, (2) the authority's financial management system complied with program requirements, (3) the authority completed the proposed modernization activities under its 2003 Financing Program, and (4) the authority had the capacity to administer additional funds under ARRA.

The authority did not manage the 2003 Financing Program in an economical, efficient, and effective manner. It did not complete all of the proposed rehabilitation activities and did not expend all of the borrowed private capital. As a result, it did not meet its rehabilitation goals. In addition, the authority disbursed more than \$57.4 million in capital funds to pay for interest charges on unused borrowed capital that did not provide the intended benefits to the public housing program or its residents.

The authority also could not account for more than \$18.7 million in program income and did not use \$50.3 million in program income to defray program costs. In addition, it did not maintain accurate and current accounting records and provided HUD inaccurate information on its Financing Program activities. As a result, it could not safeguard assets or ensure that funds were used in accordance with applicable requirements, and HUD lacked assurance regarding program accomplishments.

The authority inappropriately obligated \$32.12 million in ARRA funds to supplant expenditures from other non-Federal funds in violation of its annual contributions contract with HUD. As a result, it will use ARRA funds to pay for expenditures that were the responsibility of non-Federal sources.

OIG recommended that HUD require the authority to reimburse the unallocable and ineligible Financing Program expenses, account for the unrecorded program income, and develop and implement an action plan to use program income to defray program costs. OIG also recommended that the authority establish better controls to ensure that the Financing Program has (1) a financial management system that complies with HUD requirements and (2) procedures to ensure that program goals are achieved in a timely and efficient manner and avoid unreasonable/unnecessary expenses. In addition, HUD should require the authority to (1) properly account for its 2003 Financing Program receipts and disbursements and (2) deobligate more than \$31 million in ARRA funds that were contracted before the authorized obligation start date and implement adequate procedures and controls to ensure that ARRA funds are used effectively, efficiently, and in accordance with applicable requirements. (Audit Report: **2009-AT-1015**)



HUD OIG audited the Housing Authority of the City of **Eloy, AZ**, to determine whether the Authority had sufficient capacity to administer a nearly \$114,000 ARRA Public Housing Capital Fund grant in accordance with applicable rules and regulations.

The Authority did not, by itself, have the capacity to administer its ARRA Public Housing Capital Fund grant in accordance with applicable rules and regulations. HUD had rated the Authority as troubled for years, and despite intensive technical assistance from HUD, the Authority had been unable to establish sound operational and financial management. As a result, the management of the Authority was in transition as HUD sought to establish an agreement for management assistance between the Authority and another public housing agency.

OIG recommended that HUD (1) seek to establish a management agreement with another housing agency or management entity as soon as possible and (2) require a partnership agreement or contract that would provide additional capacity to manage the ARRA grant and HUD monitoring of all ARRA expenditures and

deadlines. Without the proposed additional capacity that would be provided by a management agreement and a partnership to administer the ARRA projects, the ARRA grant would be at risk for waste, fraud, and abuse. (Audit Report: **2009-LA-1021**)



HUD OIG audited the City of New London Housing Authority in **New London, CT**, to determine whether the Authority (1) properly administered its Public Housing Capital Fund program and (2) had the capacity to administer ARRA capital funds in accordance with HUD requirements and ARRA.

The Authority did not properly administer its Public Housing Capital Fund program and lacked adequate capacity to ensure that ARRA funding for the program would be administered in accordance with HUD requirements and ARRA. The Authority (1) improperly awarded contracts without the capital funds to cover the costs and failed to openly compete procurements and establish formal written contracts with required contract provisions to protect the Authority's interests, (2) did not ensure that contractors paid workers the minimum wage required by law or always ensure that contractors maintained adequate performance bonds and liability insurance, and (3) did not complete cost or price estimates to ensure that prices paid were reasonable.

The Authority lacked formal accounting procedures and had not had an effective financial or capital fund manager since February of 2008. Its capital funds were not monitored on a regular basis, and its accounting records were not accurate or updated in a timely manner. In addition, it did not accurately report obligations and expenditures to HUD and could not support more than \$91,000 in capital funds used to administer the program. The Authority was allocated nearly \$382,000 in capital funds under ARRA.

OIG recommended that HUD (1) determine the statutory remedies required under section 6(j) of the U.S. Housing Act of 1937, (2) fully implement its strategy for troubled public housing authorities and ensure that the Authority properly expends and accounts for its capital funds received under ARRA, (3) require the Authority to implement adequate procurement and accounting controls over capital funds, and (4) require the Authority to support or repay the unsupported administrative fees. (Audit Report: **2009-BO-1010**)



HUD OIG reviewed the Lackawanna Municipal Housing Authority in **Lackawanna, NY**, regarding the administration of its Public Housing Capital Fund program, to determine whether the Authority disbursed capital funds and procured contracts in accordance with HUD requirements.

The review raised an issue of concern related to the Authority's capacity to administer its Public Housing Capital Fund program. Specifically, the Authority had not established the operational procedures to implement its procurement policy to ensure compliance with all applicable regulations. As a result, it lacked assurance that capital fund expenditures were necessary or reasonable and that services contracted for were provided as intended. This lack of oversight by the Authority is a major concern in light of the Authority's having received an additional \$1.5 million in capital funds under ARRA. The Authority has budgeted \$600,000 in Recovery Act funds to complete change orders to its lead-based paint abatement and modernization contract.

OIG recommended that HUD (1) review the content of the change order and, if appropriate, prohibit the Authority from using ARRA funds for change orders associated with the lead abatement and modernization contract and (2) certify that the Authority's new procedures meet the Federal procurement requirements in 24 CFR (Code of Federal Regulations) Part 85.

OIG recommended that HUD instruct the Authority to (1) establish and implement operational procedures to ensure compliance with all applicable Federal, State, and local procurement policies and regulations for all future procurement activities when obtaining goods and services; (2) obtain HUD approval for all procurement activities; (3) establish and implement a training program on procurement procedures for all Authority staff and board members involved in the contracting process; and (4) establish performance measures as a method for determining that the requirements of the procurement process have been met. (Audit Report: **2009-NY-0802**)



HUD OIG issued a memorandum on the capacity of the Travis County Housing Authority in **Austin, TX**, to administer ARRA funds. The memorandum reported that the Authority lacked capacity to administer ARRA public housing capital funds. OIG recommended that HUD increase monitoring and oversight of the Authority's financial and program activities and either recover ARRA funding from the Authority or place the Authority's ARRA funding on a cost reimbursement basis. (Audit Report: **2009-FW-1801**)



HUD OIG reviewed the East St. Louis Housing Authority in **East St. Louis, IL**, to evaluate the Authority's capacity to administer its ARRA funds. The Authority will receive \$4.9 million in ARRA funding to carry out capital and management activities at its public housing developments. OIG found several weaknesses that could adversely affect the Authority's capacity to administer these funds and recommended that HUD require corrective action on the deficiencies. (Audit Report: **2009-KC-1801**)



HUD OIG reviewed the operations of the Warm Springs Housing Authority in **Warm Springs, OR**, to determine whether the Authority had the capacity to adequately administer ARRA funding.

OIG found no evidence indicating that the Authority lacked the capacity to administer its ARRA funding. However, there was concern that the Authority's accomplishments will not be sustained without a commitment to future management and to the continued improvement of its internal control environment. A qualified executive director and a functional board of commissioners are necessary to establish the organization's internal control environment; integrity and ethical values; commitment to competence; and framework for planning, directing, and controlling operations.

OIG recommended that HUD provide technical assistance to and monitor the progress of the Authority's activities and ask the tribal council to hire an executive director and appoint qualified members to the board of commissioners. (Audit Report: **2009-SE-1803**)



HUD OIG reviewed the Miami-Dade Public Housing Agency in **Miami, FL**, to evaluate its capacity to administer its ARRA funds. The Agency was awarded a \$19.3 million Public Housing Capital Fund formula grant under ARRA.

The Agency's procurement procedures had weaknesses, staffing levels may be inadequate, and the Agency had not properly prioritized its ARRA-funded activities. The weaknesses could adversely affect the Agency's capacity to administer these funds, and OIG recommended that HUD require corrective action on the deficiencies. (Audit Report: **2009-AT-1801**)



HUD OIG audited the Housing Authority of the City of **Winston-Salem, NC**, to evaluate its capacity to administer \$3.9 million in formula-based capital funds awarded to the Authority under ARRA.

The Authority generally had the capacity to administer these funds but needed to improve some financial controls. Although the Authority had properly procured and completed its previous capital fund grants for several years, it failed to adequately document about \$2 million in expenditures and incurred nearly \$82,000 in ineligible costs.

OIG recommended that HUD increase oversight of the Authority's administration of ARRA funds and require it to implement appropriate financial policies, procedures, and controls. In addition, the Authority must provide support for the unsupported capital fund reimbursements or repay the funds and repay the ineligible capital fund expense reimbursements. (Audit Report: **2009-AT-1014**)

Community Development Block Grant Audits and Reviews

HUD OIG reviewed the FERA for the Community Development Block Grant Recovery (CDBG-R) grant to determine whether the FERA complied with OMB's updated guidance for ARRA, as well as HUD's streamlined assessment process. OIG's review of the final FERA for the program determined that except for one noncompliance issue and some minor inconsistency errors, HUD's final FERA for CDBG-R adequately identified program risk, identified in-place and planned risk mitigation techniques, and adequately described the rationale for the final risk ratings for the 11 factors assessed. Further, the FERA adequately emphasized the major program objectives of timeliness, clear and measurable objectives, transparency, monitoring, and reporting. As a result, OIG made no recommendations. (Audit Report: **2009-FW-0802**)



HUD OIG reviewed the City of **Bethlehem, PA**'s community planning and development program. On March 6, 2009, HUD awarded the City \$1.1 million under ARRA for its community planning and development program. OMB directed inspectors general to perform audits to ensure that funds provided under ARRA are used for their intended purposes. The objective was to determine whether the City had the capacity to effectively administer its community planning and development funds provided under ARRA according to applicable requirements.

The City had the capacity to effectively administer community planning and development funds provided to it under ARRA according to the applicable requirements. It had adequate internal control procedures pertaining to accounting controls, staffing levels, personnel operating policies, monitoring of subrecipients, procurement of goods and services, and establishment of program guidelines that complied with HUD requirements. A recent HUD OIG audit and other reviews disclosed no major problems with the City's program. The City is planning to use its ARRA funds on eligible activities that meet the objectives of the programs and ARRA.

Since OIG did not identify any deficiencies, there are no recommendations. (Audit Report: **2009-PH-1801**)



The City of **Fort Worth, TX**, is scheduled to receive \$10.85 million in ARRA funding. HUD OIG issued a memorandum on the City's capacity to administer these funds.

The City had a history of failing to meet regulatory requirements in an efficient or timely manner. It needs to strengthen its capacity to adequately administer recovery funding to include improving its procurement activities and undertaking only prudent projects.

OIG recommended that HUD place special conditions on the City's grants, requiring the correction of past deficiencies and including plans to monitor the additional funding, thereby ensuring better use of more than \$4.5 million. (Audit Report: **2009-FW-1802**)



HUD OIG reviewed **Adams County, CO**, to evaluate the County's capacity to administer its ARRA funds. The County will receive more than \$1.3 million in ARRA funding to carry out its Homelessness Prevention and Rapid Re-Housing Program (HPRP) and provide additional funding to its CDBG program.

OIG found weaknesses that could significantly affect the County's capacity to administer these funds and recommended that HUD require corrective action on the deficiencies. (Audit Report: **2009-DE-1801**)

Cited agencies get grants

\$14 million in stimulus money goes to troubled housing authorities

By Miles Moffett *The Denver Post*

Despite concerns raised by auditors, federal officials awarded \$14 million in stimulus money to seven Colorado public housing agencies that ran afoul of management standards in the past two years.

The City of Brush Housing Authority couldn't supply invoices to support 60 purchases. Brighton officials gave jobs to their relatives. The Colorado Division of Housing inappropriately award-

ed \$1.7 million to ineligible projects.

Four other offices — in Adams County, Alamosa, Burlington and Colorado Springs — also violated federal regulations or scored poorly on evaluations, according to a Denver Post review of audits.

All the agencies have been entrusted by the U.S. Department of Housing and Urban Development to spend funds from the American Recovery and Reinvestment Act, even though HUD watchdogs expressed concern this year that the

money rewards bad behavior.

"All we can do is raise it as a concern, which we did early on in a meeting," said Frank Rokosz, a manager over auditing in the HUD inspector general's office. "They (top HUD administrators) elected to do it."

HUD officials said they sought to strike a balance by keeping the stimulus spigot open for severely distressed communities while stepping up

HUD » 21A

Where the money went

The seven agencies cited for deficiencies and the stimulus dollars received:

- Alamosa, \$426,490
 - Adams County, \$1 million
 - Brighton, \$76,534
 - Brush, \$55,826
 - Burlington, \$66,898
 - Colorado Springs, \$1.4 million
 - Colorado Housing Division, \$10.9 million
- Source: HUD and local housing officials

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HUD OIG audited the Municipality of **Rio Grande, PR**'s CDBG program to determine whether the Municipality complied with HUD regulations, procedures, and instructions related to the administration of the CDBG program and whether the Municipality had the capacity to administer additional funds allocated under ARRA.

The Municipality awarded 110 contracts totaling more than \$1 million without following HUD and local procurement requirements. As a result, it could not ensure that quality goods and services were obtained at the most advantageous terms. In addition, it did not support the reasonableness of more than \$1 million in CDBG contracts.

The Municipality's financial management system did not fully comply with applicable HUD requirements. It (1) did not support the allowability of more than \$57,000 in program disbursements; (2) could not support the allocability of more than \$218,000 in administrative costs charged to the CDBG program; and (3) did not maintain accurate, current, and complete accounting records.

The Municipality's management controls over its housing rehabilitation activities were inadequate. The Municipality (1) improperly used CDBG funds for deficient housing rehabilitation work and new housing construction and (2) did not provide assistance to correct health and safety hazards. Therefore, the related program funds of more than \$20,000 were ineligible, and more than \$7,000 is considered unsupported pending an eligibility determination by HUD.

The Municipality lacked sufficient capacity to administer additional funds allocated under ARRA. It had not developed and implemented adequate controls to ensure compliance with HUD financial management

systems requirements and the purposes of ARRA. As a result, HUD lacked assurance that ARRA funds would be adequately accounted for, safeguarded, and used for authorized purposes and in accordance with ARRA and HUD requirements.

OIG recommended that HUD require the Municipality to repay the ineligible expenditures. HUD should also require the Municipality to provide all supporting documentation showing the reasonableness and eligibility of the CDBG contracts and more than \$276,000 in CDBG disbursements. OIG also recommended that HUD require the Municipality to develop and implement an internal control plan to ensure that the CDBG program has (1) procurement procedures which ensure that goods and services are obtained at the most advantageous terms and in a manner providing full and open competition, (2) a financial management system that complies with HUD requirements, (3) controls and procedures which ensure that the housing rehabilitation activities meet the program objectives, and (4) policies and procedures to ensure that ARRA funds are effectively and efficiently used and in accordance with applicable requirements. In addition, OIG recommended that HUD increase monitoring of the Municipality's performance in the administration of its CDBG and ARRA funds. (Audit Report: **2009-AT-1012**)



HUD OIG reviewed the City of **Altoona, PA**, to determine whether the City had adequate capacity and controls to administer its ARRA funds. The City will receive \$1.3 million in ARRA funds to carry out CDBG and HPRP activities.

The City needs to strengthen its capacity and controls to effectively administer funds provided to it under ARRA. OIG recommended that (1) HUD require the City to implement controls to ensure that ARRA activities are supported and meet eligibility requirements and (2) the City update its written monitoring procedures for all subrecipients to ensure accountability and transparency of ARRA funds, evaluate its staffing, and consider hiring additional staff to administer the funds. (Audit Report: **2009-PH-1802**)



HUD OIG reviewed the City of **Aurora, CO**, to evaluate the City's capacity to administer more than \$1.6 million in ARRA funds that it will receive to carry out its HPRP and perform additional activities under its CDBG program. OIG did not find evidence to indicate that the City lacked the capacity to adequately administer its ARRA funding and, therefore, made no recommendations. (Audit Report: **2009-DE-1802**)

Neighborhood Stabilization Program Audits and Reviews

HUD OIG reviewed the FERA for the Neighborhood Stabilization Program 2 (NSP2) to determine whether the FERA complied with OMB's updated guidance for ARRA, as well as HUD's streamlined assessment process.

Except for one noncompliance issue involving open audit recommendations, HUD's final assessment generally complied with OMB's guidance and HUD's streamlined process. HUD made general references to previous audits in its FERA but failed to specifically address certain open recommendations as required by the guidance. HUD's final FERA for NSP2 disclosed that for each of the 11 factors assessed, the program risk was identified, in-place and planned risk mitigation techniques were identified, and the rationale for the final risk ratings was adequately described. The factors of general control environment, risk assessment, control activities, information/communication, and monitoring were adequately addressed, and the major program objectives of timeliness, clear and measurable objectives, transparency, monitoring, and reporting were adequately emphasized. As a result, OIG made no recommendations. (Audit Report: **2009-AT-0801**)



HUD OIG audited selected controls within the Disaster Recovery Grant Reporting system (DRGR) related to NSP funding to assess risk assessment updates and whether NSP funds were properly safeguarded by the access controls related to DRGR. DRGR is an existing system that was modified to track close to \$5.9 billion in NSP funds, the majority of which must be obligated and expended within 2 years. NSP1 funding totaled \$3.9 billion. ARRA revised some of the program rules and appropriated an additional \$2 billion for the program to be competitively awarded. Following the initiation of the audit, HUD decided to use DRGR to track the \$2 billion in funding allocated to NSP2 in addition to the \$3.9 billion allocated to NSP1.

While OIG did not find misappropriation or misuse of funds, it identified weaknesses that require HUD actions to obtain reasonable assurance that NSP funds are properly safeguarded. Specifically, (1) access control policies and procedures for DRGR violated HUD policy, (2) the system authorization to operate was outdated and based upon inaccurate and untested documentation, (3) HUD did not adequately separate the DRGR system and security administration functions, and (4) HUD had not sufficiently tested interface transactions between DRGR and the Line of Credit Control System.

HUD had identified and initiated actions in an effort to address or mitigate many of the weaknesses identified. As a result, OIG recommended that HUD (1) formalize the user access request process and strengthen access controls; (2) update and correct system documentation and resubmit the revised documentation for security certification and accreditation; (3) separate the duties of system and security administration and reassign the help desk functionality; and (4) work with its contractors to ensure that tests of drawdown controls and transaction processing reports are performed as stated in the functional requirements documentation or, if other controls are used, remove from the system documentation stated controls that are not in use. (Audit Report: **2009-DP-0007**)



HUD OIG audited HUD's ability to collect DRGR data at the level of detail necessary to adequately monitor NSP. OIG limited the review to the program established by the Housing and Economic Recovery Act of 2008 (HERA). However, the system will also be used to administer NSP grants awarded under ARRA.

As designed, DRGR can collect the basic information that HUD needs to monitor the program. HUD is developing monitoring guidance for field staff that separately addresses on-site monitoring and review of grantees' DRGR action plans and quarterly performance reports. HUD needs to ensure that its monitoring guidance includes critically reviewing grantee reports to identify potential noncompliance issues, including unreported program income. HUD has an opportunity to do more with data collection and analysis, particularly with additional recovery programs and the associated transparency and reporting requirements. However, HUD should not substitute data collection for aggressive monitoring.

OIG recommended that HUD (1) continue to develop and implement detailed on-site monitoring guidance that incorporates information into DRGR, (2) continue to develop and implement detailed guidance requiring field staff to aggressively review grantee quarterly performance reports and drawdown vouchers, (3) require grantees to include the addresses of properties assisted under the program in quarterly performance reports, and (4) consider adding data fields to DRGR that require grantees to report compliance-related information. (Audit Report: **2009-FW-0001**)



HUD OIG reviewed the City of **Cincinnati, OH**'s NSP to determine whether the City had the capacity to effectively and efficiently administer its program.

The City did not have sufficient capacity to effectively and efficiently administer its program. It lacked adequate policies, procedures, and controls to ensure that NSP funds were used effectively and efficiently and

in accordance with applicable requirements. Further, it did not have sufficient staff to assist in administering the program to ensure that it had sufficient capacity to effectively and efficiently administer program funds. Lastly, HUD did not include special conditions in its NSP grant agreement with the City.

OIG recommended that HUD require the City to (1) implement adequate policies, procedures, and controls to ensure that NSP funds are used effectively and efficiently and in accordance with applicable requirements and (2) hire additional staff and/or contract with another organization to assist in administering the program to ensure that it has sufficient capacity to effectively and efficiently administer program funds. OIG also recommended that HUD include special conditions in its NSP grant agreement with the City, including but not limited to (1) requiring the City to submit documentation describing how past HOME program performance issues were or are being resolved and explaining whether they will impact the administration of NSP, (2) performing additional monitoring, and (3) providing technical assistance to the City. (Audit Report: **2009-CH-1801**)



HUD OIG audited the NSP of the Los Angeles County Community Development Commission, **Los Angeles, CA**, to determine whether the County had sufficient capacity and the necessary controls to manage and administer its NSP.

OIG found no evidence indicating that the County lacked the capacity to adequately administer its current NSP funding. The County has applied for additional funding under ARRA to continue its NSP activities, and its procedures and controls should be adequate to administer the continuation of the program. As a result, OIG made no recommendations. (Audit Report: **2009-LA-1017**)



HUD OIG reviewed the NSP of **Cook County, IL**, to determine whether the County had the capacity to effectively and efficiently administer its program. Congress amended NSP and increased its funding as part of ARRA. The County, as part of a consortium, submitted an application to HUD, dated July 14, 2009, which totaled more than \$75 million in additional NSP funds under ARRA.

The County needs to improve its capacity to effectively and efficiently administer its NSP since it had not established sufficient policies, procedures, and controls for its program as of September 9, 2009. However, it should have sufficient staff to administer its NSP if it implements the revised staffing plan and budget provided to OIG on August 5, 2009, hires individuals with experience in the planned activities, and provides adequate training. Further, HUD did not include special conditions in its NSP grant agreement with the County. (Audit Report: **2009-CH-1802**)



HUD OIG reviewed the City of **Boston, MA**'s Department of Neighborhood Development to determine whether the City had the capacity to effectively and efficiently administer its NSP under the provisions of HERA and ARRA.

The Department should be able to meet Federal requirements for administering the NSP funds under HERA and ARRA. Specifically, the Department can develop sufficient capacity to administer its NSP and ensure that NSP funds are properly administered. However, it must revise its procedures for allocating costs to Federal programs and ensure that it follows proper, fair, and equitable procurement practices. If these discrepancies are corrected, HUD can generally be assured that the City will accurately account for its use of NSP funding under HERA and ARRA and use that funding only for eligible program activities. OIG recommended that the City ensure that corrective action is completed on deficiencies noted in Audit Report 2009-BO-1011 that were

related to the allocation of payroll costs and to following proper procurement procedures. HUD and the City agreed with the recommendation. (Audit Report: **2009-BO-1802**)



HUD OIG reviewed the operations of the City of **Brockton, MA**'s grantee, Building a Better Brockton, Inc. (recipient), which has responsibility for administering the City's NSP, to determine whether the City and/or its recipient had the capacity to effectively and efficiently administer its NSP under the provisions of HERA and ARRA.

The recipient did not have the capacity to effectively and efficiently administer its NSP. Specifically, it lacked adequate internal controls over the areas of financial reporting and procurement and adequate staffing to administer the program effectively. In addition, there were potential conflict-of-interest issues among the recipient, its board members, and several of the subrecipients that would receive NSP funding.

OIG questioned the recipient's ability to administer potential NSP2 funding until it can satisfactorily address and demonstrate adequate controls over the areas of financial reporting, procurement, and staffing and the conflicts of interest. (Audit Report: **2009-BO-1803**)

Homelessness Prevention Fund Audit

HUD OIG reviewed HUD's FERA for HPRP to determine whether the FERA complied with OMB's guidance for ARRA; ARRA's streamlined FERA process; and HUD Handbook 1840.1, REV-3, Departmental Management Control Program.

For each factor reviewed, the risks were identified, and mitigation techniques were used to rate each risk factor. In addition, the factors of general control environment, risk assessment, control activities, information/communication, and monitoring were adequately addressed; and the major program objectives of timeliness, clear and measurable objectives, transparency, monitoring, and reporting were adequately emphasized.

Based on the results of this audit, OIG made no recommendations. (Audit Report: **2009-BO-0801**)

Multifamily Green Retrofit Program Audit

HUD OIG reviewed the FERA of the Green Retrofit Program for Multifamily Housing to determine whether the FERA complied with OMB's guidance for ARRA, ARRA's Updated Implementing Guidance, and HUD's streamlined assessment process.

The FERA generally complied with OMB's guidance for ARRA, ARRA's Updated Implementing Guidance, and HUD's streamlined assessment process. Of the 11 factors evaluated in the FERA, none was found to be high risk, four were assessed as medium risk, and seven were assessed as low risk. The FERA's risk assessment chart adequately addressed planned actions for the four factors assessed as medium risk. Overall, the factors identified above had the major program objectives sufficiently emphasized in the FERA. As a result, OIG made no recommendations. (Audit Report: **2009-CH-0801**)

Office of Healthy Homes and Lead Hazard Control Audit

HUD OIG reviewed the FERA for HUD's Office of Healthy Homes and Lead Hazard Control (OHHLHC) to determine whether the FERA complied with OMB's implementing guidance for ARRA, HUD's streamlined FERA process, and HUD's departmental management control program handbook.

The FERA generally complied with the requirements. However, OHHLHC had not (1) updated its desk and program guides to incorporate ARRA requirements, (2) published the list of selected grantees in the Federal Register, or (3) maintained Web hyperlinks for the public to view ARRA and program information. OHHLHC has implemented OIG's recommendations. (Audit Report: **2009-HA-0801**)

HOME Investment Partnerships Tax Credit Assistance Program Audit

HUD OIG reviewed HUD's FERA for the Tax Credit Assistance Program to determine whether it complied with OMB's guidance for implementing ARRA and applicable HUD requirements.

The FERA generally complied with OMB's guidance for implementing ARRA and applicable HUD requirements. HUD adequately emphasized the factors of timeliness, clear and measurable objectives, transparency, monitoring, and reporting and followed the guidance in its streamlined assessment process and management control program handbook. As a result, OIG made no recommendations. (Audit Report: **2009-PH-0802**)



HUD total obligations by State as of September 30, 2009

State	Totals	State	Totals
New York	\$1,251,558,733	South Carolina	\$130,276,370
California	\$1,181,065,224	District of Columbia	\$128,990,193
Illinois	\$620,449,726	Mississippi	\$106,862,951
Pennsylvania	\$587,170,590	Arkansas	\$93,456,794
Texas	\$542,696,177	Oregon	\$92,153,950
Ohio	\$470,090,341	Alaska	\$91,907,088
Florida	\$436,695,586	Rhode Island	\$82,665,464
Massachusetts	\$421,044,452	Kansas	\$79,363,823
New Jersey	\$336,218,540	Iowa	\$76,148,504
Puerto Rico	\$312,203,435	New Mexico	\$72,814,147
Michigan	\$284,845,177	Nevada	\$61,208,512
Georgia	\$281,389,298	West Virginia	\$58,867,850
Washington	\$253,369,870	Hawaii	\$52,649,563
North Carolina	\$244,748,338	Maine	\$47,071,571
Tennessee	\$216,416,500	Nebraska	\$46,595,981
Maryland	\$213,300,244	Montana	\$42,158,284
Alabama	\$211,043,442	Utah	\$41,009,094
Indiana	\$209,263,949	South Dakota	\$38,676,563
Minnesota	\$207,368,554	Delaware	\$36,907,967
Connecticut	\$177,449,384	New Hampshire	\$33,690,099
Louisiana	\$176,886,634	Idaho	\$24,747,096
Missouri	\$176,237,460	North Dakota	\$24,277,414
Virginia	\$174,538,341	Vermont	\$20,983,363
Wisconsin	\$168,226,725	Wyoming	\$14,678,684
Oklahoma	\$163,111,730	Virgin Islands	\$13,361,285
Arizona	\$156,082,879	Guam	\$6,057,242
Kentucky	\$150,882,361	Northern Mariana Islands	\$2,068,092
Colorado	\$138,869,042	American Samoa	\$1,376,451

Chapter 6

Disaster Relief

Oversight



Introduction and Background

The U.S. Department of Housing and Urban Development (HUD) is a designated emergency support primary agency for long-term recovery of communities following a major disaster. As such, the Department continues to work with communities devastated by disasters, not only with the influx of Federal dollars, but also with the technical expertise to put communities back together. As a result, approximately \$27 billion has been appropriated for recent disasters including hurricanes, floods, and wildfires: \$20 billion for Hurricanes Katrina, Rita, and Wilma and \$7 billion for disasters occurring during 2008, principally Hurricane Ike. Of the funds provided to the five Gulf Coast States for the Hurricane Katrina disaster, \$12.8 billion has been disbursed for the period ending September 30, 2009.

In addition, Congress recently passed the Supplemental Appropriations Act for Fiscal Year 2009 (Public Law 111-32, enacted June 24, 2009). The Act provides an additional \$80 million for the Housing Choice Voucher program to provide additional temporary housing for areas impacted by Hurricanes Katrina and Rita. As the disaster funds are awarded, The Office of Inspector General (OIG), Offices of Audit and Investigation, continue to work and serve as a deterrent to fraud, waste, and abuse in these vulnerable programs.

Major Management Challenges for Disaster Areas

As a result of OIG's audit efforts, the management challenge that HUD faces in administering the distribution of disaster funds is a delicate balance of speed of fund distribution versus the need for accountability and controls. OIG's work in fiscal year 2009 further demonstrated the following ongoing management challenges:

- Balancing of internal controls versus the timely distribution of funds,
- Up-front program design performed to ensure that major program risks are identified (i.e., homeowner insurance requirement), and
- Prevention of the duplication of benefits from the many Federal disaster programs.



HUD OIG is responsible for conducting a variety of audits and other reviews in all program areas. OIG's significant workload is generally divided into four primary categories: performance audits, information system audits, financial audits, and advisory and assistance services. OIG has continued to work on audits related to HUD disaster-funded areas: one on the Housing Authority of New Orleans, one on the Lower Manhattan Development Corporation (9-11 disaster), one on the Texas disaster housing program, one on the Gulf Coast disaster housing voucher program, and five on various Gulf Coast recovery programs. Of the funds provided to the five Gulf Coast States for the Hurricane Katrina disaster, \$12.8 billion has been disbursed for the period ending September 30, 2009.

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	9 audits ¹	\$3.4 million	\$60.3 million

¹ The total disaster-related audits consist of community planning and development and public and Indian housing activity audits. The questioned costs and funds put to better use amounts relate only to disaster-related costs.

At the request of two United States senators, HUD OIG audited HUD's administration of the Housing Authority of New Orleans, **New Orleans, LA**, to determine the effect of HUD's receivership on the Authority's performance. Specifically, OIG wanted to determine whether HUD took action to improve the Authority's post-Hurricane Katrina performance while under HUD receivership by determining whether HUD had an adequate recovery plan to return the Authority to local control and adequately monitored the Authority while under receivership.

HUD could not demonstrate that its receivership improved the Authority's performance following Hurricane Katrina because it did not establish a clear chain of command for the receivership or require periodic reporting after it took over the Authority in 2002. HUD did not properly monitor the Authority or, until recently, ensure that the receivers had an adequate recovery plan. Further, it was unclear how HUD intended to guide the Authority while under receivership after the last formal memorandum of agreement expired in 2003.

OIG recommended that HUD (1) establish an organizational structure for receivership that outlines responsible officials and their duties and appoint a monitoring team, independent of the receiver, to ensure that the Authority progresses toward local control and (2) have the monitoring team consistently review and verify documentation pertaining to the Authority's progress and ensure that the Authority meets the target dates in the strategic improvement plan that it implemented in July 2008. (Audit Report: **2009-AO-0003**)



HUD OIG audited HUD Community Development Block Grant (CDBG), Supplemental I and II Disaster Recovery program funds, administered by the Texas Department of Housing and Community Affairs (TDHCA). Specifically, OIG wanted to determine whether TDHCA administered the floodplain management program as required by Federal, State, and local policies and whether it protected HUD's CDBG investments in properties reconstructed or rehabilitated with Disaster Recovery program funds against future potential losses.

TDHCA's plan did not require homeowner's insurance on properties reconstructed or rehabilitated with Supplemental I funds, and its grants required only 3 years of homeowner's insurance for homes reconstructed or rehabilitated with Supplemental II funds. Due to the lack of or limited insurance, HUD's CDBG Disaster Recovery Assistance funds invested in the homes provided to the disaster victims are at risk of loss. Of a sample of 59 Supplemental I-funded homes tested, 38 were later damaged by another hurricane or storm. Of the 38 homes, 23 did not have insurance. Based on a projection of the sample results, at least 133 of 453 reconstructed or rehabilitated homes or homes awaiting reconstruction lacked insurance and were damaged or are at risk of being damaged by another storm. If TDHCA changes and improves its action plan and policies, an estimated \$60.2 million in program funds could be saved.

OIG recommended that HUD request TDHCA to (1) modify its action plan to provide homeowner's insurance for a period equitable to the amount of funds invested, (2) request the homeowner to obtain homeowner's insurance as a prerequisite to obtaining assistance for a period equitable to the amount of funds invested, or (3) prohibit the homeowner from receiving future Disaster Recovery Assistance funds if an insurance policy is not maintained on a newly reconstructed or rehabilitated home. (Audit Report: **2009-FW-1016**)



HUD OIG audited the State of Louisiana's additional compensation grant component of the Road Home homeowner assistance program, managed by the State's contractor, ICF Emergency Management Services, LLC, in **Baton Rouge, LA**, to determine whether the State ensured that Road Home employees were eligible to receive the grant.

The State did not ensure that all Road Home employees were eligible to receive their additional compensation grants. Of 34 grants, the State funded five (15 percent) that were ineligible. As a result, the State misspent nearly \$229,000 in Federal funds for five ineligible grants.

OIG recommended that HUD require the State to repay amounts disbursed for ineligible grants to its Road Home program, conduct monitoring to ensure that its contractor has implemented adequate controls, and report the recapture/recovery for all grants deemed ineligible. (Audit Report: **2009-AO-1001**)



HUD OIG audited the State of Louisiana's Road Home homeowner assistance program, managed by the State's contractor, ICF Emergency Management Services, LLC, in **Baton Rouge, LA**, to determine eligibility for multiple disbursements made to a single damaged residence address.

OIG identified 69 property addresses that had two or more Road Home grants for a total of 139 grants. Of the 69 property addresses, 11 received total disbursements that exceeded the overall grant limit of \$150,000. The 11 addresses received a total of 22 grants. Of the 22 grants, the State funded eight (36 percent) grants, totaling more than \$735,000, that were either ineligible or unsupported.

OIG recommended that HUD require the State to repay amounts disbursed for ineligible grants to its Road Home program, support or repay amounts disbursed for unsupported grants, and review all of the 117 grants related to multiple disbursements for 58 property addresses to determine eligibility. (Audit Report: **2009-AO-1002**)



HUD OIG completed the twelfth ongoing audit of the administration by the Lower Manhattan Development Corporation in **New York, NY**, of CDBG Disaster Recovery Assistance funds provided to the State of New York in the aftermath of the September 11, 2001, terrorist attacks on the World Trade Center in New York City. During the audit period, April 1 through September 30, 2008, the auditee disbursed approximately \$103.4 million of the \$2.783 billion in funds appropriated. The objectives of this audit were to determine whether the auditee (1) disbursed Disaster Recovery Assistance funds in accordance with the guidelines established under HUD-approved partial action plans, (2) expended Disaster Recovery Assistance funds for eligible administration and planning expenses in accordance with applicable laws and regulations, and (3) had a financial management system in place that adequately safeguarded funds and prevented misuse.

The auditee administered the grant funds in accordance with HUD regulations, expended funds for eligible planning and administrative expenses, and continued to maintain a financial management system that adequately safeguarded funds and prevented misuse. However, several issues require HUD's attention. Specifically, (1) the Chinatown Clean Streets program subrecipient was reimbursed for costs that were not adequately supported at the time of audit, (2) nearly \$20,000 was disbursed for costs related to an auditee division for which other sources of funding were available, and (3) the Affordable Housing program subrecipient monitoring procedures to increase assurance of compliance with a 30-year affordability requirement had not been finalized.

OIG recommended that HUD direct the auditee to (1) obtain and review documentation substantiating the more than \$508,000 reimbursed to the Chinatown Clean Streets program subrecipient for its nonprofit contractor's expenditures and recover any amounts not supported, (2) reimburse nearly \$15,000 to the HUD CDBG Disaster Recovery Assistance fund from other than HUD funds so that these funds can be available for administration and planning expenses, and (3) ensure that its Affordable Housing program subrecipient finalizes monitoring procedures to enhance controls over compliance with the 30-year period affordability requirement. (Audit Report: **2009-NY-1013**)



HUD OIG performed a limited review of a random sample of 112 March and April 2009 Disaster Housing Assistance Program payments for Hurricane Katrina and Hurricane Rita evacuees to verify whether the authorized tenants lived in the residences in March and April 2009.

Twenty instances of potentially ineligible payments, totaling more than \$9,000, and other matters warranting HUD's attention were identified. The payments were potentially ineligible because they were for tenants who did not live in their assisted units during March and/or April 2009 while their landlords were paid for those units for those months. Of the 112 samples, there were 14 potentially ineligible payments, totaling more than \$7,000, in March 2009 and six potentially ineligible payments, totaling more than \$2,000, in April 2009.

OIG recommended that HUD (1) work with public housing agencies to determine the eligibility of the questionable payments and require repayment when appropriate and (2) help the public housing agencies to develop controls and policies to ensure the accuracy of payments each month and identify when tenants vacate their units. (Audit Report: **2009-FW-0801**)



HUD OIG audited the **State of Mississippi's** administration of the \$5.058 billion in CDBG Disaster Recovery Assistance funds provided to the State in the aftermath of Hurricane Katrina. The State allocated \$2.2 billion to help homeowners in southern Mississippi recover from Hurricane Katrina. During an audit on grant eligibility, OIG identified a few possible duplicate payments when reviewing the State's disbursement database. Therefore, OIG expanded the review to address these potential duplicates.

The State's controls generally functioned properly. However, of 5,928 grants disbursed, the State may have funded 34 (less than 1 percent) duplicate grants. Testing on six grants showed that three were eligible, two were ineligible, and one was unsupported. Based on the grants identified as ineligible and unsupported, it is possible that the State may have funded duplicate grants. Only half of the remaining grants related to duplicate addresses and duplicate Social Security numbers were possible duplicates, since one may have been eligible.

OIG recommended that HUD require the State to coordinate with HUD to recover more than \$128,000 for ineligible grants; support or recover nearly \$54,000 for the unsupported grant; and review the remaining grants, of which more than \$1.69 million is unsupported, and recover funds for grants that are deemed ineligible. (Audit Report: **2009-AO-1801**)



HUD OIG audited the **State of Mississippi's** administration of the \$5.058 billion in CDBG Disaster Recovery Assistance funds, provided to the State in the aftermath of Hurricane Katrina, to determine whether the State ensured that applicants were eligible to receive disbursements under phase II of its Homeowner Assistance Program. The State allocated \$2.2 billion to help homeowners in southern Mississippi recover from Hurricane Katrina.

Except for a few minor issues related to documentation, the State generally ensured that applicants were eligible to receive disbursements under phase II of the program. Therefore, OIG had no findings or recommendations. (Audit Report: **2009-AO-1802**)



HUD OIG audited the Louisiana Land Trust (LLT), a \$29 million CDBG disaster recovery subrecipient of the **State of Louisiana**, Office of Community Development, as part of the OIG's examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. The audit objective was to determine whether LLT, as the State's subrecipient, properly maintained properties received from the State.

Although LLT ensured that its maintenance contractor generally maintained the lawns of properties, it did not always ensure that the properties were properly maintained overall. Of 67 properties visited, 23 (34 percent) had maintenance deficiencies, mostly related to security and cleanliness, which violated contract requirements. This condition occurred because (1) the State did not clearly convey its expectations to LLT regarding property maintenance, (2) LLT did not ensure that its maintenance contractor complied with the terms of its contract, (3) the contract between LLT and its maintenance contractor did not specifically detail the responsibilities of the maintenance contractor, and (4) LLT's inspectors did not have written policies and procedures to follow during their inspections. Further, LLT did not take action on some properties, properly coordinate with other entities when making decisions, or document its decisions in its system. As a result, some services were not satisfactorily performed, and some properties presented safety risks to the general public, which could potentially cause LLT to incur financial liabilities.

OIG recommend that HUD require the State to (1) specify its expectations of LLT, related to property maintenance, in its cooperative endeavor agreement; (2) continuously monitor LLT to ensure that its maintenance contractor complies with the terms of its contract; (3) ensure that LLT clearly conveys and documents the maintenance contractor's expectations; (4) ensure that LLT develops written policies and procedures for its inspectors to follow; (5) correct deficiencies identified at the 23 properties; and (6) ensure that LLT coordinates with the State when making decisions, documents decisions made in its system, and creates a written policy for prioritizing properties for demolition. (Audit Report: **2009-AO-1003**)



Investigations

The HUD OIG Office of Investigation has continued to provide HUD fraud-related training for other law enforcement agencies including the Louisiana State Inspector General's Office; the Federal Bureau of Investigation; and other Federal, State, and local investigative partners. While the majority of OIG prosecutions during the reporting period involved fraud to obtain individual assistance benefits, OIG is pursuing more cases involving public corruption and procurement fraud. Working with the Louisiana Recovery Authority and the Mississippi Development Authority (MDA), HUD OIG has taken a proactive role to prevent payments on fraudulent disaster-related claims as well as assisting with the recovery of grants that were obtained as a result of fraud/deception. HUD OIG has been and continues to be a dedicated partner in the National Center for Disaster Fraud Task Force (previously known as the Hurricane Katrina Fraud Task Force). The Task Force's Joint Command Center in Baton Rouge, LA, to which OIG has provided personnel support, has proved to be a major source of support for disaster-related investigative efforts throughout the country. OIG is making sound use of the Command Center for the receipt and referral of complaints and timely information sharing with other relevant law enforcement agencies.

Homeowner Grant Fraud

Gregory Warr, the former mayor of Gulfport, MS, was sentenced in U.S. District Court, **Gulfport, MS**, to 3 years probation and ordered to pay the Federal Emergency Management Agency (FEMA) \$9,558 in restitution for his earlier guilty plea to committing theft of FEMA funds. Warr applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the Mississippi Development Authority (MDA), \$9,558 in FEMA disaster assistance, and \$88,440 in insurance proceeds for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina..



Diane Walder, a HUD attorney in Los Angeles, CA, and her husband James Groomes were each indicted in U.S. District Court, **Jackson, MS**, for allegedly committing theft of government funds and making false statements and claims. Walder and Groomes applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the MDA and \$50,000 in Small Business Administration (SBA) disaster assistance for hurricane-damaged residential property, but allegedly the damaged property was not their primary residence during Hurricane Katrina.



Ex-mayor pleads guilty in Katrina fraud case

The Associated Press

GULFPORT— A former Gulfport mayor was sentenced to probation Friday in a plea deal on charges that he defrauded a program to help Hurricane Katrina victims rebuild their homes, allowing him and his wife to walk out of court with no prison time.

Brent Warr pleaded guilty in U.S. District Court in Gulfport to one felony count for receiving disaster money that the Federal Emergency Management Agency said he wasn't entitled to, Warr's attorney, Joe Sam Owen, told The Associated Press. The Warrs were accused of wrongly seeking a homeown-



Warr

ers assistance grant for a house they owned but did not live in. Prosecutors originally charged that the couple defrauded

the government and insurance companies out of \$222,798.

Under the plea agreement, prosecutors dropped 19 other charges against Brent Warr and all 20 against his wife, Laura. Brent Warr was sentenced to three years probation and was ordered to pay \$9,558 in restitution.

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Jerome and Catherine Foreman were each convicted in U.S. District Court, **Gulfport, MS**, of committing theft of government funds and making false statements and claims. Jerome and Catherine Foreman applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the MDA and \$8,706 in FEMA disaster assistance for hurricane-damaged residential property, but the damaged property was not their primary residence during Hurricane Katrina.



Lionel Perkins was charged in U.S. District Court, **New Orleans, LA**, with allegedly committing theft of government funds and wire fraud. Perkins applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the Road Home program and caused the Road Home administrator to remit \$58,500 in CDBG funds to repay his SBA disaster assistance loan, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Pearl DiLeo was sentenced in U.S. District Court, **New Orleans, LA**, to 5 years probation and fined \$30,000. She remitted \$149,925 to the Louisiana Office of Community Development prior to sentencing for her earlier guilty plea to committing theft of government funds. DiLeo applied for and received \$149,925 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Jacqueline Foreman-Pottinger was sentenced in U.S. District Court, **New Orleans, LA**, to 3 years probation and ordered to pay the Louisiana Office of Community Development \$148,079 in restitution for her earlier guilty plea to committing theft of government funds. Pottinger applied for and received \$148,079 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Robert Lombardino pled guilty in U.S. District Court, **New Orleans, LA**, to committing theft of government funds. Lombardino applied for and received \$134,000 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Barbara Dowl was convicted in U.S. District Court, **New Orleans, LA**, of making false statements and committing theft of government funds and wire fraud. Dowl applied for and received \$132,000 in CDBG Disaster Recovery Assistance funds through the Road Home program and \$75,000 in SBA disaster assistance for hurricane-damaged residential property, but Dowl did not own or reside in the damaged property during Hurricane Katrina.



Land grab leads to 10 years in prison

Documents falsified to claim property

By David Hammer
Staff writer

Nathaniel Dowl was sentenced to 10 years of hard labor Monday for using false documents to lay claim to other people's homes, including one filing that led to the first federal charges of Road Home fraud in Louisiana.

Dowl, 51, was convicted in Orleans Parish Criminal Court in February on three counts of filing false public records.

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Louis Stiglet pled guilty in U.S. District Court, **Jackson, MS**, to committing theft of government funds. Stiglet applied for and received \$131,021 in CDBG Disaster Recovery Assistance funds through the MDA for hurricane-damaged property, but the damaged property was not his primary residence during Hurricane Katrina.



Frederick Rabito was charged in U.S. District Court, **New Orleans, LA**, with allegedly making false statements. Rabito applied for and received \$122,397 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Thomas Steele was charged in U.S. District Court, **New Orleans, LA**, with allegedly making false statements. Steele applied for and received \$119,935 in CDBG Disaster Recovery Assistance funds through the Road Home program and \$1,070 in FEMA disaster assistance for hurricane-damaged residential property, but allegedly Steele does not reside in Louisiana as required by the Road Home program.



Eva Baptiste was sentenced in U.S. District Court, **New Orleans, LA**, to 5 years probation, ordered to perform 100 hours of community service and pay the Louisiana Office of Community Development \$110,420 in restitution, and fined \$1,000 for her earlier guilty plea to committing theft of government funds. Baptiste applied for and received \$110,420 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Ryant Price was charged in U.S. District Court, **New Orleans, LA**, with allegedly making false statements and committing theft of government funds and wire and mail fraud. Price applied for and received \$105,000 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Billy Lawrence was sentenced in U.S. District Court, **New Orleans, LA**, to 6 months confinement in a half-way house and 5 years probations and ordered to pay the Louisiana Office of Community Development \$68,486 in restitution for his earlier guilty plea to committing theft of government funds. Lawrence applied for and received \$98,486 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Wayne Rogers and Latanicia McMillan were each charged in U.S. District Court, **Jackson, MS**, with allegedly committing a conspiracy, theft of government property, and money laundering. Rogers and McMillan applied for and received \$91,021 in CDBG Disaster Recovery Assistance funds through the MDA, \$4,358 in FEMA disaster assistance, and \$152,000 in SBA disaster loan funds for hurricane-damaged residential property, but allegedly the damaged property was not their primary residence during Hurricane Katrina.



Charles Thonn was charged in U.S. District Court, **New Orleans, LA**, with allegedly committing theft of government funds. Thonn applied for and received \$80,368 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Raymond Cuccia was sentenced in U.S. District Court, **New Orleans, LA**, to 3 years probation and ordered to pay the Louisiana Office of Community Development \$64,320 in restitution for his earlier guilty plea to committing theft of government funds. Cuccia applied for and received \$64,320 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Anita Belaire pled guilty in U.S. District Court, **Lake Charles, LA**, to committing theft of government funds. Belaire applied for and received \$55,600 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property that does not exist.



Andrew Ealy III was sentenced in U.S. District Court, **Baton Rouge, LA**, to 3 years probation and fined \$1,500 for his earlier guilty plea to committing wire fraud. Ealy provided false information and fraudulently obtained \$94,000 in SBA disaster loan funds for hurricane-damaged residential property. Ealy then legitimately applied for and received \$101,797 in CDBG Disaster Recovery Assistance funds through the Road Home program but caused the Road Home administrator to remit \$50,000 in CDBG funds to repay his fraudulent SBA loan.



Schewanda Baptiste was sentenced in U.S. District Court, **Greenbelt, MD**, to 8 months home confinement with electronic monitoring and 3 years probation and ordered to perform 200 hours of community service and pay HUD \$30,000 and FEMA \$19,458 in restitution for her earlier guilty plea to committing theft of government property. Baptiste applied for and received \$30,000 in CDBG Disaster Recovery Assistance funds through the Road Home program and FEMA disaster assistance after she claimed hurricane-damaged residential property and evacuee status, but Baptiste resided in Maryland during Hurricane Katrina, and the damaged property was not her primary residence.



Donelle Humphrey was charged in U.S. District Court, **New Orleans, LA**, with allegedly making a false statement. Humphrey applied for and received \$22,321 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but allegedly the damaged property was not her primary residence during Hurricane Katrina.



Shawntell Manuel pled guilty in U.S. District Court, **New Orleans, LA**, to committing theft of government funds. Manuel applied for and received \$123,800 in SBA disaster loan funds and attempted to obtain \$150,000 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property does not exist.



Clinton Tapper, Jr., was sentenced in U.S. District Court, **Gulfport, MS**, to 3 years probation and ordered to perform 100 hours of community service, pay FEMA \$14,006 and the SBA \$179,400 in restitution, and forfeit \$193,406 for his earlier guilty plea to making false claims. Tapper applied for and received \$14,006 in FEMA disaster assistance and \$179,400 in SBA disaster loan funds and attempted to obtain \$100,000 in CDBG Disaster Recovery Assistance funds through the MDA for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Todd Northrop pled guilty in U.S. District Court, **Jackson, MS**, to committing mail fraud. Northrop applied for and received \$21,757 in FEMA disaster assistance and attempted to obtain \$81,133 in CDBG Disaster Recovery Assistance funds through the MDA for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.

HUD and FEMA Disaster Housing Assistance Fraud

George Kinsler III, the housing and residential director for NOAH Development Corporation (NOAH), a HUD-funded organization, and Sheneiris Harris, a former West Palm Beach Housing Authority Section 8 tenant and Hurricane Wilma Disaster Housing Assistance program participant, were each charged in U.S. District Court, **Pahokee, FL**, with allegedly making false statements and committing a conspiracy, theft of government funds, and theft from a program receiving Federal funds. Kinsler allegedly used his position and fraudulently provided NOAH housing assistance to family members and friends, Harris allegedly failed to report Kinsler's residency in her subsidized unit on housing certifications, and together they allegedly obtained about \$24,000 in housing assistance they were not entitled to receive.



Kim Pounds, a former Hurricane Katrina Disaster Housing program participant through the Housing Authority for the City of Los Angeles, was sentenced in U.S. District Court, **Los Angeles, CA**, to 12 months and 1 day incarceration and 60 months supervised release and ordered to pay HUD and FEMA \$45,464 in restitution for her earlier conviction of committing mail fraud and aiding and abetting. From September 2005 to May 2008, Pounds applied for and received about \$18,000 in HUD and \$27,464 in FEMA housing assistance after she claimed Hurricane Katrina evacuee status, but Pounds resided in California during the storm.



George Magee, a Housing Authority of New Orleans Section 8 tenant and Hurricane Katrina Disaster Housing program participant, was charged in U.S. District Court, **New Orleans, LA**, with allegedly committing mail fraud. Magee allegedly submitted false identification documents and obtained \$15,474 in FEMA disaster housing assistance he was not entitled to receive.



Shandrika Smith and Rodney Cordova, a Montgomery County Housing Authority Hurricane Katrina Disaster Housing program participant and landlord, each pled guilty in Harris County District Court, **Houston, TX**, to committing theft. Smith failed to report her familial relationship to Cordova or her ownership interest in her subsidized property on housing certifications, and together they obtained \$8,309 in disaster housing assistance they were not entitled to receive.



Pamela Burdine, a Mississippi Regional Housing Authority VIII (Mississippi Regional) Section 8 tenant and Hurricane Katrina Disaster Housing program participant, was sentenced in U.S. District Court, **Gulfport, MS**, to 2 months home confinement and 3 years probation and ordered to perform 50 hours of community service and pay HUD \$4,838 and FEMA \$4,740 in restitution for her earlier guilty plea to committing theft of government funds. From September 2006 to February 2007, Burdine sublet her subsidized housing unit and obtained \$4,506 in Mississippi Regional and \$2,345 in FEMA housing assistance she was not entitled to receive.



Phyllis Taylor, a former New Orleans Housing Authority public housing tenant and Hurricane Katrina Disaster Housing program participant, was sentenced in U.S. District Court, **Houston, TX**, to 57 months incarceration and 3 years supervised release and ordered to pay FEMA and the Wood Forrest National Bank \$58,913 in restitution for her earlier guilty plea to committing mail fraud and aggravated identity theft. Taylor used false Social Security numbers and Louisiana addresses when she submitted 12 fraudulent claims for FEMA disaster assistance after Hurricane Katrina.

FEMA fraud nets 57-month term

■ Woman filed claims in Katrina, Rita as well as Ike

By MARY FLOOD
HOUSTON CHRONICLE

A Houston woman was sentenced to 57 months in federal prison Wednesday and ordered to repay FEMA for money she stole in multiple bogus disaster claims in hurricanes Katrina, Rita and Ike.

Phyllis Ann Taylor, 28, stood before Senior U.S. District Judge David Hittner in court and apologized to all the people she hurt.

"I'm not just apologizing because I got arrested," she said, in prison garb and chains. "I do want to get help

STORM BY STORM

The FEMA fraud accusations against Phyllis Ann Taylor by hurricane:

■ **Katrina:** Taylor was accused of claiming her own home in Marrero, La., was damaged though it wasn't. She also was accused of filing seven other FEMA claims using New Orleans addresses and false Social Security numbers. Total claims paid: \$44,521.

■ **Rita:** Taylor was accused of filing five FEMA claims using false Social Security numbers and addresses in Lake Charles, La. Total claims paid: \$4,000.

■ **Ike:** Taylor was accused of filing a false FEMA claim using a fake Social Security number and address in Galveston. She was caught, and the claim was not paid.

Source: Court records

for my situation."

Taylor pleaded guilty to one count of mail fraud and one count of stealing another person's Social Security number.

ber.

She was indicted on 13 other counts, all related to false claims for home damage during hurricanes. Hittner

said that given her history of convictions in several states for theft, larceny and forgery, he thought she showed disregard and indifference to others, their property and law enforcement in general.

"Apparently you just don't give a darn," said the judge, raising his voice. "Well, you're going away with no parole."

Hittner sentenced her to three years of post-prison supervision and ordered her to repay \$48,521 to FEMA and \$10,391 to Woodforest National Bank.

U.S. Attorney Tim Johnson's office said in a written statement that Taylor's sentence "is equal to the longest sentence imposed in the Southern District of Texas for FEMA fraud relating to Hurricane Katrina and is one of the lengthiest sentences imposed nationwide."

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Darlene Poole, a Hurricane Katrina evacuee and housing assistance recipient through the Houston Housing and Community Development, an organization that receives HUD HOME Investment Partnerships Program funds, and Lashona Victor were each indicted in U.S. District Court, **Houston, TX**, for allegedly committing a conspiracy to commit mail and wire fraud. Poole applied for and received \$13,000 in HUD funding to purchase a residential property, but after acquiring the property, Poole and Victor allegedly created false documents to show Victor as the property owner so that Poole could apply for and obtain FEMA disaster housing assistance.

FEMA and Other Fraud by HUD Tenants

Christine Tate-Carter, a New Britain Housing Authority (New Britain) Section 8 tenant, and Rukaiyabanu Shaikh, a New Britain landlord and the managing agent for Urban Developers, LLC, were each arrested after their indictments in U.S. District Court, **Hartford, CT**, for allegedly committing theft of government property and making false statements. From September 2005 to November 2006, Tate-Carter applied for and received \$3,742 in FEMA disaster assistance after she claimed Hurricane Katrina evacuee status, but Tate-Carter allegedly resided in Connecticut during the storm. In addition, from December 2005 to November 2006, Shaikh and Urban Developers, LLC, allegedly submitted false claims relating to Tate-Carter's subsidized unit and obtained \$13,749 in housing contract payments they were not entitled to receive.



Carmen Mack and Moreschia Williams, former San Francisco Housing Authority housing recipients, were each sentenced in U.S. District Court, **San Francisco, CA**, to 36 months probation and collectively ordered to pay FEMA \$11,716 in restitution for their earlier guilty pleas to committing theft of government funds or mail fraud. Mack and Williams applied for and collectively received \$11,716 in FEMA disaster assistance after they claimed Hurricane Katrina evacuee status, but both defendants resided in California during the storm.



Stacie Ellerson, an East Baton Rouge Housing Authority (East Baton Rouge) public housing tenant, pled guilty in U.S. District Court, **Baton Rouge, LA**, to committing wire fraud. Ellerson applied for and received \$2,373 in FEMA disaster assistance after she claimed property damage and Hurricane Katrina evacuee status, but East Baton Rouge suffered no storm damage, nor were tenants evacuated.



Lawanda Clark, a former Section 8 tenant at Scotland Square Apartments (Scotland), a HUD-subsidized multifamily housing development, was sentenced in U.S. District Court, **Baton Rouge, LA**, to 3 years probation and ordered to perform 25 hours of community service and pay FEMA \$2,000 in restitution for her earlier guilty plea to committing mail fraud. Clark applied for and received FEMA disaster assistance after she claimed personal property damage from Hurricane Katrina, but Scotland suffered no storm damage, nor were tenants evacuated.



Rose Cooley, a former Section 8 tenant at Royal Oaks Apartments (Royal Oaks), a HUD-subsidized multifamily housing development, was sentenced in U.S. District Court, **Hattiesburg, MS**, to 3 years probation and ordered to perform 40 hours of community service and pay FEMA \$1,584 in restitution for her earlier guilty plea to making a false statement. Cooley applied for and received FEMA disaster assistance after she claimed Hurricane Katrina evacuee status, but Royal Oaks suffered no storm damage, nor were tenants evacuated.

Woman Indicted In Aid Scam

A federal grand jury returned an indictment Wednesday charging a New Britain woman with lying about her eligibility for aid for Hurricane Katrina victims.

Christine Tate, 30, of Tremont Street, was charged with two counts of making false statements about her eligibility for Hurricane Katrina benefits and one count of theft of government property, according to a press release from the U.S. attorney's office. The grand jury was sitting in Hartford.

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Other Fraud

Willie Smith was indicted in U.S. District Court, **New Orleans, LA**, for allegedly committing wire fraud and a conspiracy to steal government funds. In addition, Shawnzell Venson and former First American Title Insurance Company employee Derrick Beaulieu each pled guilty to committing wire fraud and a conspiracy to steal government funds. Smith allegedly and Venson and Beaulieu admittedly attempted to divert \$646,947 in CDBG Disaster Recovery Assistance funds into their personal bank accounts.



Stanley Burrell was sentenced in U.S. District Court, **Beaumont, TX**, to 16 months incarceration and 3 years supervised release and ordered to pay FEMA \$12,750 in restitution for his earlier guilty plea to making false claims. Burrell applied for and received FEMA disaster assistance after he claimed to be a Housing Authority of New Orleans Hurricane Katrina evacuee, but Burrell never resided in HUD-subsidized housing.



Steven Gibson pled guilty in U.S. District Court, **Houston, TX**, to filing a false claim. Gibson applied for and received about \$15,000 in FEMA disaster assistance after he claimed to be a Hurricane Katrina evacuee, but Gibson resided in Texas during the storm.



Woman pleads guilty in Katrina fraud case

By The Associated Press

NEW ORLEANS — A woman has pleaded guilty to conspiring to steal about \$600,000 in government funds intended to help elderly residents rebuild or repair homes damaged by Hurricane Katrina.

Shawnzell Venson, 37, of New Orleans, who entered the plea last week in federal court, also faces up to five years in prison and a \$250,000 fine. Sentencing is set for Dec. 2.

Prosecutors said bank routing instructions for Road

Home grant awards were altered so the money would be wired into the personal bank accounts of Venson and a co-defendant, Willie Smith.

A third defendant, Derrick Beaulieu, worked for an insurance company that prepared closing documentation for recipients of the grant money. Prosecutors said he targeted elderly victims.

Federal prosecutors allege that Venson and Smith, her fiancée, posed as relatives of Road Home applicants.

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Inspections and Evaluations

Inspection of HUD's Recapture of Unspent Pre-2005 Disaster Recovery Assistance Grant Funds

HUD OIG completed an inspection to determine whether HUD had appropriately recaptured unspent funds awarded from the more than \$5.3 billion in CDBG Disaster Recovery Assistance funding appropriated before 2005. As of August 2008, HUD's records showed that a total of 121 pre-2005 Disaster Recovery Assistance grants had unspent funds totaling more than \$17.5 million. OIG selected 11 of the 121 grants for detailed review.

HUD did recapture and deobligate unspent pre-2005 Disaster Recovery Assistance grant funds from expired grant contracts as required. However, three observations were noted that warrant management attention: (1) HUD did not ensure that expired Disaster Recovery Assistance grants were closed out and unspent grant funds were recaptured or deobligated on a timely basis, (2) the Disaster Recovery Grant Reporting (DRGR) system did not contain accurate information regarding the closeout status of expired Disaster Recovery Assistance grants, and (3) closeout documentation was missing from five Disaster Recovery Assistance grant files reviewed. OIG recommended that HUD improve its oversight of Disaster Recovery Assistance grants by implementing steps to ensure that (1) closeout of disaster grants and recapture of unspent grant funds is completed in a timely manner, (2) correct and timely grant status information is entered into the DRGR system, and (3) formal closeout documents are included in the grant files. (I&E Report: **IED08 005**)



Chapter 7

Other Significant Audits and Investigations / OIG Hotline



In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), has conducted numerous outreach efforts (see chapter 8, page 142).

Audit

Strategic Initiative 4: Contribute to improving HUD’s execution and accountability of fiscal responsibilities as a relevant and problem-solving advisor to the Department’s execution

Key program results		Questioned costs	Funds put to better use
Audit	14 audits ¹	---	---
Our focus	Page 116	• HUD’s mngement of human resources	
	Page 117	• Review of HUD’s general and application controls of selected information technology systems	
	Page 117	• Review of HUD’s internal controls over processing personnel actions	
	Page 117	• Evaluation of HUD’s security controls over Web applications	
	Page 118	• Review of controls over HUD’s data and resources at third-party business partners	

¹ The total “other” audits include American Recovery and Reinvestment Act of 2009 (nine audits) type audits conducted in other areas. The write-ups for these audits are shown separately in chapter 5 of this semiannual report.

HUD’s Management of Human Resources

HUD OIG audited HUD’s management of human resources to determine whether HUD had implemented a process and methodology to determine when to contract out for services or when to keep the services in house. The audit did not include reviewing procurement items and/or competitions before December 1, 2004, and it did not include a review of HUD’s procurement and/or contracting activities to determine whether they met applicable Federal requirements.

HUD complied with the Office of Management and Budget’s (OMB) requirements for the competition of commercial activities (competitive sourcing procedures). All three of the streamline competitions reviewed contained adequate documentation to support HUD’s assessment of whether government employees should perform tasks that are readily available in the commercial marketplace or rely on the private sector for the performance of those tasks.

Since OIG did not identify any deficiencies, no recommendations were made. (Audit Report: **2009-CH-0001**)

Review of HUD's General and Application Controls of Selected Information Technology Systems **(Report Not Available to the Public)**

HUD OIG reviewed general and application controls for selected information systems to assess management controls over HUD's computing environments as part of OIG's audit of HUD's financial statements for fiscal year 2008 under the Chief Financial Officer's Act of 1990. The review was based on the Government Accountability Office's "Federal Information Systems Controls Audit Manual" and information technology guidelines established by OMB and the National Institute of Standards and Technology. OIG has determined that the contents of this report would not be appropriate for public disclosure and has limited its distribution to selected officials. (Audit Report: **2009-DP-0004**)

Review of HUD's Internal Controls over Processing Personnel Actions

HUD OIG audited HUD's internal controls over the processing of personnel actions to determine why (1) human resource actions were not processed in a timely manner, (2) employee requests to waive the automatic collection of payroll overpayments were not processed before collection actions began, (3) adequate documentation to support job vacancy announcements was not maintained, and (4) employees were able to initiate their own personnel action requests.

The design and implementation of HUD's internal controls over collection waivers, new hire paperwork, processing of awards, promotions, within-grade increases, pending personnel action requests, and job vacancy announcements were inadequate. There was a lack of internal controls to ensure (1) the timely processing of collection waiver requests and new hire paperwork, (2) that employees were afforded the opportunity to request a collection waiver before salary offsets were taken, and (3) that Office of Personnel Management job announcement policies and procedures and record-keeping standards were followed. Also, in certain circumstances, the HR Connect system lacked controls to prevent employees from being involved in the processing of their own personnel action requests, which made HUD vulnerable to the processing of potentially fraudulent actions.

OIG recommended that HUD implement a tracking system for (1) monitoring new hire accession paperwork and (2) processing awards, promotions, within-grade increases, transmittal of application status notification letters, and collection waiver requests. OIG also recommended that (1) policies and procedures regarding the processing of collection waiver requests include timeliness standards for the research and review phases to ensure that decisions are made in a timely manner and that collection actions are not premature and (2) policies and procedures be established to include supervisory review of pending new hire paperwork actions, job announcement case files, and checklists upon closeout. In addition OIG recommended that (1) staff be retrained regarding new hire paperwork policies and procedures, (2) HUD ensure that staff performs the necessary reviews to certify that each job vacancy case file properly supports the recruitment process and employees do not participate in the processing of their own personnel action requests, and (3) all employees be informed that it is not allowable to participate in the processing of their own personnel action requests. (Audit Report: **2009-FO-0004**)

Evaluation of HUD's Security Controls over Web Applications **(Report Not Available to the Public)**

HUD OIG audited the security of HUD's Web applications. OIG evaluated security measures in place that protect HUD information, scanned identified Web applications, and identified vulnerabilities and suspect configurations that place sensitive information at risk. The audit was conducted as a component of the testing of general and technical controls for information systems in connection with (1) an audit of HUD's consolidated

financial statements and (2) the annual evaluation of HUD's information system security program and practices required by the Federal Information Security Management Act of 2002.

Security controls implemented on HUD's Web applications were inadequate. OIG identified security configuration and technical control deficiencies within HUD's security controls.

OIG has determined that the contents of this report would not be appropriate for public disclosure and, therefore, has limited its distribution to selected HUD officials. (Audit Report: **2009-DP-0006**)

Review of Controls over HUD's Data and Resources at Third-Party Business Partners **(Report Not Available to the Public)**

HUD OIG conducted an audit to determine whether technical, management, and operational controls were in place to ensure adequate protection of HUD's data and resources at its third-party business partners' sites that remotely access or physically process and maintain HUD data outside HUD's secured physical perimeter. OIG also wanted to determine whether HUD complied with applicable Federal requirements that apply to planning, establishing, and maintaining interconnections and data sharing among information technology systems that are owned and operated by the third-party business partners.

OIG has determined that the contents of this report would not be appropriate for public disclosure and has limited its distribution to selected officials. (Audit Report: **2009-DP-0005**)



Investigations

Strategic Initiative 4: Contribute to improving HUD's execution and accountability of fiscal responsibilities as a relevant and problem-solving advisor to the Department's execution

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	33	\$22,261	9	3

Herman Ransom, a director for the HUD Office of Multifamily Housing, was indicted in U.S. District Court, **Kansas City, KS**, for allegedly committing theft of government funds and wire fraud. From September 2001 through May 2007, Ransom allegedly played tennis or gambled at local casinos during official work hours. HUD losses are estimated at \$47,332.



HUD employee Paula Stankiewicz was charged in U.S. District Court, **Cleveland, OH**, with allegedly making false statements. Stankiewicz obtained \$10,500 after she claimed uncompensated overtime hours, but allegedly Stankiewicz did not work the overtime hours she claimed.



Inspections and Evaluations

Evaluation of HUD's Workers' Compensation Program

HUD OIG conducted an evaluation of HUD's management of its Workers' Compensation Program to determine whether the program was managed by the contractor, Lifecare Management Partners, in accordance with contract terms and to identify opportunities to improve program policy and procedures. OIG also wanted to determine the level of program noncompliance and potential fraud among HUD's 371 program beneficiaries. For the 12-month period ending June 30, 2008, HUD's cost and participation levels in the program were \$5.6 million for 371 program beneficiaries.

Lifecare Management Partners managed the program in accordance with its services contract. However, based on tests for indicators of program fraud and discussions with Lifecare, OIG identified 13 of 371 former HUD employees and program beneficiaries that may be abusing their entitlement. These complainants certified to the U.S. Department of Labor's Office of Workers' Compensation Program that they were not employed outside HUD and/or involved with a business enterprise. Public records searches and review of case files disclosed inconsistencies, including potential wage and business income, contrary to the complainants' certifications. OIG recommended that HUD modify Lifecare Management Partners' contract to include fraud detection steps and a formal referral process to ensure full investigation when warranted. (I&E Report: **IED08 004**)



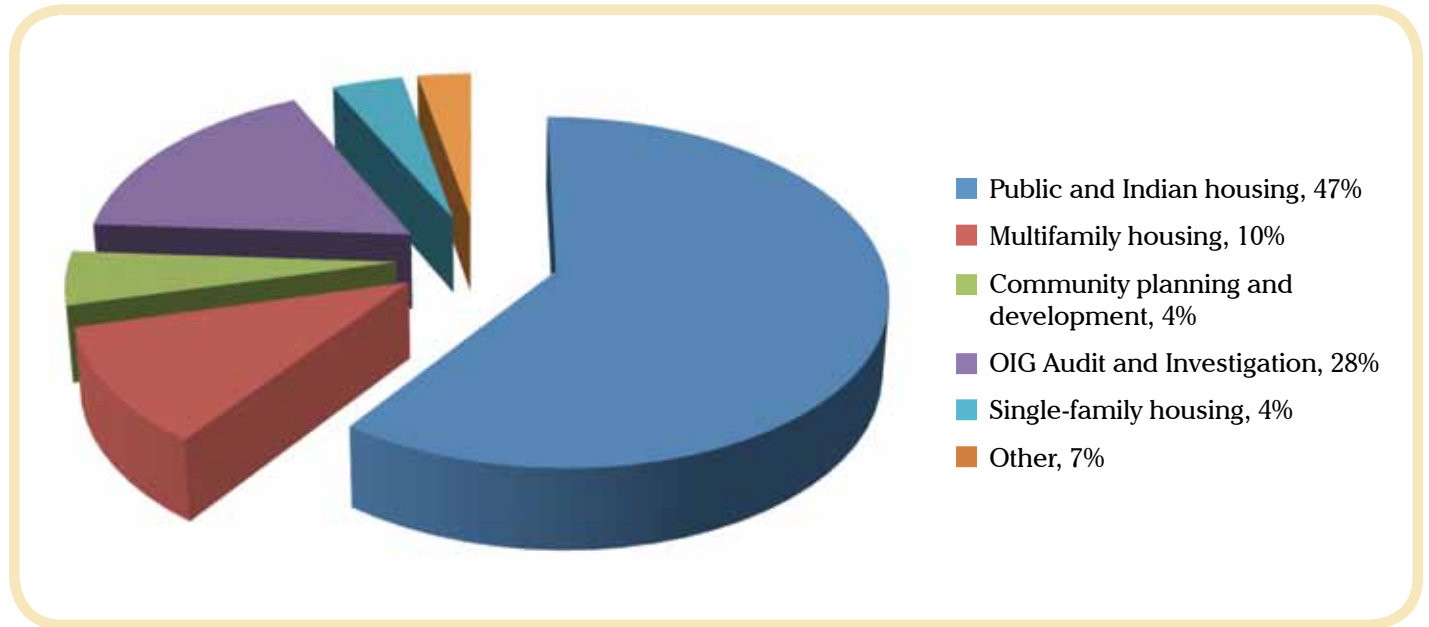
OIG Hotline

The HUD OIG hotline is operational 5 days a week, Monday through Friday, from 10:00 a.m. to 4:30 p.m. The hotline is staffed by nine full-time OIG employees, who take allegations of waste, fraud, abuse, or serious mismanagement in HUD or HUD-funded programs from HUD employees, contractors, and the public. The hotline also coordinates reviews with internal audit and investigative units or with HUD program offices.

During this reporting period, the hotline received and processed 13,194 complaints--68 percent received by telephone, 13 percent by mail, and 19 percent by e-mail. Every allegation received by the hotline is logged into a database and tracked.

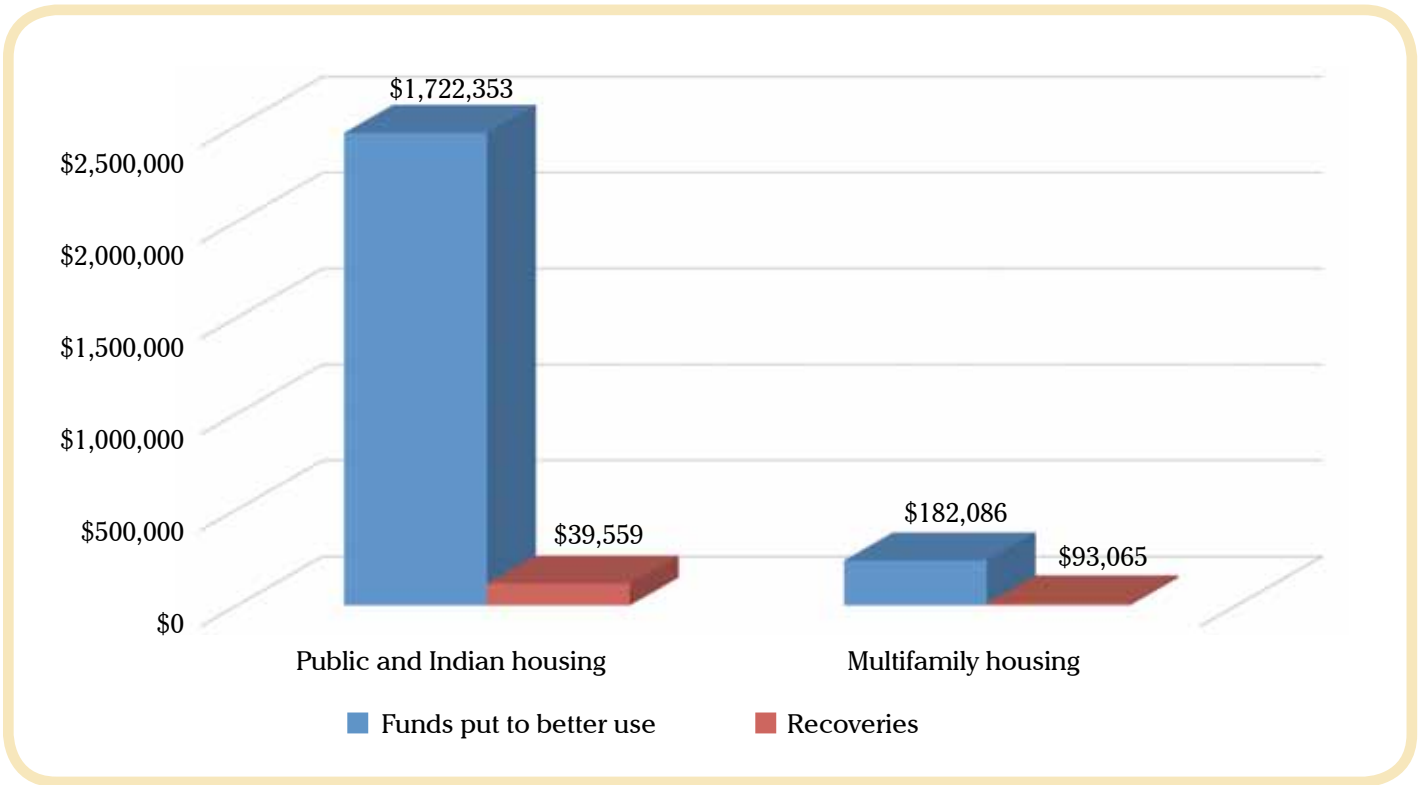
Of the complaints received, 480 were related to the mission of OIG and were addressed as hotline cases. Hotline cases are referred to OIG's Offices of Audit and Investigation or to HUD program offices for action and response. The following illustration shows the distribution of hotline case referrals by percentage.

Chart 7.1: Hotline cases opened by program area



The hotline closed 416 cases this reporting period. The closed hotline cases included 102 substantiated allegations. The substantiated allegations resulted in 36 administrative sanctions, including action taken against a subcontractor for making false claims. The Department also took 63 corrective actions that resulted in \$132,624 in recoveries of losses and more than \$1.9 million in HUD funding that could be put to better use. The recoveries included repayments of overpaid rental subsidies. Some of the funds that could be put to better use were the result of cases in which tenants were terminated from public housing or multifamily housing programs for improperly reporting their incomes or family composition to qualify for rental assistance.

Chart 7.2: Hotline dollar impact from program offices



Chapter 8

Outreach

Efforts



To foster cooperative, informative, and mutually beneficial relationships with agencies and organizations assisting the U.S. Department of Housing and Urban Development (HUD) in accomplishing its mission, the Office of Inspector General (OIG) participates in special outreach efforts. The outreach efforts described below complement routine coordination with Federal, State, and local law enforcement agencies; various congressional committees or subcommittees; and other OIGs. During outreach efforts, OIG personnel present information about HUD OIG's role and function, provide audit and investigative results, and discuss desired goals and objectives.

Single-Family Housing Programs

Special Agent in Charge (SAC) Barry McLaughlin hosted an Illinois Mortgage Fraud Working Group meeting in **Chicago, IL**, and moderated a presentation by Freddie Mac investigator Robb Hagberg, who described the latest mortgage, rescue, and condominium conversion fraud schemes. Approximately 45 real estate professionals and regulatory and law enforcement personnel attended.



SAC George Dobrovic and Assistant Regional Inspectors General for Audit (ARIGA) Kelly Anderson and Muhammad Akhtar facilitated a Federal Housing Administration (FHA) single-family training session hosted by the Michigan Office of Financial and Insurance Regulation in **Lansing, MI**. Approximately 40 examiners, investigators, and HUD personnel attended.



SAC Diane DeChellis and ARIGA Mike Motulski provided an overview of HUD OIG's mission and role and described OIG's responsibilities in detecting and investigating FHA mortgage fraud at a New England Mortgage Banking conference held in **Providence, RI**. At the conclusion, a question and answer forum was held for approximately 150 conference participants.



SAC Wayne North, Assistant Special Agent in Charge (ASAC) James Luu, and Regional Inspector General for Audit (RIGA) Joan Hobbs (in San Francisco only) provided an overview of HUD OIG's mission and function and described investigative priorities relating to the FHA, mortgage fraud, and economic stimulus packages (American Recovery and Reinvestment Act of 2009 (ARRA) funds) during two HUD-sponsored congressional briefings held in **Modesto and San Francisco, CA**. Approximately 60 congressional representatives and HUD personnel attended.



SAC Barry McLaughlin and RIGA Heath Wolfe provided an overview of the Home Equity Conversion Mortgage (HECM) and FHA insurance programs and described fraud schemes, the SAFE Act, and OIG's affirmative civil enforcement actions and audit expectations for Indiana Mortgage Bankers Association members meeting in **Merrillville, IN**. Approximately 65 prosecutors and attorneys, compliance and loan officers, and others attended.



SAC Peter Emerzian, ARIGA Kevin Smullen, and Special Agent (SA) Stephen Tufts provided an overview of HUD OIG's mission and role and described mortgage fraud indicators and investigations for Mortgage Bankers Association members meeting in **Portland, ME**. At the conclusion, a question and answer forum was held for about 50 members in attendance.



SAC Thomas Luke and ASAC Robert Anderson provided an overview of HUD OIG’s mission and authority and described current mortgage fraud trends at a meeting held in **Hammond, LA**, for HUD contractor Cityside Management Corporation.



SAC Anthony Medici provided an overview of fraud schemes in the HECM program, described the role of the program counselor, and explained how to report fraud to HUD OIG at a National Home Equity Mortgage Counselor Network training conference held in **Denver, CO**. More than 200 counselors attended.



SAC Michael Powell provided an overview of OIG’s role in loan origination fraud investigations and described mortgage fraud schemes at an FHA modernization conference hosted by HUD in **Atlanta, GA**. At the conclusion, a question and answer forum was held for about 420 individuals in attendance.



SAC Barry McLaughlin and ASACs Brad Geary and Ray Espinosa provided an overview of HUD OIG operations and described mortgage fraud trends, schemes, and “red flag” indicators during a Guaranteed Rate Loan Company mortgage fraud awareness training seminar held in **Chicago, IL**. Approximately 50 loan officers attended.



SAC Anthony Medici participated on a “Fraud, FHA Lenders, and Declining Economy” panel at the Government Housing and Loan Production conference sponsored by the Mortgage Bankers Association in **Washington, DC**. More than 100 mortgage professionals attended.



SAC Barry McLaughlin provided an overview of HUD OIG and its role in relation to various housing recovery acts for Illinois Mortgage Fraud Working Group members meeting in **Chicago, IL**. Approximately 30 U.S. Trustee representatives, State and city regulatory personnel, and others attended.



SAC Barry McLaughlin and RIGA Heath Wolfe described OIG audit expectations, the new Civil Enforcement Initiative, emerging fraud schemes and trends, and early warning fraud indicators during a meeting held for Minnesota Mortgage Association members in **Minneapolis, MN**. Approximately 50 mortgage industry representatives attended.



ASAC Brad Geary, Assistant U.S. Attorney (AUSA) Brian Netols, and Federal Bureau of Investigation (FBI) SA John Diwik provided an overview of the Neighborhood Stabilization Program (NSP), HECM, and the FHA insurance program and described fraud schemes and related criminal statutes for Fidelity National Title Group employees meeting in **Chicago, IL**. Approximately 20 attorneys, compliance officers, and others attended.



ASAC Suzanne Steigerwald and ARIGA Frederick Smith provided an overview of HUD OIG’s mission and described the planned oversight of mortgage fraud at a meeting held in **Denver, CO**. Approximately 50 congressional aides and HUD personnel from Colorado, Utah, Montana, Wyoming, and North and South Dakota attended.



ASAC Michael Wixted and ARIGA Kevin Smullen provided an overview of HUD OIG’s mission and functions for Massachusetts congressional staff members meeting in **Boston, MA**. Approximately 30 congressional staffers and HUD employees attended.



ASAC Ray Espinosa and ARIGA Kelly Anderson provided an overview of NSP, HECM, and FHA insurance programs and described fraud schemes and criminal statutes at a meeting held in **Indianapolis, IN**, for members of the Indiana Mortgage Bankers Association, the Indiana Land Title Association, the FBI, and the Indiana Attorney General’s Office. Approximately 65 attorneys, compliance and loan officers, law enforcement personnel, and others attended.



ASAC Diane DeChellis, ARIGA Kevin Smullen, and SAs Edward Redmond and Stephen Tufts provided an overview of HUD OIG’s mission and role and described FHA mortgage fraud for New Hampshire Mortgage Bankers Association members meeting in **Bedford, NH**. At the conclusion, a question and answer forum was held for about 30 members in attendance.



ASAC Gene Westerlind provided an overview of HUD OIG’s mission and priorities and described OIG’s role in mortgage fraud investigations at an Anti-Money Laundering and Bank Secrecy Act conference held in **Kansas City, MO**. At the conclusion, a question and answer forum was held for approximately 150 banking executives and law enforcement personnel in attendance.



ASAC Michael Gibson and SA Leonard DeVera provided an overview of the HECM program and foreclosure rescue and loan modification fraud schemes at a Foreclosure Prevention Resource Fair hosted by Congresswoman Grace Napolitano in **Pomona, CA**. At the conclusion, a question and answer forum was held for about 175 homeowners in attendance.



Special Agent Leonard DeVera responds to questions from the audience at the Foreclosure Prevention Resource Fair hosted by Congresswoman Grace Napolitano in Pomona, CA.

ASAC Kevin Chan, ARIGA John Harrison, and HUD Philadelphia Homeownership Center business analyst Philip Caulfield provided an overview of FHA trends; OIG’s authority and role in the Offices of Audit and Investigation; and the process for selecting, conducting, and reporting audits and investigations and described how HUD OIG can partner with the mortgage industry to root out fraud and refer investigations at a convention held for New York Association of Mortgage Brokers members in **Melville, NY**. Approximately 75 mortgage brokers and financial institution representatives attended, and a question and answer forum was held for those who remained after the presentation.



ASAC Michael Wixted and SA Jessica Piecuch provided an overview of HUD OIG’s mission and role, described the FHA mortgage program and mortgage fraud trends, and discussed NSP for Massachusetts Bank Security Committee members meeting in **Boston, MA**. At the conclusion, a question and answer forum was held for approximately 30 members.



ASAC Wallace Merriman provided an overview of HUD OIG’s mission and described predatory lending, property flipping, equity skimming, appraisal fraud, and the potential for HECM as a panelist for a workshop sponsored by the Baltimore Housing Coalition in **Baltimore, MD**. Approximately 40 representatives from State and local governmental agencies, nonprofit organizations, and mortgage and financial institutions attended.



SAs Brandon Gardner and Walter Zapata provided an overview of HUD OIG’s mission and described common predatory lending and foreclosure rescue schemes at the National Urban League Economic Empowerment Tour and Restore Our Homes Housing Rescue Fair held in **Dallas, TX**. Approximately 1,500 individuals attended this event.



SAs John Raney and Timothy Lishner provided an overview of HUD OIG’s mission and role and described single-family housing fraud schemes at a training program, entitled “A Day with FHA,” sponsored by the Denver HUD Homeownership Center and Greeley area realtors in **Greeley, CO**. Approximately 200 realtors and mortgage professionals attended.



SA Kelly Popovits and AUSA Brian Netols provided an overview of mortgage fraud trends and the impact on local recorder offices and described specific investigations for members of the Illinois Association of County Clerks and Recorders meeting in **Bloomington, IL**. At the conclusion, a question and answer forum was held for about 75 individuals in attendance.



SA José Laureano provided a presentation, entitled “FHA and HECM Mortgage Fraud: Jurisdiction and the Investigative Role of HUD OIG,” and explained HUD OIG’s mission and priorities, mortgage fraud schemes and indicators, and Federal criminal statutes for individuals attending a mortgage fraud seminar sponsored by the Puerto Rico Mortgage Bankers Association in **San Juan, PR**. Approximately 50 mortgage brokers, real estate attorneys, and lending institution executives attended.



SA Karen Gleich and FBI SA Carlos Fernandez provided an overview of single-family and FHA mortgage fraud at two Kansas Appraisal Board-sponsored fraud seminars held in **Manhattan and Junction City, KS**. Approximately 30 real estate agents, appraisers, and title company employees attended.



SA Anthony Troeger provided an overview of mortgage fraud and described “red flag” indicators for attorneys attending a “Lunch and Learn” session hosted by the law offices of Womble Carlyle in **Winston-Salem, NC**. More than 45 attorneys and paralegal staff attended.



SA John Raney provided an overview of HUD OIG’s mission, described “red flag” indicators and fraud schemes related to reverse mortgages and foreclosure rescue, and discussed predatory lending tactics for AARP members meeting in **Denver, CO**. Approximately 30 members attended.



SA James Carrieres provided an overview of HUD OIG’s mission and described successful Arizona mortgage fraud investigations at a United Brokers Group conference held in **Chandler, AZ**. Approximately 40 real estate agents attended.



SAs José Laureano and Hector Mercado provided an overview of the FHA mortgage program and mortgage fraud indicators and hosted a question and answer forum for members of the Puerto Rico Mortgage Bankers Association meeting in **San Juan, PR**. Approximately 25 members attended.



SA Carissa Barnes provided an overview of HUD OIG’s mission and role and described OIG’s involvement in bankruptcy investigations at meetings held with U.S. District Court bankruptcy judges, U.S. Trustee Office personnel, and others in **Salt Lake City, UT**. Approximately 25 judges and staff members attended.



SA Nelson Sanchez provided an overview of foreclosure scams at a foreclosure information fair sponsored by the Colorado Foreclosure Hotline in **Littleton, CO**. More than 35 HUD and Freddie Mac representatives and individuals from Colorado’s Foreclosure Hotline, Assistance Corporation, Housing and Finance Authority, and Division of Civil Rights attended.



SAs Nicholas Fasciglione and Brock Minnick provided an overview of HUD OIG’s mission and role and described mortgage fraud indicators and the HECM program at a Property Records Industry Association and Oklahoma Property Records Education Partners meeting held in **Oklahoma City, OK**. Approximately 50 individuals representing the banking and mortgage industries, county officials, the U.S. Bankruptcy Court, the U.S. Attorney’s Office, and Federal law enforcement personnel attended.



SA José Laureano provided a presentation, entitled “Mortgage Fraud: One More Way to Launder Money”; described HUD OIG’s mission and priorities and common mortgage fraud schemes and indicators; and discussed mortgage fraud money laundering schemes at the 2009 Association of Certified Anti-Money Laundering Specialists seminar held in **San Juan, PR**. Approximately 80 compliance officers from local and international financial institutions and Federal and State law enforcement officers attended.



ARIGA Frederick M. Smith spoke about single-family mortgage fraud to a group of approximately 263 licensed Colorado real estate agents and appraisers at “A Day with FHA,” a seminar conducted by the Denver Home Ownership Center in **Colorado Springs, CO**. ARIGA Smith’s presentation included the mission of OIG, the Inspector General Act of 1978, subpoena power, the definition of mortgage fraud, the role of the Offices of Investigation and Audit as it pertains to mortgage fraud, fraud for property, and fraud for profit.

Public Housing and Rental Assistance Programs

SAC Thomas Luke provided an overview of HUD OIG’s mission and priorities and described rental assistance and contractor fraud at an “Executive Directors and Section 8 Coordinators” conference held in **Marksville, LA**. Approximately 125 executive directors and Section 8 coordinators from Louisiana attended.



RIGA John Dvorak, ARIGA Mike Motulski, and SA Edward Redmond provided an overview of HUD OIG’s mission and role and described tenant fraud indicators and rental assistance fraud investigations for members of the New England Regional Council of the National Association of Housing and Redevelopment Officials (NAHRO) meeting in **Bretton Woods, NH**. At the conclusion, a question and answer forum was held for about 30 members in attendance.



RIGA Ron Hosking and ASAC Suzanne Steigerwald provided an overview of HUD OIG’s mission, described the functions of the Offices of Audit and Investigation, and discussed fraud detection and enforcement methods used to successfully prosecute housing investigations at the Colorado NAHRO conference held in **Aspen, CO**. Approximately 50 housing professionals attended.



ARIGA Kim Randall and SA Christopher Conn provided an overview of HUD OIG’s mission, described the functions of the Offices of Audit and Investigation, and held a question and answer forum for approximately 75 housing professionals attending the annual Iowa NAHRO conference in **Des Moines, IA**.



ARIGA Carrie Gray and SAs Christopher Conn and Francis Novak provided an overview of HUD OIG’s mission, described investigative and audit functions, and discussed a variety of HUD OIG investigations at the annual Kansas NAHRO conference held in **Wichita, KS**. At the conclusion, HUD employee Julie Tudor assisted with a question and answer forum for approximately 60 NAHRO members in attendance.



ARIGA Kim Randall and SA Amy Durso provided an overview of HUD OIG’s mission, described investigative and audit functions, and discussed public housing fraud investigations and audit findings at the annual Missouri NAHRO conference held in **Osage Beach, MO**. Approximately 75 NAHRO members attended.



ASACs Ray Espinosa and Brad Geary provided an overview of HUD OIG, described common fraud schemes and “red flag” indicators, and discussed housing fraud investigations during a training seminar hosted by the Chicago and Cook County Housing Authorities in **Chicago, IL**. More than 90 representatives from various housing agencies attended.



ASAC Wallace Merriman provided a presentation, entitled “OIG’s Role and Best Practices in Identifying Criminally Involved Residents,” and discussed multifamily housing fraud prevention, detection, and reporting methods at a HUD-sponsored Multifamily Housing Crime Prevention Summit held in **Baltimore, MD**. Approximately 200 housing agency representatives attended.



ASAC Suzanne Steigerwald and SA Theron Hanes provided an overview of HUD OIG’s role in Indian housing fraud investigations at a HUD-sponsored United Native American Housing Association training seminar held in **Denver, CO**. Approximately 35 executive directors attended.



ASAC Gene Westerlind and ARIGA Carrie Gray provided an overview of HUD OIG’s mission, current HUD multifamily program initiatives, and common fraud schemes and audit findings at a regional performance-based contract administrators’ summit held in **St. Louis, MO**. Approximately 50 HUD and housing finance agency staff from Missouri, Iowa, Kansas, Nebraska, and Oklahoma attended.



ARIGA Vince Mussetter and ASAC Tony Meeks gave a presentation to **Los Angeles, CA**, Office of Multifamily Housing staff on the mission and organization of HUD OIG, along with descriptions of the work performed by the Offices of Investigation and Audit. They answered questions and provided clarification on a number of fraud and equity skimming subjects posed by the attendees.



ASAC Wallace Merriman and ARIGA Kimberly Harrison provided an overview of the Offices of Audit and Investigation and described the audit process and fraud in multifamily housing programs during a “Meet the OIG” session at the Maryland Association of Housing and Redevelopment Agencies conference held in **Ocean City, MD**. Approximately 90 housing representatives from New Jersey, Pennsylvania, Delaware, and Maryland attended.



ASAC Nadine Gurley provided a workshop, entitled “Developing a Successful Partnership with OIG,” and described fraud concerns, challenges, and detection methods for members of Alabama Public Housing

Authorities Directors Association meeting in **Orange Beach, AL**. Approximately 50 Alabama housing executives attended.



SA Juan Juarez provided an overview of HUD OIG's priorities and initiatives and described common fraud schemes in HUD public and Indian housing programs during the annual Texas NAHRO conference and trade show held in **Galveston, TX**. Approximately 15 housing officials attended.



SA Julien Kubesh and HUD public housing revitalization specialist Dana Kitchen provided tips on implementing the HUD Enterprise Income Verification system and described fraud prevention, detection, and prosecutions at the annual Minnesota NAHRO conference held in **Duluth, MN**. Approximately 75 NAHRO members attended.



SA Theron Hanes provided an overview of HUD OIG's mission and authority and described fraud detection and enforcement methods used to successfully prosecute investigations at the North and South Dakota annual NAHRO conference held in **Fargo, ND**. Approximately 50 housing professionals attended.



SA David Smith provided an overview of HUD OIG's mission and authority and described fraud detection and enforcement methods used to successfully prosecute investigations at the annual Utah NAHRO conference held in **St. George, UT**. Approximately 40 housing professionals attended.



SA Edward Redmond provided an overview of HUD OIG's mission and role in fraud investigations at a Tri-State NAHRO conference held in **Kennebunkport, ME**. At the conclusion, a question and answer forum was held for about 60 NAHRO members in attendance.



SA Michael White provided an overview of HUD OIG's mission and described rental assistance fraud for multifamily management personnel attending the annual Kentucky Housing Management conference held in **Louisville, KY**. More than 250 individuals attended.



SA Thomas Neighbors provided an overview of HUD OIG's mission and authority, described Section 8 housing assistance violations, and discussed possible outcomes for discrepancies found in the HUD Enterprise Income Verification system for New England Affordable Housing Management Association members meeting in **Boston, MA**. Approximately 30 members attended.



SAs Timothy Lishner and John Raney provided an overview of HUD OIG's mission and role and described multifamily housing fraud and Federal prosecutions for multifamily property managers attending a training

conference hosted by the Colorado Housing Finance Authority in **Denver, CO**. Approximately 50 property managers attended.



SA David Smith provided an overview of HUD OIG's mission, authority, and role and described fraud and Federal prosecutions involving the HUD Office of Native American Programs at a National American Indian Housing Counsel conference held in **Salt Lake City, UT**. Approximately 50 housing authority officials attended.



SA Steve McCool provided an overview of HUD OIG and the criminal court system and discussed housing assistance fraud investigations and prevention techniques at the West Virginia Assisted Housing Association's conference held in **Beckley, WV**. Approximately 50 housing representatives attended.



RIGA Joan Hobbs and SAC James Todak spoke in **Gallup, NM**, before 175 tribal members from the Navajo Reservation. The conference was arranged by the tribe to inform the members about what they could and could not do with their ARRA funds. In addition to HUD OIG, there were representatives from the U.S. Department of Justice, the U.S. Department of Health and Human Services OIG, and the U.S. Department of Interior OIG.



Senior Auditors Todd Gagon and Sarah Pon participated in the 2009 Fall NAHRO conference held in **Gering, NE**. Topics discussed included the role of HUD Office of Public Housing staff versus that of the HUD OIG Offices of Audit and Investigation; how OIG identifies public housing authorities to audit; common findings/problem areas when auditing Section 8 Housing Choice Voucher programs and nonprofit development activities; and what to do if fraud, waste, or abuse is suspected in HUD-funded programs. They also discussed how HUD OIG will oversee ARRA funds. The audience included representatives from HUD and 12 public housing authorities.



SAC Joseph Clarke and RIGA John Buck made a presentation at the Delaware NAHRO training conference in **Dover, DE**. They provided an overview of HUD OIG's mission and goals and the functions of the Offices of Audit and Investigation. Their presentation focused primarily on anticipated and ongoing HUD OIG oversight of funding received from ARRA. The conference was attended by representatives from various housing and redevelopment agencies throughout the State of Delaware. Approximately 60 grantees attended the presentation.

Community Planning and Development

SAC Barry McLaughlin and RIGA Heath Wolfe provided an overview of HUD OIG's mission and goals, explained the functions of the Offices of Audit and Investigation, discussed community development grant fraud and audit findings, and described civil enforcement initiatives and criminal investigations at a meeting held for HUD Homelessness Prevention and Rapid Re-Housing Program (HPRP) grantees in **Chicago, IL**. Approximately 300 grantees attended.



SAC Timothy Mowery and RIGA Jim McKay provided an overview of HUD OIG's mission and goals; described the function of the Offices of Audit and Investigation, common community planning and development audit

findings and concerns, and potential criminal issues or investigations; and discussed the Program Fraud Civil Remedies Act and the HUD OIG zero tolerance stance at a meeting held for NSP grantees in **Jacksonville, FL**. Approximately 250 grantees attended.



SAC Phyllis Robinson, ASACs Gene Westerlind and Kris Kanakares, and Senior Auditor Danny Tipton provided an overview of HUD OIG’s mission and priorities and described OIG’s role in community planning and development investigations and protecting HUD ARRA funding during a HUD-sponsored training session held for Supportive Housing Program (SHP) grantees in **Kansas City, KS**. At the conclusion, a question and answer forum was held for approximately 24 grantees in attendance.



SAC Timothy Mowery provided an overview of HUD OIG’s mission, discussed stimulus funding, and described fraud indicators and issues in both housing and community planning and development programs for individuals attending the 2009 “Ryan White” meeting hosted by the Florida Department of Health in **Orlando, FL**. Approximately 60 Florida community-based organizations, service providers, and State and local government officials attended.



SAC Peter Emerzian, ASAC Diane DeChellis, ARIGA Kevin Smullen, and SA Stephen Tufts provided fraud detection training for NSP grantees meeting in **Augusta, ME**. Approximately 50 grantees attended.



SAC Timothy Mowery and HUD Office of Policy and Management Operations Specialist Jerrie Magruder provided an overview of HUD OIG’s mission and goals and various HUD programs, including NSP, housing counseling, and HECM; discussed the Helping Families Save Their Homes Act and ARRA; and described criminal investigations and concerns and potential issues involving HUD funding at the Florida Attorney General’s Economic Crimes conference held in **Orlando, FL**. Approximately 50 Federal and State regulatory personnel from Florida and elsewhere attended.



RIGA Jim McKay and ASAC Cortez Richardson provided an overview of HUD OIG’s mission and goals; described the functions of the Offices of Audit and Investigation and criminal activities involving HUD programs; and explained HOME Investment Partnerships Program (HOME) audit findings, the Program Fraud Civil Remedies Act, and concerns regarding NSP for HUD HOME and NSP grantees meeting in **Atlanta, GA**. Approximately 100 State and local government representatives attended.



RIGA Jim McKay and SA Kyle Myles provided an overview of HUD OIG’s mission and goals; described the functions of the Offices of Audit and Investigation, common community planning and development audit findings and concerns, and potential criminal issues and activities associated with HUD programs; and discussed the Program Fraud Civil Remedies Act, criminal investigations, and the HUD OIG zero tolerance stance at a meeting held for HPRP grantees in **Atlanta, GA**. Approximately 300 grantees attended.



ASACs Diane DeChellis and Michael Wixted and ARIGA Kevin Smullen provided an overview of HUD OIG's mission and role and described the responsibilities related to detecting and investigating fraud in community planning and development and homelessness programs at a HUD-sponsored regional HPRP training conference held in **Boston, MA**. At the conclusion, a question and answer forum was held for about 200 conference participants.



ASAC Robert Anderson provided an overview of HUD OIG's mission and goals, described the function of the Office of Investigation and potential criminal issues and investigations, and discussed the HUD OIG zero tolerance stance at a HUD-sponsored symposium, entitled "HUD Day 2009," held in **New Orleans, LA**. Approximately 150 faith-based grant recipients attended.



ARIGA Ed Schmidt and SAC Wayne North spoke at the HPRP training seminar in **Seattle, WA**. HPRRP is a \$1.5 billion grant program, funded with ARRA funds to assist homeless and potentially homeless persons. The seminar was set up by HUD to disburse information to potential grantees and subgrantees and was attended by about 150 individuals from State and local governmental agencies and nonprofit groups that specialize in assisting homeless persons. ARIGA Schmidt and SAC North gave a brief overview of the functions of OIG and explained OIG's role in auditing and investigating the distribution and use of the grant funds



ARIGA Jacob Williams and SA Gail Keller provided an overview of HUD OIG's mission and goals, described the functions of the Offices of Audit and Investigation, and discussed audit findings and concerns and potential criminal issues and activities at a HUD-sponsored Grant Writing Training seminar held in **Houston, TX**. Approximately 350 individuals attended.



ARIGA Kevin Smullen and SAs Edward Redmond and Stephen Tufts provided an overview of HUD OIG and described fraud detection methods at a training seminar for New Hampshire NSP grantees meeting in **Concord, NH**. At the conclusion, a question and answer forum was held for approximately 50 grantees in attendance.



ARIGA William Nixon, Senior Auditor Lynelle Kunst, and Computer Audit Specialist (CAS) Glen Brock held a teleconference with U.S. Government Accountability Office (GAO) staff to discuss OIG and GAO audits of HUD's Disaster Recovery Grant Reporting system as it relates to NSP. After the meeting, Senior Auditor Kunst forwarded related OIG work papers to GAO.



SA Malinda Antonik provided a presentation, entitled "Insuring Compliance When Using HUD Funds," and described HUD OIG's mission, investigations involving HUD programs, viable actions to prevent fraud, and the fraud referral process at an NSP workshop and a meeting held for HUD community planning and development funding recipients held in **Tallahassee and Kissimmee, FL**. Approximately 140 individuals representing Fannie Mae, State and local governments, nonprofit organizations, and financial institutions attended.



ARIGA Narcell Stamps made a presentation to attendees at a postaward workshop for SHP grantees in **Jacksonville, FL**. ARIGA Stamps presented an overview of HUD OIG's mission and role and program vulnerabilities involving HUD community planning and development programs. At the conclusion, a question and answer forum was held for approximately 120 nonprofit grantees.



At a quarterly meeting hosted by the HUD Office of Community Planning and Development (CPD) in **San Antonio, TX**, Senior Auditor Mike Hall and SA Victoria Marquez met with the 19 entitlement community development directors from the San Antonio area and discussed OIG's initial plan for oversight of NSP and ARRA. PIC



RIGA Heath Wolfe made a presentation at HUD's Chicago Regional Office's Financial Management Training for Supportive Housing Program and Shelter + Care grantees conference in **Springfield, IL**. Discussed at the conference were the OIG mission, role, and priorities; common audit findings regarding SHP; and the Office of Audit's audit process. More than 50 individuals attended.



SAC James Todak and ARIGA Tanya Schulze gave a presentation at CPD's training on HPRP in **Los Angeles, CA**. They provided an overview of OIG's mission and organization and talked about common community planning and development grant findings identified in past audits and examples of past grant fraud cases. They emphasized the importance of establishing proper controls and exercising due diligence in administering the grant funds. The training was attended by about 250 grantees and HUD staff.



RIGA Heath Wolfe and ARIGA Brent Bowen made presentations at HUD's Chicago Regional Office's Financial Management Training for Supportive Housing Program and Shelter + Care grantees conference in **Chicago, IL**. Discussed at the conference were the OIG mission, role, and priorities; common audit findings regarding SHP; and the Office of Audit's audit process. There were more than 50 individuals in attendance.



ARIGA Kim Randall spoke at the 2009 Region VII CPD "Spotlight on Excellence" Best Practices conference in **Kansas City, KS**. She provided an overview of OIG's audit functions and its action plan for auditing grantee activities funded by ARRA. Approximately 75 community planning and development grantees attended.



RIGA Heath Wolfe and SAC Barry McLaughlin gave presentations to HUD's NSP 2008 Formula Grant Implementation Training grantees in **Chicago, IL**. The presentations consisted of an overview of HUD OIG's mission and goals and the functions of the Offices of Investigation and Audit. RIGA Wolfe presented information on the Office of Audit's plan regarding the program, common community planning and development audit findings, and the Office of Audit's affirmative civil enforcement initiative. SAC McLaughlin presented information on community development grant fraud and potential criminal issues/activities associated with NSP and provided examples of HUD OIG criminal cases involving government funds. There were approximately 200 individuals in attendance.

Law Enforcement Outreach

ASAC Wallace Merriman provided an overview of HUD OIG's mission and described predatory lending, property flipping, equity skimming, appraisal fraud, and the potential for HECM fraud at a task force meeting sponsored by the U.S. Secret Service in **Washington, DC**. Approximately 60 representatives from Federal, State, and local governmental agencies and mortgage and financial institutions attended.



Senior Special Agent Jeffrey Lowery provided an overview of HUD OIG's mission and goals, described the function of the Office of Investigation and information available through HUD databases, and discussed schemes involving mortgage fraud and specific criminal investigations at a Maryland State Attorney's Association Investigators conference held in **Ocean City, MD**. Approximately 15 investigators and others attended.



SAs Amy Durso and Karen Gleich and Missouri Division of Family Services Legal and Investigations Division SAC Karen Sweet provided an overview of fraud in Section 8 and multifamily programs at the International Crime Free conference hosted by the Mid-America Crime Free Housing Officers Association in **Kansas City, MO**. Approximately 160 law enforcement personnel and multifamily housing managers attended.



SA Heather Yannello provided an overview of HUD OIG's mission and described the detection and investigation of HUD program fraud at a "Federal Toolbox Training" seminar hosted by the New York State Division of Criminal Justice and the Dewitt Police Department in **Syracuse, NY**. Approximately 120 representatives from New York State and local law enforcement agencies attended.



In cooperation with the National Center for Missing and Exploited Children, SA Sharon Soogrim and special agents from the Federal Law Enforcement Officers Association fingerprinted approximately 800 children during the National Missing Children's Day event held at Manning Oaks Elementary School in **Alpharetta, GA**.



In cooperation with the National Center for Missing and Exploited Children, SA Stacie Wilson and special agents from the FBI, the Drug Enforcement Administration, and the U.S. Secret Service fingerprinted and photographed approximately 50 children during the National Missing Children's Day event held at the YMCA in **West Seneca, NY**.



Special Agent Sharon Soogrim (back row left) poses with crime dog "McGruff" and children from Manning Oaks Elementary School in Alpharetta, GA.



In cooperation with the National Center for Missing and Exploited Children, SAs Toni Zavala, Wyatt Achord, and Brian Aust assisted with fingerprinting and photographing about 44 students during the National Missing Children's Day event held at Walker Elementary School in **Walker, LA**.



SAs Chris Conn and Greg Moyer and special agents from other Federal agencies participated in a "Fingerprint Your Kid Day" event held at a Kansas City T-Bones baseball game in **Kansas City, KS**. During this event, special agents fingerprinted approximately 15 children, explained the importance of making fingerprints and DNA available to law enforcement agencies, and provided about 228 fingerprint kits to parents and children.

The American Recovery and Reinvestment and Housing and Economic Recovery Acts

Michael Beard, Director of the Office of Audit's Technical Oversight and Planning Division, briefed the Mid America Intergovernmental Audit Forum at its spring conference in **Kansas City, MO**. He told the gathering of Federal, State, and local auditors how ARRA will direct the audit activities of the inspectors general (IG) and how the IGs will interact with the Recovery Act Transparency Board.



SAC Rene Febles provided an overview of ARRA and the Housing and Economic Recovery Act of 2008 (HERA) at a New York Mortgage Fraud working group meeting sponsored by the New York State Division of Banking in **Manhattan, NY**. Approximately 25 group members attended.



RIGA Heath Wolfe and SAC George Dobrovic gave a presentation in conjunction with HUD's NSP and HOME programs' Creating Affordable Housing, Revitalizing Neighborhoods training in **Columbus, OH**. The presentation consisted of an overview of HUD OIG's mission and goals and the functions of the Offices of Investigation and Audit. RIGA Wolfe presented information on the above programs, common HOME audit findings, and OIG's affirmative civil enforcement initiatives. SAC Dobrovic presented information on community development grant fraud, potential criminal issues/activities associated with the above programs, and OIG's focus on ARRA funding and provided examples of OIG criminal cases involving government funds. There were more than 60 individuals in attendance.



SAC Peter Emerzian, ASAC Diane DeChellis, ARIGA Kevin Smullen, and SA Steven Tufts provided fraud detection training for Maine's Department of Economic and Community Development staff and Maine NSP subgrantees meeting in **Augusta, ME**. The presentation also included a discussion of audit findings relative to community planning and development programs recently funded by ARRA and HERA, such as NSP. There were 50 individuals in attendance.



SAC Joseph Clarke and RIGA John Buck provided an overview of anticipated HUD OIG reviews involving funding from ARRA at a conference held in **Camden County, NJ**, for grantees. The presentation consisted of an overview of HUD OIG's mission and goals and the functions of the Offices of Audit and Investigation. RIGA Buck presented information on common community planning and development audit findings, concerns about the program, and information about the Program Fraud Civil Remedies Act. SAC Clarke described the

HUD OIG zero tolerance stance, presented information on potential criminal activities associated with the program, and provided examples of HUD OIG criminal cases involving government funds. Approximately 80 grantees attended.



SAC George Dobrovic and RIGA Heath Wolfe provided an overview of HUD OIG’s mission, goals, and priorities; explained the functions of the Offices of Audit and Investigation; and described HUD OIG initiatives to address HUD funding in both ARRA and HERA at a meeting held for five congressional staff members in **Columbus, OH**.



SAC Phyllis Robinson, RIGA Ron Hosking, and ARIGA Frederick Smith provided an overview of HUD OIG’s mission and accomplishments and described the planned oversight of ARRA for congressional aides and HUD personnel meeting in **Denver, CO**. At the conclusion, a question and answer forum was held for approximately 72 congressional staff members and HUD personnel from Colorado, Utah, Montana, Wyoming, and North and South Dakota.



SAC Rene Febles and RIGA Heath Wolfe participated in a panel discussion, along with members of the U.S. Department of Justice and HUD, at HUD’s Office of General Counsel Field Leadership Training Conference in **Chicago, IL**. RIGA Wolfe presented information on OIG’s Affirmation Civil Enforcement initiatives. SAC Febles provided an overview of civil prosecutions involving HUD programs and HUD OIG investigations and provided information on the planned oversight of ARRA funding. There were approximately 100 individuals in attendance.



RIGA Joan Hobbs, ARIGA Helen Sparks, and Senior Auditors Fredrick Lee and Holly Swoboda met with the Governor of Guam, the Honorable Felix P. Camacho. The purpose of the meeting was to discuss the audit of capital funds provided to the Guam Housing and Urban Renewal Agency under ARRA. The entrance conference for the audit was held the same day at the housing agency.



From left to right, Raymond Blas, Deputy Director, Guam Housing and Urban Renewal Authority (GHURA); Holly Swoboda, Assistant Senior Auditor, CFE, Phoenix HUD OIG, Office of Audit; Fredrick W. Lee, Senior Auditor in Charge, San Francisco HUD OIG, Office of Audit; Helen Sparks, ARIGA, San Francisco HUD OIG, Office of Audit; Felix P. Camacho, Governor of Guam; Joan Hobbs, RIGA, Region IX HUD OIG, Office of Audit; and Benny Pinault, Executive Director, GHURA

SAC Michael Powell and RIGA Jim McKay provided an overview of HUD OIG’s mission and goals and described responsibilities relating to ARRA oversight at a meeting held for Georgia congressional staff in **Atlanta, GA**. Approximately 25 congressional staff attended.



SAC Barry McLaughlin and RIGA Heath Wolfe provided an overview of HUD OIG, described fraud indicators in the HECM program and the civil enforcement initiative through the Office of Audit, and explained the ARRA accountability and reporting requirements for Illinois Mortgage Banker Association members meeting in **Rolling Meadows, IL**. Approximately 50 members attended.



RIGA Heath Wolfe and ASAC Brad Geary provided an overview of the role and responsibilities of the Offices of Audit and Investigation; described the audit process and common audit findings, civil enforcement initiatives, and investigative priorities; and discussed the ARRA funding involving the Public Housing Capital Fund at the Indiana NAHRO conference held in **Merrillville, IN**. Approximately 75 NAHRO members attended.



SAC Rene Febles, ASAC Kevin Chan, and SA Heather Yannello provided an overview of ARRA and HERA and described NSP and HUD OIG’s public housing and mortgage fraud initiatives at a New York State Public Housing Authority Directors Association meeting held in **Syracuse, NY**. Approximately 40 association members attended.



SAC Peter Emerzian, ASAC Diane DeChellis, ARIGA Michael Motulski, and SA Alex Rosania provided fraud detection training and hosted a question and answer forum for Rhode Island NSP recipients meeting in **Providence, RI**. The presentation also included discussion of fraud within HUD’s program and HUD-funded programs in Rhode Island and audit findings relative to community planning and development programs including those recently funded by ARRA and HERA, such as NSP. Approximately 50 grantees attended.



SAC Joseph Clarke and ARIGA David Kasperowicz provided an overview of anticipated HUD OIG reviews involving ARRA funding at the Pennsylvania Association of Housing and Redevelopment Agencies’ conference held in **Lancaster, PA**. The presentation consisted of an overview of HUD OIG’s mission and goals and the functions of the Offices of Audit and Investigation. ARIGA Kasperowicz presented information on the Office of Audit’s plans for auditing ARRA funds, concerns about the risk in ARRA programs, and information about the Program Fraud Civil Remedies Act. SAC Clarke described HUD OIG’s zero tolerance stance, presented information on potential criminal activities associated with ARRA programs, and provided examples of HUD OIG criminal cases involving government funds. Approximately 80 grantees attended the presentation.



As part of OIG’ efforts to coordinate and keep abreast of audit work in Texas, RIGA Gerald Kirkland, ARIGA William Nixon, and Senior Auditor Danita Wade held a teleconference with GAO representatives to discuss audit work involving ARRA funds in Texas. This was the second meeting with GAO officials. Another meeting has been tentatively scheduled for the end of July, which may include other regional IGs.



HUD's Region II held a Regional Directors conference in **Absecon, NJ**. SACs Rene Febles and Joe Clark and RIGA Edgar Moore gave speeches on OIG's role in investigating and auditing ARRA funds. The conference was attended by 30 regional directors and guests.



SAC Barry McLaughlin and ARIGA Ron Farrell provided an overview of HUD OIG, described public housing fraud indicators and the Public Housing Capital Fund program, and explained ARRA accountability and reporting requirements for members of the Illinois Association of Housing Authorities meeting in **Decatur, IL**. Approximately 70 members attended.



SACs Rene Febles and Joseph Clarke and RIGA Edgar Moore described current HUD OIG initiatives and audits and provided an overview of anticipated HUD OIG reviews involving funding from ARRA at a conference held for HUD program managers in **Galloway Township, NJ**. Approximately 20 HUD program managers from New York and New Jersey attended.



RIGA Gerald Kirkland, ARIGA William Nixon, and Senior Auditor Danita Wade met with GAO representatives in **Fort Worth, TX**, to discuss audit work in Texas relating to ARRA funds. OIG and GAO agreed to coordinate audit efforts, share information, and conduct meetings and/or conference calls every few months.



SAC Herschell Harvell and ARIGA William Nixon explained the role of the IG and how the organization will audit and investigate ARRA and HERA funds to approximately 130 HUD staff and grantees meeting in **Fort Worth, TX**.



SAC George Dobrovic and RIGA Heath Wolfe provided an overview of HUD OIG's mission, goals, and priorities; explained the functions of the Offices of Audit and Investigation; and described HUD OIG initiatives to address HUD funding in ARRA and HERA at the Michigan NAHRO fall conference held in **Troy, MI**. Approximately 60 NAHRO members and others attended.



RIGA Joan Hobbs and ARIGA Helen Sparks met with California State Auditor Elaine Howle and members of her staff in **Sacramento, CA**. The purpose of the meeting was to discuss areas of common interest, including audits of ARRA. The State of California and HUD OIG plan to coordinate their audits to provide the best possible coverage of ARRA funds.



SAC Joseph Clarke, ASACs Jeanne Daumen and Cary Rubenstein, and ARIGA Joseph Vizer provided an overview of HUD OIG's anticipated monitoring efforts relating to Community Development Block Grant recovery and other funding provided by ARRA at a training conference sponsored by HUD and the New Jersey Community Development Association held in **Lincroft, NJ**. Approximately 64 community planning and development grantees attended.



SAC Peter Emerzian, ASAC Diane DeChellis, ARIGA Kevin Smullen, and SA Steven Tufts made a presentation to Maine’s Mortgage Bankers Association staff meeting in **Falmouth, ME**. The presentation included a discussion of fraud within HUD’s programs, including HOME for Homeowners, HECM, and traditional FHA mortgages. The presentation also included a discussion of audit findings relative to community planning and development programs recently funded by ARRA and HERA, such as NSP.



SAC Peter Emerzian, ASAC Diane DeChellis, ARIGA Kevin Smullen, and SA Steven Tufts made a presentation to Superintendent Lloyd LaFountain of the Maine Bureau of Financial Institutions in **Gardiner ME**. The presentation included a discussion of fraud within HUD’s programs including HOME for Homeowners, HECM, and traditional FHA mortgages.



RIGA Edgar Moore and ASAC Louis Mancini, Jr., provided an overview of the role and responsibilities of the Offices of Audit and Investigation involving HPRP, funded by ARRA, at a HUD-sponsored training seminar held in **Manhattan, NY**. More than 200 community planning and development grantees and others attended.



SAC George Dobrovic, RIGA Heath Wolfe, and ASAC Michael Catinella provided an overview of HUD OIG’s mission, goals, and priorities; explained the functions of the Offices of Audit and Investigation; and described HUD OIG initiatives to address HUD funding in ARRA and HERA at a meeting held for three congressional staff members in **Detroit, MI**.



RIGA Gerald Kirkland, SAC Herschell Harvell, and ASAC Michael Wilson accompanied IG Ken Donohue, who made a presentation in **Ft. Worth, TX**, to a group of representatives from nonprofit organizations located throughout Region VI. The presentation provided an overview of the OIG organization and its roles in general and some of its roles specifically related to HERA and ARRA.



RIGA Ron Hosking presented a briefing at HUD Region VII’s Management Conference in **Kansas City, KS**. The conference was attended by about 40 HUD regional managers and supervisors. RIGA Hosking described OIG’s mission, accomplishments, and action plans for the oversight of ARRA funds.



ARIGA Kimberly Harrison and SA Kylan Dunn provided an overview of HUD OIG’s mission and the planned oversight involving ARRA and described the functions of the Offices of Audit and Investigation at a HUD-sponsored regional HPRP training session held in **Washington, DC**. More than 200 grant recipients attended.



ASAC Lisa Gore conducted a seminar, entitled “Reviewing American Recovery and Reinvestment Act Monies,” and described HUD OIG’s mission and goals; the functions of the Offices of Investigation and Audit; and the strategies to meet delivery challenges, mitigate program risks, and oversee the distribution of funds

at a convention held in **Biloxi, MS**, for the Alabama Association of Housing and Redevelopment Authorities. Approximately 60 public housing authority representatives attended.



ARIGA David Kasperowicz participated in a teleconference with staff from the Philadelphia Office of Public Housing and representatives from public housing authorities from the Commonwealth of Pennsylvania and the State of Delaware. The primary purpose of the meeting was to discuss the recently issued information and procedures for processing the ARRA capital fund formula grants. ARIGA Kasperowicz discussed the role and responsibilities of HUD OIG in providing critical oversight of the distribution and use of these funds.



ASAC Lou Mancini provided an overview of HUD OIG's mission and described mortgage fraud indicators, public corruption, and HERA at an Appraisal Institute meeting held in **Long Island, NY**. More than 70 appraisers attended.



ARIGA Jacob Williams, SA Victoria Marquez, FBI Supervisory SA Osvaldo Alaniz, and AUSA Bud Paulissen briefed 19 community planning and development grantees on NSP and ARRA. The AUSA and the SAs discussed fraud. ARIGA Williams described audits. ARIGA Williams and SA Marquez also described auditor and investigator functions as well as NSP and ARRA to 31 San Antonio HUD program staff.



ARIGA William Nixon and Senior Auditor Lynelle Kunst held a teleconference with Kinney Poynter, executive director of the National Association of State Auditors, Comptrollers, and Treasurers; representatives from the Texas State Auditor's Office; and the Arkansas Legislative Auditor to discuss plans to audit and evaluate the funding for HERA and ARRA given to the States and local communities.



As part of HUD's training on HOME and NSP, Senior Auditor Danita Wade and Auditor Benson Mathews presented the Office of Audit's perspective on ARRA to approximately 50 community planning and development recipients and staff meeting in **Fort Worth, TX**.



Senior Auditor Beth Howard held a teleconference with Billy Swindell, the audit manager of the Oklahoma State Auditor and Inspector's office, to discuss plans to assess and examine the ARRA funds given to State agencies. They discussed ways to inform each other of ARRA audits to prevent duplication of effort and share results.

Other Outreach

ASAC Eric Bizjak, SA David Fredrick, and seven members of the Ohio Chapter of the Federal Law Enforcement Officers Association participated in the 2009 Law Enforcement Torch Run for Special Olympics, an event held in **Cleveland, OH**, to raise money and awareness for Ohio Special Olympic athletes.



ASAC Wallace Merriman provided an overview of Federal law enforcement careers and described HUD OIG special agent responsibilities during career day events held at Heather Hills and Northview Elementary Schools in **Bowie, MD**. Approximately 50 students, educators, and parents attended.



ASAC Eric Bizjak and SA Pam Forgach provided an overview of HUD OIG's mission, role, and functions; described special agent duties, qualifications, and training; and demonstrated electronic surveillance equipment and handcuffing techniques for students attending career day activities at the Eastlake City School in **Eastlake, OH**. Approximately 60 students attended.



SA Kyle Myles provided an overview of HUD OIG's mission and described investigations and the role of investigators for students attending a career day at Miller Grove Middle School in **Decatur, GA**. More than 100 students and teachers attended.



SAC Barry McLaughlin and ARIGA Brent Bowen gave presentations at a meeting of Region V's field office directors. SAC McLaughlin and ARIGA Bowen presented information on 2009 priority areas for the Offices of Investigation and Audit. ARIGA Bowen also provided information on the audit process, various ongoing audits being conducted in the Region, and the Office of Audit's affirmative civil enforcement actions. There were 15 individuals in attendance.



RIGA Heath Wolfe and SAC George Dobrovic made presentations at the University of Detroit Mercy's Call to Serve Week in **Detroit, MI**. They spoke to students, faculty, and alumni about the benefits of pursuing student volunteer and full-time positions with HUD OIG, as well as OIG's overall mission. Attendees were informed that OIG has full-time positions available nationwide as well as student volunteer opportunities in Chicago, IL; Columbus, OH; and Detroit, MI. More than 35 individuals attended the presentations.



ARIGAs Nikita Irons and Ron Farrell participated in the Kelley School of Business Career and Internship Fair at the Indiana University-Purdue University **Indianapolis, IN** campus. Approximately 35 employers attended the career fair. ARGAS Irons and Farrell spoke with students about OIG's mission and the benefits of pursuing student volunteer and career positions with HUD OIG. They accepted resumes from students interested in the student volunteer program at OIG's Chicago, IL; Columbus, OH; and Detroit, MI, Offices of Audit and careers with HUD OIG.



Senior Auditor Todd Gagon gave a presentation at the Denver Area Association of Governmental Accountants' annual conference in **Denver, CO**. The presentation was on HUD OIG's use of Computer Assisted Audit Tools in performing audit reviews. Auditor Gagon discussed OIG's use of Audit Command Language (ACL) in conducting audits of HUD's community planning and development programs. He also discussed OIG's use of ACL to create relationships between HUD's Section 8 registry and the FBI's registered sex offender database in an effort to locate possible registered sex offenders living in Section 8 housing. The presentation also contained a brief discussion on ARRA funds.



RIGA Joan Hobbs spoke about mortgage fraud at a meeting of the Western Intergovernmental Audit Forum in **Los Angeles, CA**. There were 70 people in attendance.



Senior Auditors Sarah Pon and Todd Gagon attended a housing fair hosted by Congressmen Jared Polis and Ed Perlmutter in **Denver, CO**. Entities participating in the fair included Chase, Wells Fargo, Freddie Mac, Fannie Mae, Adams County Housing Authority, Colorado Foreclosure Hotline, and HUD. The housing fair provided individuals the opportunity to speak with HUD-approved housing counselors and other financial professionals. Topics discussed at the fair included understanding the foreclosure process and available options and how ARRA can help first-time home buyers. Auditors Pon and Gagon spoke with participants concerning possible fraud, waste, and abuse in connection with their FHA mortgages and provided them with HUD OIG hotline contact information.



ARIGA Tracey Carney and Auditor Teri Smith provided an overview of HUD OIG's mission, goals, and audit process during HUD's disaster recovery team's retreat in **Ocean Springs, MS**. They answered questions and provided clarification on a number of subjects presented by the attendees. The retreat was held for 12 members of HUD's disaster recovery team.



SACs Joseph Clarke and Kenneth Taylor and RIGA John Buck made a presentation at the HUD Region III managers meeting held in **Shepherdstown, WV**. Their presentation covered current and future case and audit trends in OIG. They also addressed questions and concerns from approximately 30 program and field office directors from Pennsylvania, Maryland, Delaware, Virginia, West Virginia, and the District of Columbia.



Supervisory Forensic Auditor Muhammad Akhtar and Senior Auditor Zakia Haneef participated in the Loyola University Chicago Community Service and Part-Time Job Fair in **Chicago, IL**. They spoke with more than 50 students, both graduates and undergraduates, about OIG's mission and the benefits of pursuing a career and/or student volunteer positions with HUD OIG and accepted resumes from students interested in part-time positions with HUD OIG.



ARIGA Carrie Gray and Auditor Tina Venker participated in the University of Missouri-St. Louis fall internship and job fair in **St. Louis, MO**. They spoke with interested students about HUD OIG's mission and the benefits of pursuing a career with HUD OIG and accepted resumes from students interested in the student volunteer program and careers with HUD OIG.



Senior Auditor Christy Thomas attended the School of Business Career Fair at the University of Kansas in **Lawrence, KS**, and provided an overview of HUD OIG operations to participating students. Nearly 90 employers and more than 300 students participated in the fair.



CAS Glenn Brock participated in the Missouri Society of Certified Public Accountants' "Kansas City Chapter Career Night" held in **Kansas City, MO**. CAS Brock discussed OIG's mission and career opportunities with more than 75 students (representing 23 colleges and universities) and accounting professionals in attendance. He provided accounting students with information related to current auditor and investigator positions within OIG and a synopsis of OIG's function as an audit organization within HUD.



Chapter 9

Reviews of

Policy Directives



Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG reviewed 154 issuances. This chapter highlights some of OIG's prior comments on notices, comments for this reporting period, and other policy directives.

Enacted Legislation

Due to the collapse of the subprime mortgage market and resulting increase in foreclosures, Congress and the President approved the Housing and Economic Recovery Act of 2008 (HERA) and the American Recovery and Reinvestment Act of 2009 (ARRA). This legislation contained significant new funding and programs for HUD. Specifically, the Neighborhood Stabilization Program (NSP) was created under HERA and provided an initial \$3.92 billion in funding to State and local governments for the redevelopment of abandoned and foreclosed-upon homes and residential properties.

ARRA provided an additional \$13.61 billion to existing programs, including an additional \$2 billion for NSP.

These programs and their related rules create new challenges and risks for the Department. OIG plans to closely monitor proposed guidance and regulations and work in cooperation with the Department on this new funding. To that end, OIG has reviewed and provided comments on the draft and final front-end risk assessments for these programs. The Department incorporated OIG's suggestions into its final risk assessments, and OIG concluded that the assessments met Office of Management and Budget requirements.

In addition, OIG reviewed 16 clearance items specifically related to HERA and ARRA. The most notable clearance items were the notices of fund availability for the competitive ARRA funding.

OIG also participated in a number of meetings with HUD officials regarding these additional funds and the programmatic risks of the activities. OIG continues to express concerns about the capacity of many of the grantees. OIG expressed its concerns in its review comments to clearance items and directly to HUD officials.

In addition, the Helping Families Save Their Homes Act of 2009 provided the Mortgagee Review Board (MRB) with additional authority to sanction lenders and the principals and staff of the lenders. OIG is encouraged by the increased authority and is monitoring the MRB's actions, given the increased authority.

In September, the Federal Housing Commissioner proposed a number of risk management initiatives related to HUD's single-family programs. As part of the issuances reviewed, OIG provided comments on the preliminary rules. Many of the proposed changes required rule making. Therefore, OIG is awaiting publication of the proposed rules in the Federal Register and subsequent submission of the final rules in the clearance process. OIG will continue to monitor and review proposed changes related to the Federal Housing Administration.

Proposed Rules

OIG objected to a number of HUD proposed rules. Working cooperatively with the Department, OIG was able to resolve all but one of its objections. OIG continues to work corporately with HUD to resolve the remaining issue



Chapter 10

Audit Resolution



In the audit resolution process, Office of Inspector General (OIG) and U.S. Department of Housing and Urban Development (HUD) management agree upon the needed actions and timeframes for resolving audit recommendations. Through this process, OIG hopes to achieve measurable improvements in HUD programs and operations. The overall responsibility for ensuring that the agreed-upon changes are implemented rests with HUD managers. This chapter describes significant management decisions with which OIG disagrees. It also contains a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on audit resolution, see appendix 2, table B, "Significant Audit Reports Described in Previous Semiannual Reports in Which Final Action Had Not Been Completed as of September 30, 2009."

Audit Reports Issued before the Start of the Period with No Management Decision as of September 30, 2009

There are no reports issued before the beginning of the reporting period that currently do not have a management decision as of September 30, 2009.

Significantly Revised Management Decisions

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significant revised management decisions made during the reporting period. During the current reporting period, there were significant revised management decisions on six audits.

Uvalde Housing Authority – Uvalde, TX

Issue Date: December 18, 2000. As requested by the Office of Public Housing, HUD OIG audited the Section 8 and Low Rent programs of the Uvalde Housing Authority. OIG's objectives were to (1) identify the purposes for which the Authority used unearned Section 8 administrative fees; (2) determine whether the Authority complied with its annual contributions contracts in the use of certain Section 8 and Low Rent funds; (3) determine whether the Authority used its Low Rent or Comprehensive Improvement Assistance program funds for other purposes; and (4) determine whether the Authority duplicated payments of certain travel or other administrative expenses in the Section 8, Low Rent, Comprehensive Improvement Assistance, or HOME Investment Partnerships programs that may have been paid by the Authority's affiliate, the Uvalde Housing Development Corporation.

The Authority's former executive director ignored HUD's instructions and used nearly \$564,000 in HUD program funds to pay for excessive administrative expenses and questionable costs not directly related to the HUD programs. He violated provisions of the annual contributions contracts by spending Section 8 funds requisitioned from HUD but not earned and Low Rent funds for non-Low Rent purposes. He manipulated the requisitioning process of the Section 8 programs. From July 1992 through November 1999, the Authority incurred nearly \$376,000 in excessive administrative expenses in the Section 8 programs and more than \$188,000 in questionable expenses in the Low Rent program. Also, because the former executive director arranged to receive a rent-free apartment from the affiliate, a conflict of interest appeared to be evident. The Authority reimbursed more than \$224,000 to the Section 8 and Low Rent programs but still owed HUD nearly \$263,000 in unearned Section 8 funds and nearly \$77,000 to the Low Rent program for excessive administrative expenses and questionable costs on the date of the report.

OIG made several recommendations to HUD's Office of Public Housing, including (1) require the Authority to repay HUD nearly \$263,000 from non-Federal funds for the Section 8 funds it overrequisitioned and spent (recommendation 1A); (2) require the Authority to recover more than \$49,000 from the Uvalde Housing Development Corporation for expenses paid on its behalf and reimburse more than \$44,000 to the Section

8 account and nearly \$5,000 to the Low Rent account (recommendation 1B); (3) require the Authority to repay the Low Rent program nearly \$59,000 from non-Federal funds for ineligible transfers that had not been reimbursed by the Section 8 program (recommendation 1C); and (4) require the Authority to provide support for more than \$13,000 in unsupported costs charged to the Low Rent program or repay it from non-Federal funds (recommendation 1D). There were other recommendations, but they were not affected by the revised management decisions below.

HUD and OIG agreed on the original management decisions in April 2001. On September 11, 2009, OIG agreed with HUD's request to revise the management decisions for recommendations 1B, 1C, and 1D to adjust repayment dates. The revised management decision for recommendation 1B allows the Authority to repay its Low Rent account nearly \$5,000 before repaying its Section 8 account nearly \$263,000 as required by the management decision for recommendation 1A. The other revisions allow the Authority to combine the questioned costs of nearly \$59,000 and more than \$13,000 in recommendations 1C and 1D, respectively, and place the combined \$72,000 under a 10-year repayment agreement with the first payment on November 30, 2009, and the final payment on November 30, 2019. (Audit Report **2001-FW-1003**)

Vesta Corporation Insured Multifamily Projects - Moosup Gardens, Mohegan Commons, and Windham Heights - Connecticut

Issue Dates: July 25, 2007; February 4, 2008; and February 5, 2008. HUD OIG audited the HUD-insured multifamily projects in response to a request from HUD. OIG's audit objective was to determine whether the projects' costs were accurately reported to HUD and in accordance with the regulatory agreement and HUD's requirements. OIG identified questioned costs and opportunities for funds to be put to better use totaling more than \$3.6 million. These cost exceptions were due to weak internal controls, lack of policies for related company transactions, and inadequate accounting procedures. As a result, the owners (1) repaid advances when the project was in a non-surplus-cash position, charged ineligible costs, and did not adequately support payments to their related company; (2) paid their related company unreasonable and unsupported relocation services costs when the project was in a non-surplus-cash position; and (3) included unreasonable and unsupported expenses in their HUD-insured mortgage cost certifications.

OIG recommended that the Director of HUD's Boston Office of Multifamily Housing require the owners to (1) repay the projects for ineligible use of operating funds while the project was in a non-surplus-cash position and pay down the project's mortgage for ineligible and unsupported development costs, (2) repay the projects for unreasonable and unsupported relocation costs, and (3) make principal payments to pay down the projects' mortgages for unreasonable relocation costs and provide support for or make principal payments to pay down the projects' mortgages for unsupported operations expenses included in the mortgage amounts HUD insured. Further, OIG recommended that HUD's Departmental Enforcement Center pursue administrative sanctions as appropriate against the responsible parties for the unreasonable and unsupported disbursements cited in the reports.

HUD agreed with the recommendations. However, the auditee obtained legal representation and challenged some of the findings. In addition, the auditee was ultimately able to provide supporting documentation for some of the questioned costs. HUD legal counsel and the auditee's legal counsel entered into settlement discussions and negotiated an agreement whereby the auditee agreed to repay the projects a total of \$1 million from nonproject funds, write off outstanding payables to its related companies, and remove capitalized relocation services costs from its books. In addition, the Departmental Enforcement Center required the auditee to pay \$228,000 in administrative fees. As a result of these settlements, a revised management agreement was necessary, and HUD OIG agreed to the revised decision on August 1, 2009. (Audit Reports: **2007-BO-1006, 2008-BO-1004, and 2008-BO-1005**)

Community Development Corporation of Brownsville, Brownsville, TX

Issue Date: December 18, 2007. HUD OIG audited the Community Development Corporation of Brownsville, Inc. (Corporation), at the request of the HUD San Antonio Director of Community Planning and Development. OIG's objective was to determine whether the Corporation correctly charged administrative costs to its various Federal funding sources. OIG expanded its objective to also determine whether the Corporation used housing counseling grant funds to qualify mortgage applicants instead of counseling potential home buyers.

OIG found that the Corporation incorrectly used part of its housing counseling grant funds for qualifying mortgage applicants. This problem occurred because the Corporation had a prohibited conflict of interest as it provided housing counseling, mortgage qualifying, and underwriting services. As a result, it charged more than \$177,000 in ineligible salaries and nearly \$81,000 in unsupported fringe benefits to its grants. In addition, the Corporation did not allocate general administrative costs in proportion to the relative benefits received by the various funding sources or awards, which resulted in unsupported costs of more than \$391,000. Further, it could not support a more than \$472,000 increase in its building acquisition cost or the \$66,000 value assigned to the land because it did not follow Federal requirements and generally accepted accounting principles. As a result, it may have overcharged its Federal funding sources or awards by as much as \$67,000 for depreciation.

OIG's recommendations included requiring the Corporation to (1) resolve its conflict of interest, (2) repay to HUD more than \$177,000 in ineligible salaries and support or repay nearly \$81,000 in fringe benefits, (3) develop a cost allocation plan for HUD approval that allocates general administrative expenses relative to the benefits received by its funding sources or awards, (4) reallocate more than \$391,000 in general administrative expenses in accordance with the cost allocation plan, (5) obtain an appraisal that values the building and land separately as of the date it purchased the building, and (6) reallocate the correct depreciation.

In April, HUD and OIG reached agreed-upon management decisions on all recommendations. After working with the Corporation and OIG, HUD requested to revise recommendations 2A, 2B, and 2C to allow HUD to use an estimated cost allocation method of determining the amount of overcharges as HUD had determined that the cost allocation plan submitted by the Corporation was not acceptable. Based on the estimated amount, the Corporation owed HUD programs nearly \$274,000, which was repaid in February 2009, and more than \$46,000 to other non-HUD grants. HUD also indicated that the Corporation had submitted a cost allocation plan to the U.S. Department of Health and Human Services (the Corporation's Cost Allocation Branch) for approval. In June 2009, OIG agreed to the revised management decisions. (Audit Report: **2008-FW-1004**)

Indianapolis Housing Agency - Indianapolis, IN

Issue Date: April 15, 2008. As part of OIG's strategic plan objective to assist HUD's efforts to reduce rental assistance overpayments, HUD OIG audited the Section 8 Housing Choice Voucher program at the Indianapolis Housing Agency in Indianapolis, IN, and found that the Agency's program administration regarding housing unit conditions, housing assistance payment calculations, and adequate documentation to support the calculation of households' housing assistance payments was inadequate. Of the 65 housing units inspected, 52 did not meet HUD's housing quality standards and the Health and Hospital Corporation of Marion County, IN's (Corporation) housing standards, and 38 had 402 violations that existed at the time of the Agency's previous inspections.

The Agency also failed to properly calculate housing assistance payments, ensure that its household files contained required documentation to support its payment of housing assistance, and consistently use HUD's Enterprise Income Verification (EIV) system. Of the 67 files reviewed, the Agency incorrectly calculated housing assistance payments for 63 (94 percent), and 59 files (88 percent) did not contain the documentation required by HUD and/or the Agency's program administrative plan. The Agency overpaid more than \$131,000

and underpaid more than \$13,000 in housing assistance and utility allowances and was unable to support more than \$587,000 in housing assistance and utility allowance payments. Further, it did not adequately use HUD's EIV system to determine that its reported zero-income households had reported income, resulting in more than \$47,000 in improper housing assistance payments.

OIG recommended that HUD require the Agency to (recommendations 1A, 2A, 2C, and 3A) reimburse its program from non-Federal funds for the improper use of more than \$291,000 in program funds and (recommendation 2D) provide documentation or reimburse its program more than \$587,000 from non-Federal funds for the unsupported housing assistance payments.

HUD agreed with the recommendations in August 2008. The original management decisions required the Agency to reimburse its program using multiple sources of non-Federal funds as well as in-kind services over a 2-year period. The majority of the repayments were to be completed by August 31, 2009, with an additional repayment due in August 2010. HUD became aware of a pending personnel change at the Agency involving the individual responsible for ensuring that the action plan was completed. HUD requested a revision of the management decisions on September 24, 2009, so a formal repayment agreement from non-Federal funds could be executed with the Agency by December 31, 2009. OIG agreed to revise the management decisions on September 26, 2009. (Audit Report: **2008-CH-1006**)

Significant Management Decision with Which OIG Disagrees

There are no reports in which OIG disagrees with the significant management decision.

Federal Financial Management Improvement Act of 1996

In fiscal year 2009, HUD did not substantially comply with FFMIA. In this regard, HUD's financial management systems did not substantially comply with Federal financial management system requirements.

During fiscal year 2009, HUD made limited progress in bringing the financial management systems into compliance with FFMIA. HUD's financial management systems continued to not meet current requirements. HUD's systems were not operated in an integrated fashion and linked electronically to efficiently and effectively provide agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

HUD's financial systems, many of which were developed and implemented before the issue date of current standards, were not designed to provide the range of financial and performance data currently required. HUD is in the process of modernizing its financial management systems by developing an integrated financial management system. The modernization development, HUD's Integrated Financial Improvement Project (HIFMIP), was launched in fiscal year 2003 but has been plagued by delays. Originally planned for implementation in 2006, HIFMIP is now slated to be fully integrated in fiscal year 2015.

FFMIA requires OIG to report in its Semiannual Reports to the Congress instances and reasons when an agency has not met the intermediate target dates established in its mediation plan required by FFMIA. At the end of 2009, the Department reported that 2 of its 40 financial management systems were not in substantial compliance with FFMIA. These two systems are the HUD Procurement System and Small Purchase System. The Department plans to acquire a new application, which will bring these systems into compliance with FFMIA. The acquisition of the new application is anticipated to be complete by June 30, 2010. However, full funding to complete the project has not been obtained; therefore, it is unclear when the new application will be fully implemented. Although 38 individual systems had been certified as compliant with Federal financial management systems requirements, HUD had not performed independent reviews on all of its financial management systems within the 3-year period required by Office of Management and Budget (OMB) Circular A-127. Collectively and in the aggregate, deficiencies continued to exist.

In addition, OIG audit reports have disclosed that security of financial information was not provided in accordance with OMB Circular A-130, Management of Federal Information Resources, appendix III, and the Federal Information Security Management Act.

Corrective Action Verification

Once final action has taken place and an audit is considered closed, OIG will evaluate the effectiveness of the corrective action taken by conducting periodic audits and corrective action verifications on selected recommendations. These reviews are performed to ensure that final action has been completed in accordance with the management decision and that this action has corrected the problems disclosed. During this semiannual period, HUD OIG conducted two corrective action verification reviews.



HUD OIG performed a corrective action verification of HUD's actions in implementing recommendation 1F from its audit of the mixed finance development activities of the Housing Authority of Maricopa County, **Phoenix, AZ** (Rose Terrace and Maricopa Revitalization), Audit Report 2005-LA-1002, issued March 14, 2005. The recommendation required the Authority to prepare and submit to HUD for approval the appropriate amendments to its Declaration of Trust for the units included in the projects.

The purpose of the corrective action verification was to determine whether HUD officials appropriately closed audit recommendation 1F in accordance with the management decision, dated July 12, 2005.

HUD officials closed recommendation 1F despite concerns by HUD's Office of General Counsel that the recorded status of the declaration posed a significant risk to HUD. If HUD program officials determined that it was appropriate to grant retroactive approval in this manner, they should have requested a revised management decision to reflect the conditions of HUD's retroactive approval.

Based on the results of the review, OIG reopened recommendation 1F from Audit Report 2005-LA-1002. (Audit Report: **2009-LA-0801**)



HUD OIG completed a corrective action verification of HUD's actions in implementing portions of Audit Memorandum 98-AO-219-1804, issued September 24, 1998, Upfront Grant for Ridgecrest Heights Apartments, CEMI-Ridgecrest, Inc. The objective of this corrective action verification review was to determine whether HUD ensured the repayment of excess proceeds from the sale of townhomes located at Ridgecrest Heights Apartments in **Washington, DC**.

HUD failed to adequately follow the procedures it agreed to in its closeout memorandum with OIG. Since HUD did not ensure that the grantee submitted the proper documentation to ensure repayment of the sales proceeds, OIG estimated a preliminary amount of excess sales proceeds due to HUD to be more than \$780,000, subject to additional verification. HUD needs to verify the amount of the sales proceeds and determine whether any funds remain in the project's trust fund and then ensure that those funds are returned to HUD as required by the grant agreement.

OIG recommended that HUD verify the final amount of sales proceeds, determine whether any amounts should be returned to HUD, and ensure that such amounts are repaid to HUD under the terms of the grant agreement. OIG also recommended that, after 10 years from the date of final development has expired, HUD determine whether any funds remain in the project's trust fund and ensure that such amounts are repaid to HUD under the terms of the grant agreement. (Audit Report: **2009-PH-0801**)



Appendix 1

Audit Reports

Issued



Internal Reports

33 Audit Reports

Administration (1 Report)

2009-FO-0004 Review of HUD's Internal Controls over Processing of Personnel Actions, 04/15/2009.

Chief Financial Officer (2 Reports)

2009-CH-0001 HUD Complied with the OMB's Competitive Sourcing Requirements Governing Its Management of Human Capital, 05/22/2009.

2009-FO-0006 Review of American Recovery and Reinvestment Act Formula Allocations, 09/25/2009.

Chief Information Officer (4 Reports)

2009-DP-0004 FY 2008 Review of Information Systems Controls in Support of the Financial Statements Audit, 05/29/2009.

2009-DP-0005 Review of Implementation of Security Controls over HUD's Business Partners, 06/11/2009.

2009-DP-0006 Review of HUD's Web Application Systems, 09/29/2009.

2009-DP-0008 Review of Recovery Act Management and Reporting System (RAMPS), 09/30/2009.

Community Planning and Development (5 Reports)

2009-AT-0001 HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds, 09/28/2009. Questioned: \$11,634,558; Unsupported: \$11,634,558; Better Use: \$62,201,487.

2009-CH-0002 The Office of Affordable Housing Programs' Oversight of HOME Investment Partnerships Program Income Was Inadequate, 08/28/2009. Better Use: \$39,611,376.

2009-DP-0007 Review of Selected Controls within the Disaster Recovery Grant Reporting System, 09/30/2009.

2009-FW-0001 HUD's Disaster Recovery Grant Reporting System Can Collect the Basic Information Needed to Monitor the Neighborhood Stabilization Program, 06/25/2009.

2009-PH-0002 The Philadelphia, PA, and Baltimore, MD, CPD Offices Did Not Adequately Document Their Monitoring of CDBG Program Grantees, 07/09/2009.

Government National Mortgage Association (1 Report)

2009-FO-0005 Mortgage-Backed Securities Program Document Review, 04/30/2009.

Housing (5 Reports)

2009-CH-0003 HUD's Oversight of FHA Lenders Underwriting of Home Equity Conversion Mortgages Was Generally Adequate, 09/30/2009. Questioned: \$49,686; Unsupported: \$37,294.

2009-KC-0002 HUD's Office of Multifamily Housing Needs a Uniform Process to Ensure That Commercial Rent Rates Are Comparable to Market Rate Rents, 09/25/2009.

2009-NY-0002 HUD's Administration of the Asset Control Area Program Needs Improvement, 09/01/2009.

2009-SE-0003 HUD's Monitoring of the Performance-Based Contract Administrators Was Inadequate, 09/01/2009.

2009-SE-0004 Controls over FHA's Single-Family Lender Approval Process Need Improvement, 09/30/2009.

Public and Indian Housing (3 Reports)

- 2009-AO-0003 HUD Could Not Demonstrate That Its Receivership Improved the Housing Authority of New Orleans' Performance, 04/08/2009.
- 2009-KC-0001 HUD Subsidized an Estimated 2,094 to 3,046 Households That Included Lifetime Registered Sex Offenders, 08/14/2009. Better Use: \$12,564,000.
- 2009-LA-0001 HUD Phoenix Field Office's Procedures for Monitoring the Nogales Housing Authority Were Not Adequate, 07/13/2009. Questioned: \$269,771; Unsupported: \$93,578.

Audit-Related Memorandums¹

Chief Financial Officer (7 Reports)

- 2009-AT-0801 Evaluation of the Front-End Risk Assessment for the Neighborhood Stabilization Program 2, 09/24/2009.
- 2009-BO-0801 Evaluation of the Final Front-End Risk Analysis for the Homelessness Prevention and Rapid Re-Housing Program, 08/17/2009.
- 2009-CH-0801 Evaluation of the Final Front-End Risk Assessment of the Green Retrofit Program for Multifamily Housing, 09/14/2009.
- 2009-FW-0802 Evaluation of the Front-End Risk Assessment for the CDBG Recovery Program, 09/24/2009.
- 2009-HA-0801 Evaluation of the Final-Front End Risk Assessment for the Office of Healthy Homes and Lead Hazard Control, 09/28/2009.
- 2009-NY-0803 Front End Risk Assessments for the American Recovery and Reinvestment Act Capital Fund Program for Formula and Competitive Grants, 09/30/2009.
- 2009-PH-0802 Evaluation of the Final Front-End Risk Assessment for the Tax Credit Assistance Program, 09/23/2009.

Housing (1 Report)

- 2009-PH-0801 Corrective Action Verification Review, Upfront Grant for Ridgecrest Heights Apartments, CEMI-Ridgecrest, Inc., Washington, DC, Audit Memorandum 98-AO-219-1804, 06/19/2009. Questioned: \$780,326.

Public and Indian Housing (4 Reports)

- 2009-FW-0801 Tenant Confirmation for Disaster Housing Assistance Program for March and April 2009, 05/28/2009. Questioned: \$9,478.
- 2009-LA-0801 Corrective Action Verification, Housing Authority of Maricopa County - Mixed Finance Development Activities, Phoenix, AZ, Audit Report 2005-LA-1002, 06/16/2009.
- 2009-LA-0802 HUD Lacks Adequate Oversight to Require Public Housing Agencies to Separately Account for Unrestricted and Restricted Section 8 Program Administrative Fees, 08/07/2009.
- 2009-NY-0802 Significant Flaws Identified at the Lackawanna Municipal Housing Authority may affect its Capacity to Administer American Recovery and Reinvestment Act Funds, 07/24/2009.

¹ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government audit standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, to report results, or to report the results of civil actions or settlements.

External Reports

97 Audit Reports

Community Planning and Development (27 Reports)

2009-AO-1001	State of Louisiana, Road Home Program, Did Not Ensure That Road Home Employees Were Eligible to Receive Additional Compensation Grants, Baton Rouge, LA, 05/05/2009. Questioned: \$228,930.
2009-AO-1002	State of Louisiana, Road Home Program, Did Not Ensure That Multiple Disbursements to a Single Damaged Residence Address Were Eligible, Baton Rouge, LA, 05/05/2009. Questioned: \$735,087; Unsupported: \$441,027.
2009-AO-1003	Louisiana Land Trust, As the State of Louisiana's Subrecipient, Did Not Always Ensure That Properties Were Properly Maintained, Baton Rouge, LA, 09/23/2009.
2009-AT-1005	The City of Augusta, GA, Did Not Comply with HOME Monitoring Requirements, 04/01/2009. Questioned: \$105,049; Unsupported: \$105,049.
2009-AT-1008	Miami-Dade County Did Not Properly Administer Its CDBG Program, Miami, FL, 06/19/2009. Questioned: \$4,728,807; Unsupported: \$4,011,484; Better Use: \$291,758.
2009-AT-1011	The City of Miami Did Not Properly Administer Its CDBG Program, Miami, FL, 08/18/2009. Questioned: \$5,112,415; Unsupported: \$5,112,415.
2009-AT-1012	The Municipality of Río Grande Needs to Improve Administration of Its CDBG Program and Its Recovery Act Funds, Rio Grande, PR, 09/25/2009. Questioned: \$1,399,549; Unsupported: \$1,379,241.
2009-AT-1013	The City of Atlanta Entered Incorrect Commitments into HUD's Integrated Disbursement and Information System for its HOME Program, Atlanta, GA, 09/28/2009. Better Use: \$3,936,365.
2009-BO-1008	The Office of Community Development, City of Holyoke, Did Not Award HOME Set-Aside Funds to a Qualified Community Housing Development Organization, Holyoke, MA, 05/14/2009. Questioned: \$1,768,071; Better Use: \$500,754.
2009-BO-1011	The City of Boston's Department of Neighborhood Development in Boston, MA, Did Not Administer Its HOME Program in Compliance with HUD Requirements, 08/19/2009. Questioned: \$10,254,827; Unsupported: \$7,627,895; Better Use: \$4,936,952.
2009-CH-1008	The City of East Cleveland Did Not Adequately Manage Its HOME Investment Partnerships and CDBG Programs, East Cleveland, OH, 05/11/2009. Questioned: \$611,798; Unsupported: \$448,559; Better Use: \$55,893.
2009-CH-1020	The City of Flint Lacked Adequate Controls over Its Commitment and Disbursement of HOME Investment Partnerships Program Funds, Flint, MI, 09/30/2009. Questioned: \$640,122; Unsupported: \$140,673; Better Use: \$1,714,357.
2009-DE-1004	The City of Thornton Did Not Sufficiently Document That Its CDBG Projects Met a National Objective, Thornton, CO, 08/14/2009.
2009-DE-1005	Adams County Did Not Have Adequate Controls over Its Block Grant Funds, Westminster, CO, 09/17/2009. Questioned: \$3,168,141; Unsupported: \$1,605,407.
2009-FW-1009	Tarrant County Generally Administered Its Home Investment Partnerships Program Grants in Accordance with Requirements, Fort Worth, TX, 06/09/2009. Questioned: \$2,066; Unsupported: \$119.
2009-FW-1011	The City of Houston Did Not Adequately Monitor Its HOPWA Project Sponsors, Houston, TX, 06/26/2009.

- 2009-FW-1016 The Texas Department of Housing and Community Affairs' Disaster Recovery Action Plan Needs Improvement, Austin, TX, 09/30/2009. Better Use: \$60,235,000.
- 2009-KC-1006 The City of Kansas City Did Not Comply with the Home Investment Partnerships Program Regulations, Kansas City, KS, 06/29/2009. Questioned: \$289,492; Unsupported: \$271,975.
- 2009-KC-1008 Grace Hill Used Neighborhood Initiative Grant Funds to Pay Unsupported Payroll Expenses and Duplicated Computer Support Costs, St. Louis, MO, 07/24/2009. Questioned: \$3,424,933; Unsupported: \$3,228,243.
- 2009-LA-1011 City of Los Angeles Housing Department Did Not Ensure That the Buckingham Place Project Met HOME Program Requirements, Los Angeles, CA, 07/01/2009. Questioned: \$8,500,000; Unsupported: \$8,500,000.
- 2009-LA-1013 City of Oakland Did Not Always Administer Its HOME Investment Partnerships Program in Accordance with Federal Requirements and Its Own Policies and Procedures, Oakland, CA, 07/24/2009. Questioned: \$404,316; Unsupported: \$118,213.
- 2009-LA-1015 Washoe County HOME Consortium Neighborhood Stabilization Program, Reno, NV, 08/17/2009.
- 2009-LA-1016 State of California's Department of Housing and Community Development Review of the Allocation Formula for the Neighborhood Stabilization Program, Sacramento, CA, 08/21/2009.
- 2009-LA-1017 The Los Angeles County Community Development Commission Had Sufficient Capacity and the Necessary Controls to Administer Its Neighborhood Stabilization Program, Los Angeles, CA, 09/02/2009.
- 2009-NY-1010 The Union County Consortium Had Administrative Weaknesses in Its CDBG Program, Elizabeth, NJ, 05/15/2009. Questioned: \$495,644; Unsupported: \$463,793; Better Use: \$1,136,141.
- 2009-NY-1012 The City of Rome Did Not Administer Its Economic Development Activity in Accordance with HUD Requirements, Rome, NY, 05/20/2009. Questioned: \$2,953,754; Unsupported: \$2,953,754.
- 2009-NY-1013 Lower Manhattan Development Corporation Administered Disaster Recovery Assistance Funds in Accordance with HUD Regulations, New York, NY, 05/27/2009. Questioned: \$519,561; Unsupported: \$508,361; Better Use: \$19,643.

Housing (17 Reports)

- 2009-BO-1007 GMAC Mortgage Allowed Borrowers to Receive Cash Back In Excess of Their Cash Investment at Closing on FHA Loans with Secondary Financing from the Connecticut Housing Finance Authority, Fort Washington, PA, 04/30/2009. Questioned: \$1,471.
- 2009-BO-1009 Casa Otonal Multifamily Housing Project Was Not Properly Managed in Accordance with HUD Regulations, New Haven, CT, 08/04/2009. Questioned: \$265,350; Unsupported: \$8,748.
- 2009-BO-1012 James B. Nutter and Company Complied with HUD's Regulations, Procedures, and Instructions for the Underwriting and Closing of FHA-Insured HECM Loans Originated by First Call Mortgage Company, Kansas City, MO, 09/29/2009.
- 2009-CH-1021 Custom Closing Services, Incorporated, Did Not Always Comply with Its Contract When Closing Sales of HUD Real Estate-Owned Properties, Farmington Hills, MI, 09/30/2009.

- 2009-DE-1003 Security National Mortgage Company Did Not Follow HUD Requirements in Underwriting Insured Loans and Did Not Follow Quality Control Requirements, Murray, UT, 04/28/2009. Better Use: \$92,693.
- 2009-FW-1010 Harry Mortgage Company Overstated the Financial Wherewithal of the Owner and General Contractor and Overestimated the Qualifications of the General Contractor When Underwriting the Cypress Ridge Apartments' \$5.87 Million Loan under the Multifamily Accelerated Processing Program, Oklahoma City, OK, 06/26/2009. Questioned: \$3,759,333.
- 2009-FW-1012 Financial Freedom Senior Funding Corporation Did Not Fully Follow HUD's Reverse Mortgage Requirements for Loans in the San Antonio, Texas Area, Irvine, CA, 07/14/2009. Questioned: \$756,000; Unsupported: \$382,500; Better Use: \$230,693.
- 2009-FW-1013 Bank of America Needs to Improve Its Compliance with HUD Requirements, Seattle, WA, 07/29/2009.
- 2009-FW-1014 Cypress Ridge Apartments Owner's Agent Received and Paid More Than \$742,000 Contrary to HUD and Regulatory Requirements, Oklahoma City, OK, 07/30/2009. Questioned: \$742,407; Unsupported: \$742,407.
- 2009-KC-1007 Midwest Mortgage Capital Did Not Adequately Underwrite Seven Loans and Inadequately Performed Quality Control Reviews, St. Louis, MO, 07/08/2009. Better Use: \$478,918.
- 2009-KC-1009 Milestone Management Systems Inc.'s Management Controls for Managing Multifamily Properties Were Not Adequate, Topeka, KS, 08/05/2009. Questioned: \$7,359.
- 2009-LA-1018 DHI Mortgage Company, LTD's Scottsdale and Tucson, AZ Branches Did Not Always Follow FHA-Insured Loan Underwriting and Quality Control Requirements, 09/10/2009. Better Use: \$16,384,123.
- 2009-LA-1019 The Owner of Park Lee Apartments Violated Its Regulatory Agreement with HUD, Phoenix, AZ, 09/15/2009. Questioned: \$512,562; Unsupported: \$15,063.
- 2009-PH-1008 The City of Reading Generally Administered Its Asset Control Area Program in Compliance with HUD Requirements, Reading, PA, 05/29/2009.
- 2009-PH-1010 J.P. Morgan Chase Bank Generally Complied with HUD's Origination and Quality Control Requirements for FHA-Insured Single-Family Loans, Newark, DE, 07/28/2009. Questioned: \$26,352; Better Use: \$81,459.
- 2009-SE-1002 The John C. Cannon Retirement and Assisted Living Residence Violated Its Regulatory Agreement, Seattle, WA, 04/15/2009. Questioned: \$378,803; Unsupported: \$316,778; Better Use: \$137,951.
- 2009-SE-1003 Eagle Home Mortgage Did Not Always Comply with HUD Guidelines When Underwriting FHA-Insured Loans, Kirkland, WA, 07/20/2009. Questioned: \$91,280; Better Use: \$158,492.

Public and Indian Housing (36 Reports)

- 2009-AT-1006 The Jonesboro Housing Authority Generally Complied with Housing Quality Standards Inspections Requirements although Certain Weaknesses Existed, Jonesboro, GA, 04/23/2009. Questioned: \$6,663.
- 2009-AT-1007 The Chattanooga Housing Authority Mismanaged Its Finances, Chattanooga, TN, 06/11/2009. Questioned: \$1,484,118; Unsupported: \$402,862.

2009-AT-1009	The Housing Authority of the City of Newnan Inappropriately Encumbered Assets and Advanced Funds to Support Its Nonprofit Organization, Newnan, GA, 07/20/2009. Questioned: \$221,531; Better Use: \$673,859.
2009-AT-1010	The High Point Housing Authority Needs to Improve Internal Controls over Its Section 8 Program, High Point, NC, 08/17/2009. Questioned: \$9,534.
2009-AT-1014	The Housing Authority of the City of Winston-Salem Needs to Improve Financial Controls, Winston-Salem, NC, 09/29/2009. Questioned: \$2,126,183; Unsupported: \$2,044,314.
2009-AT-1015	The Puerto Rico Public Housing Administration Mismanaged Its Capital Fund Financing Program and Inappropriately Obligated \$32 Million in Recovery Act Funds, San Juan, PR, 09/30/2009. Questioned: \$76,628,034; Unsupported: \$18,701,107; Better Use: \$82,014,420.
2009-BO-1005	The State of Connecticut Department of Social Services Did Not Always Properly Determine or Support Tenant Eligibility and Rent Calculations for the Housing Choice Voucher Program, Hartford, CT, 04/08/2009. Questioned: \$226,792; Unsupported: \$194,821; Better Use: \$9,269.
2009-BO-1006	Quincy Housing Authority Housing Choice Voucher Program Needs to Improve Controls over Its Interprogram Fund Transactions, Procurement, and Travel, Quincy, MA, 04/09/2009. Questioned: \$5,025,212; Unsupported: \$5,025,212.
2009-BO-1010	The City of New London Housing Authority Lacks the Capacity to Properly Administer its Capital Fund Program and Recovery Act Funds, New London, CT, 08/07/2009. Questioned: \$91,027; Unsupported: \$91,027.
2009-CH-1006	The Housing Authority of the City of Milwaukee Needs to Improve Its Procedures and Controls Regarding Its Homeownership Programs, Milwaukee, WI, 04/08/2009. Questioned: \$356,265; Unsupported: \$114,500.
2009-CH-1007	The Springfield Housing Authority Needs to Improve Its Controls over Its Section 8 Housing Assistance Payments, Springfield, IL, 04/28/2009. Questioned: \$144,196; Unsupported: \$21,121; Better Use: \$241,707.
2009-CH-1009	The Chicago Housing Authority Needs to Improve Its Controls over Its Section 8 Housing Assistance Payments, Chicago, IL, 05/19/2009. Questioned: \$90,951; Better Use: \$578,433.
2009-CH-1010	The Cincinnati Metropolitan Housing Authority Needs to Improve Its Controls over Section 8 Housing Assistance Payments, Cincinnati, OH, 05/19/2009. Questioned: \$372,975; Unsupported: \$237,782; Better Use: \$936,207.
2009-CH-1011	The Housing Authority of the City of Terre Haute Failed to Follow Federal Requirements and Its Employment Contract Regarding Nonprofit Development Activities, Terre Haute, IN, 07/31/2009. Questioned: \$1,227,300; Unsupported: \$1,090,800.
2009-CH-1012	The Lake Metropolitan Housing Authority Needs to Improve Its Controls over Housing Assistance and Utility Allowance Payments, Painesville, OH, 08/14/2009. Questioned: \$906,118; Unsupported: \$836,136; Better Use: \$259,228.
2009-CH-1013	The Housing Authority of the City of Milwaukee Did Not Adequately Maintain a Separate Identity for Commingled Funds, Milwaukee, WI, 09/17/2009. Questioned: \$1,445,275; Unsupported: \$1,445,275.

- 2009-CH-1014 The Cincinnati Metropolitan Housing Authority Did Not Effectively Administer Its Section 8 Housing Choice Voucher Program, Cincinnati, OH, 09/17/2009. Questioned: \$136,468; Better Use: \$36,248.
- 2009-CH-1015 The Public Housing Agency of the City of Saint Paul Needs to Improve Its Administration of Its Section 8 Project-Based Voucher Program, Saint Paul, MN, 09/25/2009. Questioned: \$1,391,984; Unsupported: \$1,365,359; Better Use: \$9,563.
- 2009-CH-1016 The DuPage Housing Authority Needs to Improve Its Controls over Housing Assistance and Utility Allowance Payments, Wheaton, IL, 09/28/2009. Questioned: \$436,846; Unsupported: \$426,277; Better Use: \$8,426.
- 2009-CH-1017 The Housing Authority of the City of Terre Haute Failed to Follow Federal Requirements Regarding Its Turnkey III Homeownership Program Units' Sales proceeds, Terre Haute, IN, 09/29/2009. Questioned: \$579,914; Unsupported: \$579,914.
- 2009-CH-1018 The Chicago Housing Authority Needs to Improve Its Controls over the Enforcement of Housing Quality Standards, Chicago, IL, 09/29/2009. Questioned: \$181,241; Unsupported: \$63,781; Better Use: \$1,455,654.
- 2009-CH-1019 The Michigan State Housing Development Authority Failed to Operate Its Section 8 Project-Based Voucher Program According to HUD's and Its Requirements, Lansing, MI, 09/30/2009. Questioned: \$1,138,599; Unsupported: \$1,132,200.
- 2009-FW-1008 Housing Authority of the City of El Paso Administered its Housing Choice Voucher Program in Accordance with Requirements, El Paso, TX, 05/20/2009. Questioned: \$13,014; Unsupported: \$3,147.
- 2009-FW-1015 The Housing Authority of Travis County Could Not Adequately Account For or Support Its Use of Federal Program Funds, Austin, TX, 08/17/2009. Questioned: \$3,209,048; Unsupported: \$3,205,964.
- 2009-KC-1010 The Kansas City Housing Authority Inappropriately Spent Federal Funds for Nonfederal Development Activities, Kansas City, KS, 09/22/2009. Questioned: \$1,636,363; Unsupported: \$1,452,462; Better Use: \$194,079.
- 2009-LA-1009 The Housing Authority of the County of Los Angeles Did Not Reasonably and Equitably Allocate Costs to Its Section 8 Program, Monterey Park, CA, 04/24/2009. Questioned: \$2,953,443.
- 2009-LA-1010 The Culver City Housing Agency Did Not Administer Its Section 8 Housing Choice Voucher Program in Accordance with HUD Requirements, Culver City, CA, 07/01/2009. Questioned: \$4,230; Better Use: \$1,388.
- 2009-LA-1012 The City of Baldwin Park Housing Authority Did Not Always Determine Housing Assistance Payments Correctly and Did Not Always Complete Reexaminations in a Timely Manner, Baldwin Park, CA, 07/23/2009. Questioned: \$19,166; Better Use: \$49,163.
- 2009-LA-1014 The Housing Authority of the City of Long Beach Did Not Adequately Conduct Housing Quality Standards Inspections, Long Beach, CA, 07/29/2009. Better Use: \$5,912,852.
- 2009-LA-1020 The Housing Authority of the City of Richmond Did Not Follow Procurement Requirements and Had Internal Control Weaknesses, Richmond, CA, 09/24/2009. Questioned: \$2,530,671; Unsupported: \$2,417,916.
- 2009-LA-1021 The Housing Authority of the City of Eloy Lacked Capacity to Administer Its Recovery Act Capital Fund Grant Without Outside Assistance, Eloy, AZ, 09/25/2009. Better Use: \$113,672.

- 2009-NY-1011 North Hempstead Housing Authority Had Weaknesses in Its Housing Choice Voucher and Family Self-Sufficiency Programs, Great Neck, NY, 05/15/2009. Questioned: \$71,964; Unsupported: \$13,254; Better Use: \$345,364.
- 2009-NY-1014 The Lackawanna Municipal Housing Authority Needs to Improve Controls and Operational Procedures regarding Its Capital Fund Program, Lackawanna, NY, 07/31/2009. Questioned: \$3,292,094; Unsupported: \$676,301; Better Use: \$1,756,914.
- 2009-PH-1009 The Richmond Redevelopment and Housing Authority Did Not Adequately Administer Its Housing Assistance Payments for Its Section 8 Housing Choice Voucher Program, Richmond, VA, 07/10/2009. Questioned: \$88,807; Unsupported: \$70,248; Better Use: \$5,452.
- 2009-PH-1011 The Wilmington Housing Authority Did Not Ensure That Its Section 8 Housing Choice Voucher Program Units Met Housing Quality Standards, Wilmington, DE, 07/30/2009. Questioned: \$66,934; Better Use: \$1,928,850.
- 2009-PH-1012 The Housing Authority of the City of York Did Not Ensure That Its Section 8 Housing Choice Voucher Program Units Met Housing Quality Standards, York, PA, 08/12/2009. Questioned: \$24,357; Better Use: \$587,496.

Audit-Related Memorandums¹

Community Planning and Development (13 Reports)

- 2009-AO-1801 A Few Possible Duplicate Payments May Have Occurred under Phase II of the State of Mississippi's Homeowner Assistance Program, Jackson, MS, 06/12/2009. Questioned: \$1,877,806; Unsupported: \$1,749,539.
- 2009-AO-1802 The State of Mississippi Generally Ensured That Applicants Were Eligible under Phase II of Its Homeowner Assistance Program, Jackson, MS, 07/31/2009.
- 2009-BO-1802 The City of Boston's Department of Neighborhood Development Can Develop the Capacity to Administer Its Housing and Economic Recovery Act and American Recovery and Reinvestment Act Programs, Boston, MA, 09/23/2009.
- 2009-BO-1803 The City of Brockton Recipient, Building a Better Brockton, Inc., Lacked Sufficient Capacity to Effectively Administer Its Neighborhood Stabilization Program, Brockton, MA, 09/28/2009.
- 2009-CH-1801 The City of Cincinnati Lacked Sufficient Capacity to Effectively and Efficiently Administer Its Neighborhood Stabilization Program, Cincinnati, OH, 07/29/2009.
- 2009-CH-1802 Cook County Needs to Improve Its Capacity to Effectively and Efficiently Administer Its Neighborhood Stabilization Program, Chicago, IL, 09/17/2009.
- 2009-DE-1801 Adams County Had Weaknesses That Could Significantly Affect Its Capacity to Administer Its Recovery Act Funding, Commerce City, CO, 09/24/2009.
- 2009-DE-1802 City of Aurora, Colorado's Capacity to Administer Recovery Act Funding, 09/30/2009.
- 2009-FW-1802 The City of Fort Worth Needs to Strengthen Its Capacity to Adequately Administer Recovery Funding, Fort Worth, TX, 08/31/2009. Questioned: \$17,920; Better Use: \$4,543,341.

¹ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government audit standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, to report results, or to report the results of civil actions or settlements.

- 2009-NY-1801 The City of Little Falls, Urban Renewal Agency, Small Cities CDBG and HOME Programs, Complaint No. HL-09-0090, Little Falls, NY, 09/08/2009.
- 2009-PH-1801 The City of Bethlehem Had the Capacity to Effectively Administer Community Planning and Development Funds Provided under the American Recovery and Reinvestment Act of 2009, Bethlehem, PA, 08/28/2009.
- 2009-PH-1802 The City of Altoona Needs to Strengthen Its Capacity and Controls to Adequately Administer American Recovery and Reinvestment Act of 2009 Funding, Altoona, PA, 09/23/2009.
- 2009-SE-1802 The State of Washington Did Not Always Allocate Its Neighborhood Stabilization Program Funds Based on Greatest Need, Olympia, WA, 09/15/2009. Better Use: \$1,335,314.

Public and Indian Housing (4 Reports)

- 2009-AT-1801 Miami-Dade Public Housing Agency Needs to Strengthen Controls over Its American Recovery and Reinvestment Act Funds, Miami, FL, 09/25/2009.
- 2009-FW-1801 Travis County Housing Authority Lacks Capacity to Administer American Recovery and Reinvestment Act of 2009 Public Housing Capital Funds, Austin, TX, 08/17/2009.
- 2009-KC-1801 The East St. Louis Housing Authority Had Weaknesses That Could Affect Its Capacity to Administer Its Recovery Act Funding, East St. Louis, IL, 09/18/2009.
- 2009-SE-1803 Capacity Review of the Warm Springs Housing Authority, Warm Springs, OR, 09/21/2009.



Appendix 2

Tables



Table A

Audit reports issued before the start of the period
with no management decision at September 30, 2009

* Significant audit reports described in previous semiannual reports

Report number and title	Reason for lack of management decision	Issue date/target for management decision
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Nothing to report.

Table B

Significant audit reports on which final action had not been completed within 12 months after the date of the Inspector General's report

Report number	Report title	Issue date	Decision date	Final action
1997-AT-1003	Municipality of Mayaguez, CDBG and Section 108 Loan Guarantee Assistance Programs, Mayaguez, PR	07/01/1997	10/29/1997	10/31/2009
2002-AT-1002	Housing Authority of the City of Tupelo, Housing Programs Operations, Tupelo, MS	07/03/2002	10/31/2002	07/01/2015
2002-KC-0002	Nationwide Survey of HUD's Office of Housing Section 232 Nursing Home Program	07/31/2002	11/22/2002	Note 2
2004-DP-0002	Application Control Review of the Tenant Rental Assistance Certification System	02/25/2004	07/14/2004	Note 2
2004-PH-1008	Safe Haven Outreach Ministry, Incorporated, Washington, DC	06/03/2004	08/31/2004	Note 2
2004-CH-1007	A-Pan American Mortgage Group, Non-Supervised Loan Correspondent, Chicago, IL	08/09/2004	08/09/2004	Note 2
2004-PH-1012	Mortgage America Bankers, LLC, Nonsupervised Loan Correspondent, Kensington, MD	09/10/2004	01/06/2005	Note 2
2004-FW-1009	Mays Property Management, Inc., Multifamily Management Agent, Little Rock, AR	09/17/2004	02/23/2005	Note 2
2005-AT-1004	Housing Authority of the City of Durham, NC	11/19/2004	03/15/2005	03/15/2015
2005-AT-1013	Corporacion Para el Fomento Economico de la Ciudad Capital Did Not Administer Its Independent Capital Fund in Accordance with HUD Requirements, San Juan, PR	09/15/2005	01/11/2006	Note 2
2005-CH-1020	Housing Authority of the City of Gary, Section 8 Housing Program, Gary, IN	09/29/2005	01/25/2006	12/31/2009
2006-CH-0001	Real Estate Assessment Center's Physical Condition Assessment Was Compromised	11/30/2005	01/10/2006	12/31/2011

Report number	Report title	Issue date	Decision date	Final action
2006-AT-1004	The Housing Authority of the City of Prichard Did Not Ensure Section 8 Subsidy Payments Were for Eligible Units, Tenants, and Landlords, Prichard, AL	01/13/2006	04/25/2006	06/30/2010
2006-NY-1003	The Housing Authority of the City of Newark's Controls Over Bond Financing Activities, Obtaining Supporting Documentation, and Legal Settlements Require Improvement, Newark, NJ	02/14/2006	08/17/2006	01/01/2015
2006-CH-1007	Huntington National Bank, Supervised Lender, Generally Complied with Requirements Regarding Submission of Late Requests for Endorsement and Underwriting of Loans, Columbus, OH	03/15/2006	09/18/2006	Note 2
2006-NY-0001	HUD's Controls over the Reporting, Oversight, and Monitoring of the Housing Counseling Assistance Program Were Not Adequate	06/08/2006	01/08/2007	01/31/2010
2006-BO-1009	The Rhode Island Housing and Mortgage Finance Corporation Incorrectly Made More Than \$1.8 Million in Section 8 Subsidy Payments and Released More Than \$900,000 from Restricted Residual Receipts Accounts, Providence, RI	07/06/2006	10/24/2006	11/01/2010
2006-BO-0001	HUD Incorrectly Approved \$42 Million in Operating Subsidies for Phase-Down for Demolition Add-On Funding	07/11/2006	10/13/2006	10/01/2013
2006-CH-1014	National City Mortgage Company, Nonsupervised Lender, Did Not Comply with HUD's Requirements Regarding Underwriting of Loans and Quality Control Reviews, Miamisburg, OH	07/31/2006	01/31/2007	Note 2
2006-SE-0002	The Office of Single Family Housing Expanded Late Endorsement Eligibility Without Studying Associated Risks	08/16/2006	03/30/2007	Note 1
2006-KC-1013	The Columbus Housing Authority Improperly Expended and Encumbered Its Public Housing Funds, Columbus, NE	08/30/2006	10/17/2006	11/30/2012

Report number	Report title	Issue date	Decision date	Final action
2006-AT-1019	The Municipality of Toa Baja Did Not Administer Its Section 108 Loan Guarantee Assistance Program in Accordance with HUD Requirements, Toa Baja, PR	09/06/2006	12/11/2006	11/30/2009
2006-DP-0802	Assessment of HUD's Compliance with OMB Memorandum M-06-16, "Protection of Sensitive Agency Information"	09/21/2006	11/24/2006	10/01/2009
2007-AT-1002	Pine State Mortgage Company Did Not Always Comply with FHA Underwriting and Quality Control Requirements, Atlanta, GA	11/03/2006	03/02/2007	Note 2
2007-LA-0001	Tax Credit Project Owners Are Allowed to Charge Higher Rents for Tenant-Based Section 8 Voucher Households than Non-Voucher Households	11/08/2006	07/05/2007	10/01/2010
2007-DP-0003	Review of HUD's Procurement Systems	01/25/2007	05/25/2007	09/30/2010
2007-KC-0002	HUD Can Improve Its Use of Residual Receipts to Reduce Housing Assistance Payments	01/29/2007	01/29/2007	01/31/2011
2007-AT-1007	The Municipality of Toa Baja Needs to Improve Its CDBG Program Administration, Toa Baja, PR	04/11/2007	07/16/2007	12/31/2009
2007-KC-0003	HUD Did Not Recapture Excess Funds from Assigned Bond-Financed Projects	04/30/2007	08/27/2007	Note 2
2007-BO-0002	HUD Did Not Process Multifamily Accelerated Processing Applications within Established Processing Goals and the Multifamily Accelerated Processing Guide Is Outdated	05/21/2007	09/07/2007	10/15/2009
2007-LA-1011	Suburban Mortgage Company Did Not Comply with HUD Requirements in the Origination of FHA-Insured Single-Family Mortgages, Phoenix, AZ	05/29/2007	12/31/2007	Note 2
2007-SE-0001	HUD Did Not Ensure That Payments to Contract Administrators Were for Work Performed or That Interest Was Earned on Advances and Recovered	06/07/2007	10/05/2007	Note 2

Report number	Report title	Issue date	Decision date	Final action
2007-FW-1011	Capmark Finance, Inc. Misrepresented Asbury Square Apartments' Financial and Physical Condition When Underwriting the \$9.098 Million Loan, Tulsa, OK	07/02/2007	10/23/2007	10/31/2009
2007-BO-1006	Multifamily Project Deficiencies Resulted in More Than \$730,000 in Cost Exceptions for Moosup Gardens Apartments, Moosup, CT	07/25/2007	11/20/2007	07/01/2016
2007-LA-1014	The Housing Authority of the County of San Mateo Did Not Use HUD Program Funds in Accordance with HUD Requirements, San Mateo, CA	07/27/2007	11/23/2007	11/24/2017
2007-CH-1012	The Plymouth Housing Commission Needs to Improve Its Section 8 Housing Choice Voucher Program Administration, Plymouth, MI	08/03/2007	11/23/2007	03/31/2010
2007-AT-1010	The Cathedral Foundation of Jacksonville Used More Than \$2.65 Million in Project Funds for Questioned Costs, Jacksonville, FL	08/14/2007	12/03/2007	04/01/2010
2007-PH-0002	HUD's Oversight of Contractors' Marketing of Its Real Estate-Owned Properties	08/17/2007	12/12/2007	Note 2
2007-DP-0006	Review of HUD's Personal Identity Verification and Privacy Program	08/28/2007	12/20/2007	10/01/2009
2007-NY-1012	The City of Passaic's Community Development Department Has Weaknesses in Its HOME Investment Partnerships Program, Passaic, NJ	09/12/2007	12/17/2007	04/09/2010
2007-AT-0001	HUD Needs to Improve Controls Over Its Contract Administration Processes	09/19/2007	09/19/2007	Note 2
2007-LA-1016	A Community of Friends Did Not Always Administer Its Cash Match in Compliance with HUD Requirements, Los Angeles, CA	09/21/2007	01/18/2008	Note 2
2007-KC-0801	Lenders Submitted Title II Manufactured Housing Loans for Endorsement without the Required Foundation Certifications	09/24/2007	03/11/2008	Note 2

Report number	Report title	Issue date	Decision date	Final action
2007-AT-1011	The Wilmington Housing Authority Did Not Follow HUD Requirements for Its Nonprofit Development Activities, Wilmington, NC	09/26/2007	01/24/2008	01/01/2011
2007-CH-1015	Cook County Lacked Adequate Controls over Its HOME Investment Partnerships Program, Chicago, IL	09/26/2007	01/24/2008	Note 2
2007-CH-1016	The Plymouth Housing Commission Failed to Adequately Administer Its Section 8 Housing Choice Voucher Program, Plymouth, MI	09/28/2007	01/24/2008	03/31/2010
2007-CH-1017	The City of Cincinnati Lacked Adequate Controls over Its HOME Investment Partnerships Program, Cincinnati, OH	09/30/2007	01/28/2008	09/30/2011
2007-CH-1018	The City of Milwaukee Needs to Improve Existing Controls over Its HOME Program Regarding Housing Conditions and Contracting, Milwaukee, WI	09/30/2007	03/20/2008	10/30/2009
2008-DP-0002	Review of FHA Controls over Its Information Technology Resources	10/31/2007	02/26/2008	10/30/2009
2008-LA-0001	The Los Angeles Multifamily Hub Did Not Properly Monitor Its Performance-Based Contract Administrator, Los Angeles LOMOD	11/05/2007	03/03/2008	Note 2
2008-AT-1002	The Municipality of Canovanas Needs to Improve Administration of Its CDBG Program, Canovanas, PR	11/15/2007	03/07/2008	Note 2
2008-AO-0001	HUD Had a Less Than 1 Percent Error Rate in Housing Ineligible Participants for Katrina Disaster Housing Assistance Program and Disaster Voucher Program Disaster Housing Assistance	12/04/2007	04/01/2008	12/31/2009
2008-LA-1003	Home for Life Foundation Did Not Properly Administer Its Supportive Housing Program Grants, Los Angeles, CA	12/18/2007	02/26/2008	Note 2
2008-NY-0001	HUD's Monitoring Controls and Procedures Regarding the CDBG Program Were Not Adequate	12/31/2007	03/27/2008	Note 2

Report number	Report title	Issue date	Decision date	Final action
2008-FW-1005	The Housing Authority of the City of McKinney Inappropriately Advanced Funds and Transferred Real Estate to Its Not-for-Profit Affiliate, McKinney, TX	01/07/2008	04/24/2008	10/16/2009
2008-AT-1004	The City of West Palm Beach Did Not Properly Administer Its CDBG Program, West Palm Beach, FL	01/09/2008	05/05/2008	05/01/2012
2008-AT-1005	The City of Fort Lauderdale Did Not Properly Administer Its CDBG Program, Fort Lauderdale, FL	01/11/2008	05/05/2008	05/01/2012
2008-KC-0001	HUD's Quality Assurance Division Did Not Always Resolve Materially Deficient or Potentially Fraudulent Loans Consistently	01/14/2008	06/05/2008	Note 2
2008-NY-1003	The City of New York's Department of Housing Preservation and Development Had Administrative Weaknesses in Its HOME Program, New York, NY	01/23/2008	05/21/2008	02/28/2010
2008-AO-1002	State of Louisiana, Road Home Program, Funded 418 Grants Coded Ineligible or Lacking an Eligibility Determination, Baton Rouge, LA	01/30/2008	05/12/2008	Note 2
2008-BO-1004	Multifamily Project Deficiencies Resulted in More Than \$1.1 Million in Cost Exceptions for Mohegan Commons, Norwich, CT	02/04/2008	05/21/2008	07/01/2016
2008-BO-1005	Multifamily Project Deficiencies Resulted in More Than \$2.8 million in Cost Exceptions for Windham Heights Apartments, Windham, CT	02/05/2008	05/21/2008	07/01/2016
2008-CH-1003	The Highland Park Housing Commission Did Not Effectively Administer Its Public Housing and Capital Fund Programs, Highland Park, MI	02/15/2008	03/19/2008	10/31/2009
2008-AT-1006	Fulton County Lacked Adequate Controls Over Its HOME Program, Atlanta, GA	03/07/2008	06/13/2008	12/31/2009

Report number	Report title	Issue date	Decision date	Final action
2008-DE-1002	The Housing Authority of the City of Brighton Did Not Maintain Proper Inventory Records and Improperly Awarded Contracts, Brighton, CO	03/18/2008	03/18/2008	11/30/2010
2008-FW-1006	Dallas Housing Authority Management Failed to Implement Internal Controls over Its Housing Choice Voucher Program, Dallas, TX	03/20/2008	07/07/2008	12/15/2009
2008-FW-1008	The Owner of Century Mission Oaks Violated Its Regulatory Agreement with HUD, San Antonio, TX	03/21/2008	06/26/2008	04/01/2010
2008-KC-0002	HUD Did Not Ensure That Housing Authorities Properly Administered the Community Service and Self-Sufficiency Requirement	03/24/2008	07/22/2008	10/01/2011
2008-AO-0801	Review of Duplication of Participants Benefits under HUD's Katrina Disaster Housing Assistance Program and Disaster Voucher Program	03/28/2008	08/01/2008	12/31/2009
2008-CH-1006	The Indianapolis Housing Agency Did Not Effectively Operate Its Section 8 Housing Choice Voucher Program, Indianapolis, IN	04/15/2008	08/12/2008	12/31/2009
2008-CH-1007	The Housing Authority of the City of Fort Wayne Needs to Improve Its Section 8 Housing Choice Voucher Program Administration, Fort Wayne, IN	04/18/2008	08/16/2008	06/30/2029
2008-AT-0002	The Miami Dade Housing Agency Did Not Maintain Adequate Controls over Its Capital Fund Program	04/24/2008	08/22/2008	12/31/2009
2008-CH-1008	The Lansing Housing Commission Failed to Follow HUD's Requirements for Its Nonprofit Development Activities, Lansing, MI	04/30/2008	07/30/2008	07/31/2038
2008-LA-1009	The Housing Authority of the City of Eloy Did Not Have Adequate Internal Controls to Safeguard Assets and Ensure Compliance with HUD's Requirements, Eloy, AZ	05/05/2008	09/26/2008	02/25/2010

Report number	Report title	Issue date	Decision date	Final action
2008-SE-1004	A Plus Mortgage, Inc., Overcharged Borrowers and Allowed Independent Contractors and Unapproved Branches to Originate Loans, Tukwila, WA	05/07/2008	09/24/2008	Note 2
2008-AT-0003	HUD Lacked Adequate Controls over the Physical Condition of Section 8 Voucher Program Housing Stock	05/14/2008	09/10/2008	10/01/2011
2008-BO-0002	Maintenance of Effort Requirements Are Needed to Ensure Intended Use of CDBG Program Funds	05/21/2008	10/02/2008	Note 2
2008-NY-1007	The County of Essex Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Verona, NJ	05/29/2008	09/16/2008	02/01/2010
2008-CH-1009	Cook County Lacked Adequate Controls over Its HOME Investment Partnerships Program Income and Administrative Costs, Chicago, IL	06/07/2008	10/03/2008	10/03/2009
2008-CH-1010	The City of Cincinnati Lacked Adequate Controls over Its System Reporting and Rental Rehabilitation Projects for Its HOME Investment Partnerships Program, Cincinnati, OH	06/11/2008	10/09/2008	10/08/2009
2008-DP-0004	Review of Selected FHA Major Applications' Information Security Controls	06/12/2008	10/08/2008	12/31/2009
2008-LA-1012	The Housing Authority of the City of Calexico Did Not Comply with Public Housing Program Rules and Regulations, Calexico, CA	07/01/2008	10/14/2008	10/14/2009
2008-LA-1013	First Magnus Financial Corporation Violated the Real Estate Settlement Procedures Act When Paying Incentives to Brokers for Generating FHA Mortgages, Tucson, AZ	07/14/2008	11/07/2008	Note 2
2008-FW-0001	HUD's CDBG Set-Aside for Colonias Was Not Used for Its Intended Purposes	07/29/2008	11/24/2008	11/27/2009

Report number	Report title	Issue date	Decision date	Final action
2008-FW-1011	The Dallas Housing Authority Mismanaged Its Housing Choice Voucher Program, Dallas, TX	07/31/2008	10/28/2008	02/27/2010
2008-LA-1014	First Magnus Financial Corporation Violated the Real Estate Settlement Procedures Act When Paying Builders and Real Estate Companies Marketing Fees and Non-Competition Fees in Exchange for FHA Mortgage Business, Tucson, AZ	08/01/2008	11/17/2008	11/16/2009
2008-FW-1012	The City of Tulsa Allowed Its Largest Subrecipient to Expend \$1.5 Million in Unsupported CDBG Funding, Tulsa, OK	08/04/2008	11/24/2008	11/30/2009
2008-AO-1005	State of Louisiana, Road Home Program, Did Not Ensure That All Additional Compensation Grant Applicants Were Eligible, Baton Rouge, LA	08/07/2008	01/13/2009	Note 2
2008-NY-1010	Wells Fargo Bank NA, Rochester, NY, Branch Office, Did Not Always Comply with HUD/FHA Loan Origination Requirements	08/26/2008	01/28/2009	01/16/2010
2008-BO-1008	The State of Connecticut Department of Social Services Significantly Underleased Its Housing Choice Voucher Program and Did Not Always Comply with Its Annual Contributions Contracts and HUD Regulations, Hartford, CT	09/04/2008	12/01/2008	10/19/2009
2008-LA-0003	Implementation Weaknesses Existed in All Major Phases of the FHA Appraiser Review Process	09/04/2008	12/19/2008	Note 2
2008-KC-1006	Heartland Funding Corporation Violated the Real Estate Settlement Procedures Act and Did Not Fully Comply with HUD's Underwriting, Quality Control, or Employee Compensation Requirements, Springfield, MO	09/08/2008	01/22/2009	10/15/2009
2008-AT-0004	The Miami-Dade Housing Agency Did Not Maintain Adequate Controls over Capital Fund Program Drawdowns, Miami, FL	09/17/2008	09/17/2008	12/31/2009

Report number	Report title	Issue date	Decision date	Final action
2008-LA-1016	The City of Los Angeles Housing Department Did Not Comply with HOME Affordability Monitoring and Inspection Requirements for Its HOME-Assisted Rental Housing, Los Angeles, CA	09/18/2008	12/02/2008	12/02/2009
2008-DE-1003	The State of Colorado Did Not Comply with CDBG Program Requirements, Denver, CO	09/23/2008	01/14/2009	09/30/2011
2008-CH-1014	The City of Cincinnati Did Not Adequately Manage Its HOME Investment Partnerships Program, Cincinnati, OH	09/26/2008	01/22/2009	02/23/2010
2008-CH-1015	The City of Dayton Lacked Adequate Controls Regarding Staff Salaries Paid From Its CDBG Program, Dayton, OH	09/26/2008	01/23/2009	10/30/2009

**Significant audit reports within the past 12 months that were described in
previous semiannual reports on which final action had not
been completed as of September 30, 2009**

Report number	Report title	Issue date	Decision date	Final action
2009-NY-0001	HUD Did Not Adequately Monitor Its Performance-Based Contract Administrator, New York State Housing Trust Fund Corporation	10/16/2008	03/06/2009	11/30/2009
2009-FW-1001	The Fort Smith Housing Authority Made Inappropriate Guarantees, Did Not Follow Procurement Requirements, and Spent Program Funds on Questionable Activities, Fort Smith, AR	10/22/2008	02/13/2009	11/16/2009
2009-CH-1001	New Phoenix Assistance Center Substantially Failed to Manage Its Supportive Housing Program Grant, Chicago, IL	10/24/2008	02/20/2009	02/01/2010
2009-BO-1002	Orchard Court Multifamily Project Was Not Properly Managed in Accordance with HUD Regulations, Bath, ME	11/06/2008	01/16/2009	01/16/2010
2009-FO-0001	Audit of Ginnie Mae's Financial Statements for Fiscal Years 2008 and 2007	11/07/2008	02/03/2009	Note 2
2009-FO-0002	Audit of the FHA's Financial Statements for Fiscal Years 2008 and 2007	11/07/2008	03/13/2009	08/31/2010
2009-NY-1001	The City of Newburgh Needs to Make Improvements in Administering Its Section 108 Loan Guarantee Program, Newburgh, NY	11/07/2008	03/06/2009	02/27/2010
2009-KC-1001	CitiMortgage Did Not Follow HUD Requirements When Underwriting 20 Loans and Performing Its Quality Control Program, St. Louis, MO	11/13/2008	03/13/2009	11/13/2009
2009-FO-0003	Additional Details to Supplement Our Report on HUD's Fiscal Years 2008 and 2007 Financial Statements	11/14/2008	03/19/2009	12/31/2011
2009-DP-0001	Review of Single-Family Partial Claims Collection Process	11/20/2008	01/26/2009	11/20/2009
2009-FW-1002	The Owner of Ebony Lake Healthcare Center Violated Its Regulatory Agreement with HUD, Brownsville, TX	11/25/2008	03/25/2009	04/15/2010

Report number	Report title	Issue date	Decision date	Final action
2009-NY-1002	The New York City Housing Authority Had Administration Weaknesses in Its Capital Fund Program, New York, NY	11/25/2008	04/09/2009	12/31/2009
2009-LA-1004	Alameda County HOME Investment Partnership Consortium Did Not Use Program Funds in Compliance with HUD Requirements, Hayward, CA	11/26/2008	07/23/2009	11/01/2009
2009-PH-1002	The Delaware County Housing Authority Did Not Ensure That Its Section 8 Housing Choice Voucher Program Units Met Housing Quality Standards, Woodlyn, PA	12/03/2008	02/25/2009	10/30/2009
2009-NY-1003	Lower Manhattan Development Corporation CDBG Disaster Recovery Assistance Funds, New York, NY	12/04/2008	05/06/2009	01/12/2011
2009-NY-1004	The Economic Development Corporation Did Not Administer Its CDBG Program in Accordance with HUD Requirements, Newark, NJ	12/08/2008	03/31/2009	12/16/2009
2009-SE-0801	HUD's Recent Performance-Based Contract Administration Activity Was Inconsistent with Agreed-Upon Management Decisions between HUD and HUD OIG on Audit Report 2007-SE-0001, Dated June 7, 2007	12/08/2008	04/17/2009	Note 2
2009-KC-1003	CTX Mortgage Did Not Follow HUD's Requirements When Underwriting 12 FHA Loans and Developing Its Quality Control Plan, Overland Park, KS	12/17/2008	04/16/2009	12/17/2009
2009-LA-1005	The City of San Diego Did Not Administer Its CDBG Program in Accordance with HUD Requirements When Funding the City's Redevelopment Agency Projects, San Diego, CA	12/30/2008	04/23/2009	12/30/2009
2009-BO-1004	The City of Hartford Did Not Always Comply with Its Annual Contributions Contracts and HUD Regulations in Administering Its Housing Choice Voucher Program, Hartford, CT	01/05/2009	04/29/2009	10/31/2009
2009-DP-0003	Review of the Centralized HUD Account Management Process	01/09/2009	04/30/2009	01/30/2010

Report number	Report title	Issue date	Decision date	Final action
2009-PH-1003	The Housing Authority of the City of Pittsburgh Did Not Ensure That Its Leased Housing Units Met Housing Quality Standards under Its Moving to Work Program, Pittsburgh, PA	01/15/2009	04/29/2009	04/30/2010
2009-CH-1002	The Indianapolis Housing Agency Failed to Operate Its Housing Choice Voucher Program According to HUD's and Its Requirements, Indianapolis, IN	01/23/2009	05/08/2009	05/22/2010
2009-NY-1006	The City of Rome Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Rome, NY	01/26/2009	05/27/2009	05/31/2010
2009-CH-1003	The Portage Metropolitan Housing Authority Improperly Operated Its Section 8 Housing Choice Voucher Program, Ravenna, OH	01/28/2009	06/08/2009	11/30/2009
2009-AO-0002	HUD's Receivership Did Not Ensure That the Housing Authority of New Orleans Properly Accounted for Its Fungibility Funding, Monitored and Paid Two of Its Contractors, and Paid Its Accounts Payable Disbursements	01/29/2009	08/21/2009	01/01/2010
2009-SE-0002	NAHASDA Program Income from 1937 Act Properties	02/06/2009	09/29/2009	09/28/2010
2009-FW-1005	Allied Home Mortgage Capital Corporation Did Not Fully Follow HUD's Branch Office Requirements, Houston, TX	02/10/2009	06/10/2009	03/24/2010
2009-DE-1001	The Adams County Office of Community and Development Did Not Comply with HOME Investment Partnerships Program Regulations, Denver, CO	02/11/2009	04/29/2009	02/15/2010
2009-CH-1005	The Chicago Housing Authority Did Not Always Ensure That Section 8 Units Met HUD's Housing Quality Standards, Chicago, IL	02/19/2009	06/26/2009	12/31/2009
2009-NY-1008	The City of Newburgh Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Newburgh, NY	02/24/2009	06/11/2009	11/30/2009

Report number	Report title	Issue date	Decision date	Final action
2009-KC-1005	The East St. Louis Housing Authority's Section 8 Voucher Program Units Did Not Always Meet HUD's Housing Quality Standards, East St. Louis, IL	03/02/2009	06/25/2009	06/25/2010
2009-FW-1007	The Owners of Stonebrook Apartments Phase I and Phase II Violated Their Regulatory Agreements with HUD, Baytown, TX	03/25/2009	06/12/2009	06/09/2010
2009-AT-1004	The City of Durham Did Not Adequately Administer Its CDBG Program, Durham, NC	03/31/2009	06/09/2009	12/16/2009



Audits excluded

68 audits under repayment plans
 31 audits under debt claims collection processing, formal judicial review, investigation, or legislative solution

Notes

- 1 Management did not meet the target date. Target date is over 1 year old.
- 2 Management did not meet the target date. Target date is under 1 year old.

Table C

Inspector General-issued reports with questioned and unsupported costs at September 30, 2009 (thousands)

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
A1 For which no management decision had been made by the commencement of the reporting period	25	40,485	27,967
A2 For which litigation, legislation, or investigation was pending at the commencement of the reporting period	7	14,749	11,956
A3 For which additional costs were added to reports in beginning inventory	-	85,824	84,881
A4 For which costs were added to noncost reports	0	0	0
B1 Which were issued during the reporting period	70	174,660	93,508
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	102	315,718	218,312
C For which a management decision was made during the reporting period	55 ¹	157,739	135,408
(1) Dollar value of disallowed costs:			
- Due HUD	8 ²	14,298	12,484
- Due program participants	50	136,360	121,639
(2) Dollar value of costs not disallowed	9 ³	7,081	1,285
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	6	7,520	4,727
E For which no management decision had been made by the end of the reporting period	41 <115> ⁴	150,459 <150,459> ⁴	78,177 <78,177> ⁴

¹ 29 audit reports also contain recommendations with funds be put to better use.

² 5 audit reports also contain recommendations with funds due program participants.

³ 7 audit reports also contain recommendations with funds agreed to by management.

⁴ The figures in brackets represent data at the recommendation level as compared to the report level. See explanations of tables C and D.

Table D

Inspector General-issued reports with recommendations that funds be put to better use at September 30, 2009 (thousands)

Audit reports	Number of audit reports	Questioned costs
A1 For which no management decision had been made by the commencement of the reporting period	15	252,731
A2 For which litigation, legislation, or investigation was pending at the commencement of the reporting period	2	6,517
A3 For which additional costs were added to reports in beginning inventory	-	2,172
A4 For which costs were added to noncost reports	0	0
B1 Which were issued during the reporting period	42	307,765
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	59	569,185
C For which a management decision was made during the reporting period	32 ¹	263,452
(1) Dollar value of disallowed costs:		
- Due HUD	3 ²	7,394
- Due program participants	28	40,233
(2) Dollar value of costs not disallowed	5 ³	215,825
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	1	2,957
E For which no management decision had been made by the end of the reporting period	26 <37> ⁴	302,776 <302,776> ⁴

¹ 29 audit reports also contain recommendations with funds be put to better use.

² 1 audit report also contains recommendations with funds due program participants.

³ 3 audit reports also contain recommendations with funds agreed to by management.

⁴ The figures in brackets represent data at the recommendation level as compared to the report level.
See explanations of tables C and D.

Explanations of Tables C and D

The Inspector General Act Amendments of 1988 require Inspectors General and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level rather than at the individual audit “recommendation” level results in misleading reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the “report-based” rather than the “recommendation-based” method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management’s decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not take recognition of their efforts.

The closing inventory for items with no management decision on tables C and D (line E) reflects figures at the report level as well as the recommendation level.



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