

*U.S. Department of Housing
and Urban Development*

Office of Inspector General



*Semiannual Report
to Congress*

April 1, 2007, through September 30, 2007

Profile of Performance

Audit Profile of Performance for the period, April 1, 2007, through September 30, 2007

Results		FY 07 Totals
Recommendations That Funds Be Put to Better Use	\$192,726,922	\$947,764,363
Recommended Questioned Costs	\$49,073,613	\$68,061,089
Collections from Audits	\$21,424,955	\$35,960,277
Administrative Sanctions	2	8

Investigation Profile of Performance for the period, April 1, 2007, through September 30, 2007

Results		FY 07 Totals
Funds Put to Better Use	\$14,738,892	\$56,964,264
Recoveries/Receivables	\$84,833,879	\$275,010,163
Indictments/Informations	644	1,338
Convictions/Pleas/Pretrial Diversions	493	1,055
Civil Actions	76	107
Administrative Sanctions ¹	730	1,780
Personnel Actions	26	50
Arrests ²	907	2,684
Search Warrants	63	93
Weapons Seized	8	15
Subpoenas Issued	469	902

Hotline Profile of Performance for the period, April 1, 2007, through September 30, 2007

Results		FY 07 Totals
Funds Put to Better Use	\$2,638,958	\$5,155,154
Recoveries/Receivables	\$258,341	\$438,161

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 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 non-financial transactions with the government, based on findings produced by the OIGs.

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

Inspector General's Message



It is with great satisfaction that I present the U.S. Department of Housing and Urban Development Office of Inspector General (HUD OIG) Semiannual Report to the Congress for the second half of fiscal year 2007. HUD OIG employees - auditors, agents, attorneys, and support staff - have been in the thick of the issues that greatly affect our domestic life. Whether it is Gulf Coast disaster relief, single-family housing fraud, Section 8 rental subsidy fraud, or any fraud against HUD programs or operations, HUD OIG is engaged and garnering results, for which we are justly proud.

This report marks the eleventh time I have reported on HUD OIG's extraordinary activities, and we just keep enhancing our efforts time after time. During the reporting period, we had \$210,104,772 in funds put to better use, questioned costs of \$49,073,613, and \$85,092,220 in recoveries and receivables. This is exceptional work by our staff that has resulted in significant positive impact on fraud and misuse of taxpayer dollars. I am grateful to all of our staff nationwide who worked so hard this year to achieve this milestone.

The year 2007 marks the removal of HUD's single-family mortgage insurance and rental housing assistance programs from the Government Accountability Office's list of agencies with high-risk programs. HUD OIG's continued cooperation and oversight of these programs was a contributing factor to this welcome action; however, we continue to stress that the Department place a high priority on management efficiency and effectiveness.

I direct your attention to our high profile audits and investigations. HUD OIG staff increased and improved their cooperation and collaboration with the Department and as a result, developed and implemented better and more effective audit recommendations. Agents from our Office of Investigation also enhanced their cooperation with the Department as a new source for new investigative avenues.

For example, homebuyers in Brooklyn, NY, are a little safer with the incarceration of the branch officers of the Brucha Mortgage Bank. Using false documents and appraisals, these individuals flipped properties and skimmed construction funds, causing \$11.6 million in losses to HUD after 58 mortgages defaulted. Homebuyers in the Los Angeles area are less at risk with the sentencing of the owner and staff of the Atlas Home Loan company. Using identity fraud, false Social Security numbers, and fraudulent employment documents, they allowed unqualified and straw borrowers to get Federal Housing Administration (FHA)-insured mortgages, resulting in losses to HUD and the default of 42 mortgages.

Public housing residents in Northern Illinois are better served with the conviction of the owner of William Moorehead & Associates who embezzled nearly a million dollars from properties the company was hired to manage. The waiting list for New York City Housing Authority Section 8 vouchers became shorter when 31 people were arrested for false income certifications and obtaining more than \$1.1 million in housing assistance they were not entitled to receive.

In the Gulf States, Congress has authorized more than \$16 billion dollars. As those funds start to be used, HUD OIG will be increasing its scrutiny of how the monies are spent.

Significant HUD OIG audits show that HUD needs to improve controls over its contract administration process and ensure that payments to contract administrators were for work performed. An audit of manufactured housing loans showed that more than 80 percent of recently insured Title II manufactured housing loans are on homes with substandard foundations. In each of these audits, recommendations were made that will significantly impact the efficiency and effectiveness of these programs and protect the safety and financial investment of these occupants.

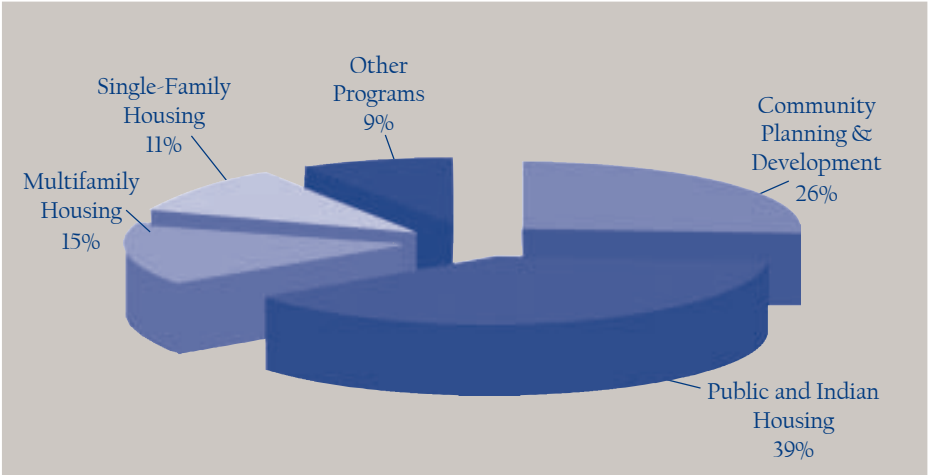
HUD OIG is also dedicated and committed to becoming a more efficient and effective organization itself, better at recovering taxpayer funds and bringing to justice people who perpetrate crimes against the citizens and government of this country.

It is with obvious and justifiable pride that I thank the staff of HUD OIG for their tireless work in their struggle against waste, fraud, and abuse in the Nation's housing and urban development programs.

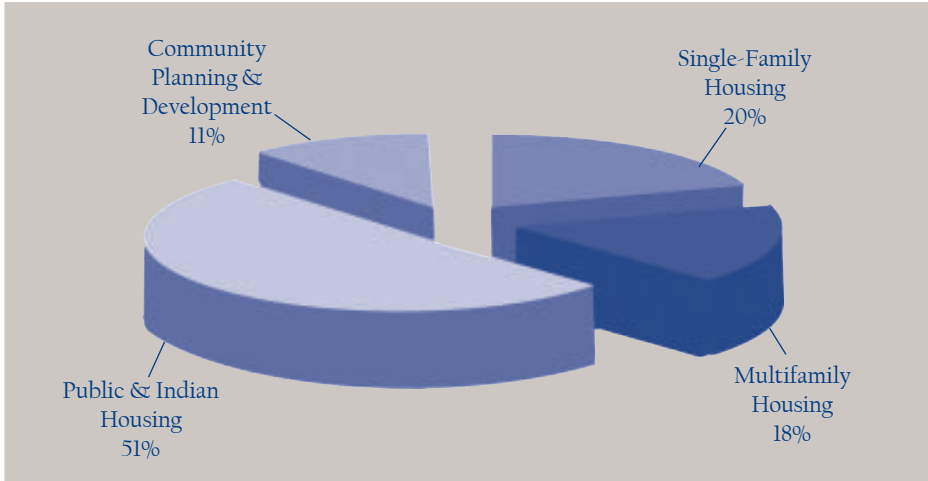


Kenneth M. Donohue
Inspector General

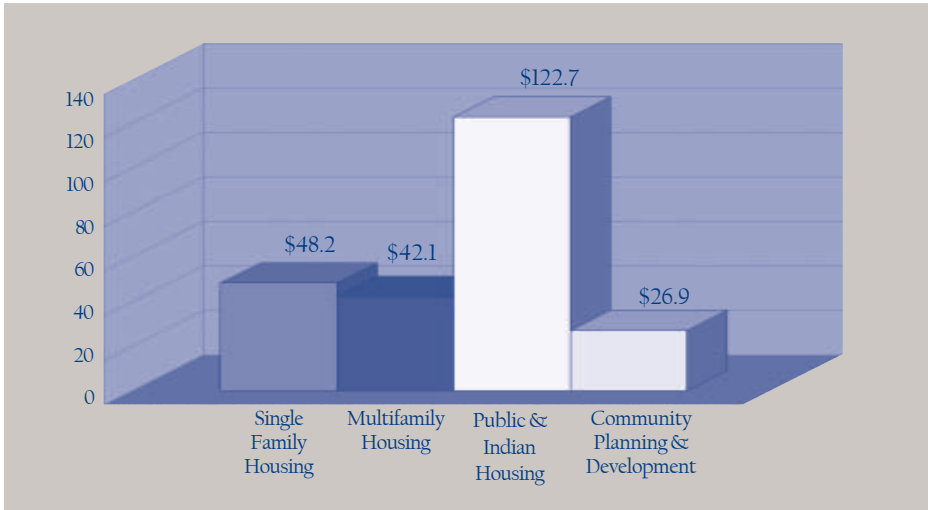
Audit Reports Issued by Program



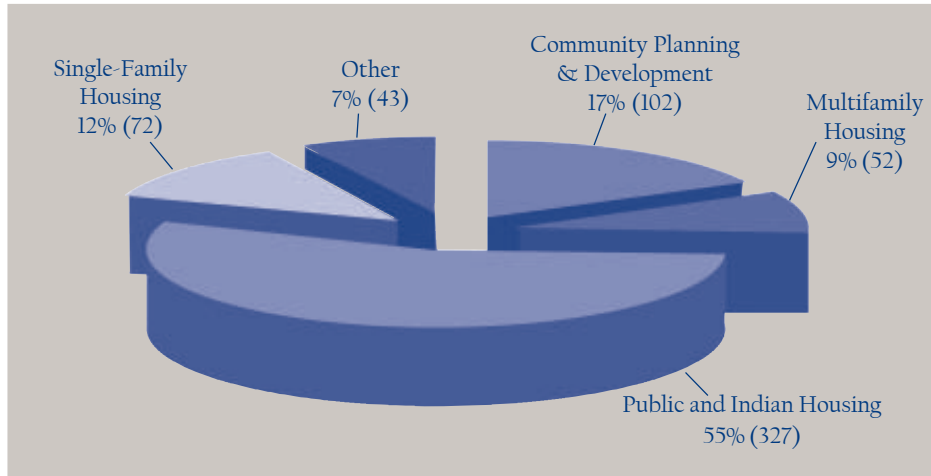
Monetary Benefits Identified by Program



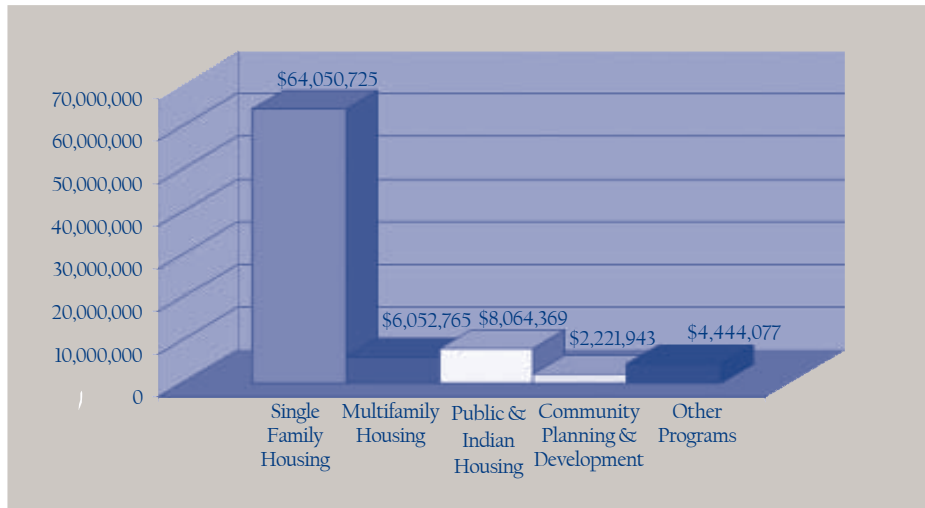
Monetary Benefits Identified in Millions of Dollars



Investigation Cases Opened by Program (Total: 596)



Investigation Recoveries by Program (Total: 84,833,879)



Acronyms List

AIGA	Assistant Inspector General for Audit
AIGI	Assistant Inspector General for Investigations
ARIGA	Assistant Regional Inspector General for Audit
ASAC	Assistant Special Agent in Charge
ATFE	Bureau of Alcohol, Tobacco, Firearms, and Explosives
CAS	Computer Audit Specialist
CDBG	Community Development Block Grants
CID	Criminal Investigation Division
CPD	Community Planning and Development
DAIGA	Deputy Assistant Inspector General for Audit
DAIGI	Deputy Assistant Inspector General for Investigation
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DIG	Deputy Inspector General
DoD	Department of Defense
DOE	Department of Education
DOJ	U.S. Department of Justice
DROD	Disaster Relief Oversight Division
DUI	Driving Under the Influence
EIV	Enterprise Income Verification
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FEMA	Federal Emergency Management Agency
FFMIA	Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FIRMS	Facilities Integrated Resources Management System
FISMA	Federal Information Security Management Act of 2002
FY	Fiscal Year
GAO	Government Accountability Office
GNND	Good Neighbor Next Door
HHS	U.S. Department of Health and Human Services
HOME	Home Ownership Made Easy
HOPWA	Housing Opportunities for Persons with AIDS
HUD	U.S. Department of Housing and Urban Development

ICE	Immigration and Customs Enforcement
IG	Inspector General
IRS	Internal Revenue Service
KDHAP	Katrina Disaster Housing Assistance Program
MAP	Multifamily Accelerated Processing
MTW	Moving to Work
NAHRO	National Association of Housing and Redevelopment Officials
OA	Office of Audit
OI	Office of Investigation
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTND	Officer/Teacher Next Door
PCIE/ECIE	President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency
PFCRA	Program Fraud Civil Remedies Act
PHA	Public Housing Authorities
PHSI	Public Housing Safety Initiatives
PIH	Office of Public and Indian Housing
REO	Real Estate Owned
RHIIP	Rental Housing Integrity Improvement Project
RIGA	Regional Inspector General for Audit
SA	Special Agent
SAC	Special Agent in Charge
SBA	Small Business Administration
SFA	Supervisory Forensic Auditor
SSA	Social Security Administration
SSN	Social Security Number
TSA	Transportation Security Administration
USAO	U.S. Attorney's Office
USDA	U.S. Department of Agriculture
USMS	U.S. Marshals Service
USPS	U.S. Postal Service
USPIS	U.S. Postal Inspection 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.	144-148
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-127, 144-148
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	7-127
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.	7-127
Section 5(a)(5)-summary of reports made on instances where 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.	7-127
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.	151
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	151



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
- Regional single-family mortgage fraud task forces
- Inspections and evaluations of program areas
- Outreach to industry and consumer groups and the Department

Highlights: Results or Impact of Significant OIG Work

- Recommended HUD correct program weaknesses to ensure that manufactured housing foundations meet FHA requirements. *page 9*
- Recommended HUD initiate settlement negotiations with Suburban Mortgage for actual and potential losses on loans involving overvalued condominiums loans with significant underwriting deficiencies. *page 10*
- Recommended HUD establish and implement procedures to better accomplish HUD's goals regarding its real estate-owned properties. *page 12*
- \$2.5 million forfeited and more than 2 years imprisonment imposed in a loan origination scam *page 14*
- Underwriter pleas guilty - HUD losses exceed \$9.8 million *page 14*
- HUD direct endorsement lender goes to prison *page 19*
- Real Estate Settlement Procedures Act violators ordered to pay HUD more than \$200,000 *page 22*
- HUD issued a final rule regarding seller-funded downpayment assistance *page 147*

Areas of OIG Interest

- FHA modernization program: risk and fraud potential
- Downpayment assistance: seller-funded downpayments
- Control of loan case binders: policy and procedure deficiency
- Risk involved in zero downpayment
- Challenges resulting from an increase in FHA-insured Home Equity Conversion Mortgages (also known as "reverse mortgages")
- Risk-based premium pricing and FHA refinancing of subprime loans (FHA Secure)
- Gulf Coast States Homeowner's Assistance programs



Increasing Homeownership Opportunities

Strategic Initiative 2

HUD Strategic Goal: Promote Decent Affordable Housing

OIG Strategy: Contribute to the Reduction of Erroneous Payments in Rental Assistance Programs through

- Audits of Section 8 Housing Choice Voucher program activities
- Investigative initiative against corruption in the management of troubled public housing authorities (PHA)
- Regional Rental Assistance Fraud Initiative
- Public Housing Fugitive Felon Initiative: identify, arrest, and remove
- Sex Offender Initiative: identify, arrest, and remove
- U.S. Department of Justice (DOJ) Public Housing Safety Initiative
- Inspections and evaluations of program areas
- Public and department-wide outreach initiatives

Highlights: Results or Impact of Significant OIG Work

- Identified excessive assistance payments due to payments for units not meeting minimum housing quality standards (HQS), errors in tenant files, and lack of controls *page 27*
- Property manager wearing prison garb after embezzling almost \$1 million *page 41*
- 31 New York City Housing Authority tenants arrested for theft of government funds *page 46*
- Federal employees who bilk the system *page 66*
- You can run but you cannot reside: HUD OIG works with U.S. Marshals Task Force, arrests 676 fugitive felons; 64 in HUD-assisted housing *page 68*

Areas of OIG Interest

- Nursing homes: equity skimming
- Adequacy of HQS inspections
- Public corruption and mismanagement in the operations of public housing and multifamily projects
- Enterprise Income Verification System (EIV): long-term effectiveness
- HUD oversight of performance-based contract administrators
- Overpayments in Section 8 due to “Overhousing”: providing more bedrooms than needed
- Disaster Housing Assistance Program (DHAP)



**Promote
Decent Affordable Housing**

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
 - Audits of the Community Development Block Grant (CDBG), Supportive Housing Program, and HOME program
 - Investigative initiative against corruption in administration of State or local community planning and development programs in each OIG region
 - Nationwide Hurricane/Disaster Relief Fraud program
 - Inspections and evaluations of program areas
 - Public dissemination of HUD OIG activities and outreach activities with State and local government agencies
 - Department liaison
 - Audits of Gulf Coast activities

Highlights: Results or Impact of Significant OIG Work

- Health care officials cause HUD losses greater than \$18.4 million *page 79*
- Hidden costs to paint apartments *page 79*
- Theft from the elderly *page 80*
- Promissory notes hide scheme - HUD loss is \$1.9 million *page 83*
- Recommended grantees reimburse the CDBG program and provide supporting documentation for unsupported expenditures *page 87*
- Former mayor admits to extortion *page 99*

Areas of OIG Interest

- Community planning and development performance monitoring
- Matching funds: grantee misuse of Federal funds
- Gulf Coast hurricane assistance fraud



**Strengthen
Communities**

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

- Audits of HUD's financial statements
- Audits of HUD's information systems and security management
- Implementation of DOJ Procurement Fraud Task Force at HUD
- Operation FedRent: identifying Federal employees improperly receiving rental assistance

Highlights: Results or Impact of Significant OIG Work

- Recommended HUD improve controls over its contract administration processes *page 120*
- Recommended HUD implement adequate procedures and controls to ensure that program offices comply with HUD's succession plans. *page 121*
- Recommended HUD properly meets its information security responsibilities. *page 123*

Areas of OIG Interest

- Ethics and accountability in contracting
- Security and data integrity
- Management of human capital
- Risks in information technology: vulnerabilities and security
- FHA management controls
- Funds control/budgeting for Section 8 project-based contracts
- Monitoring of Ginnie Mae issuers for potential defaults



Embrace High Standards of Ethics, Management, and Accountability

Chapter 1



HUD's 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, and construct a home. In addition to the audits and investigations described in this chapter, the Office of Inspector General (OIG) has also conducted numerous outreach efforts. (see chapter 7, page 130)

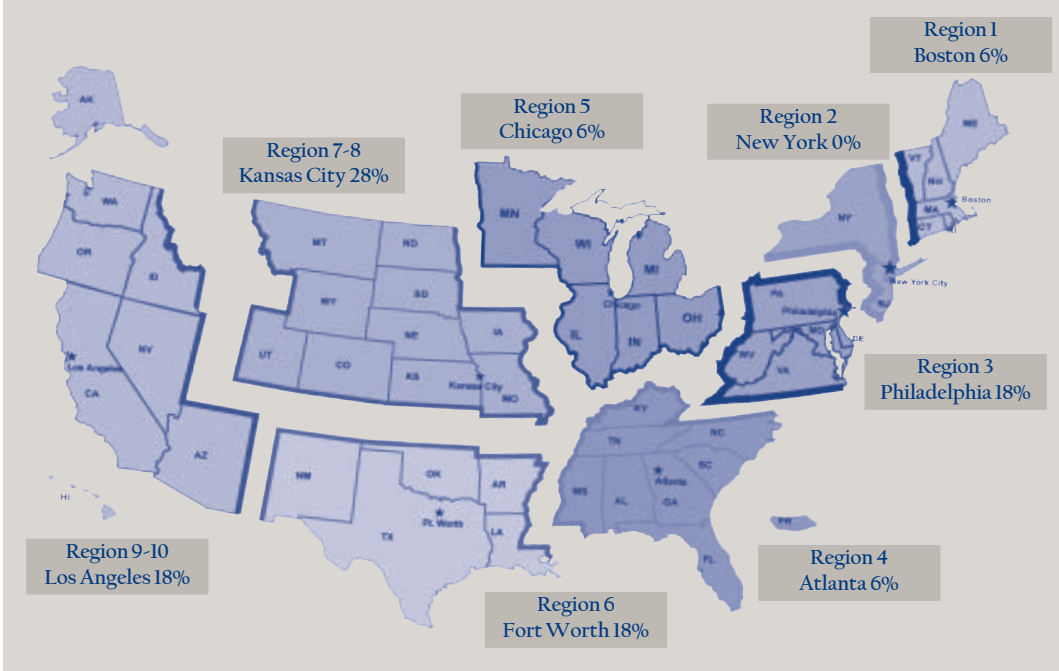
Audits

Strategic Initiative I: Contribute to the Reduction of Fraud in Single-Family Insurance Programs

Key program results		Questioned costs	Funds put to better use
Audit	9 Audits	\$1,640,674	\$46,387,668
Our focus	page 9	- Title II Manufactured Housing Loans	
	page 9	- Mortgagees, Loan Correspondents, and Direct Endorsement Lenders	
	page 11	- Single-Family Real Estate-Owned Property Sales	

A Look Back for the Year

Chart 2.1: Percentage of OIG Single-Family Housing Audit Reports, Performed FY 07



Title II Manufactured Housing Loans

The U.S. Department of Housing and Urban Development (HUD) OIG, **Kansas City, MO**, audited the HUD Title II manufactured housing loan program to determine whether and to what extent the FHA Title II insured manufactured housing loans meet the foundation requirements.

Of the FHA Title II insured manufactured housing loans that closed from 2003 through 2005, at least 50,000 (or more than 80 percent of the financed manufactured homes) were installed on substandard foundations. As a result, FHA's insurance fund is not adequately protected, homeowner equity and resale values are diminished, and the structural integrity and safety of the homes is questionable.

OIG recommended that HUD correct program weaknesses to ensure that Title II manufactured housing foundations meet FHA requirements and avoid unnecessary losses to the insurance fund of an estimated \$44.9 million over the next year. (Audit Report: 2007-KC-0004)



HUD OIG, **Kansas City, MO**, reviewed 205 FHA loan files to determine whether they included the required engineer's certification of the property foundation. FHA rules require lenders to provide the certification confirming that the foundation complies with FHA requirements.

Lenders submitted 21 of the loans for endorsement without submitting the engineer's certification.

OIG recommended that HUD seek indemnifications and recovery of losses incurred from the responsible lenders unless the lenders can provide the required certifications. (Audit Report: 2007-KC-0801)

Mortgagees, Loan Correspondents, and Direct Endorsement Lenders

Audits to uncover single-family lenders and loan origination abuses 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 six FHA single-family mortgage lenders. While OIG's objectives varied by auditee, the majority of the reviews were to determine whether the mortgage lender complied with HUD's regulations, procedures, and instructions for the underwriting of FHA loans and to determine whether the mortgage lender's quality assurance plan met HUD's requirements. The following section illustrates the audits conducted in the single-family mortgage lender area.

HUD OIG audited Suburban Mortgage, Inc., a HUD-approved direct endorsement lender in **Phoenix, AZ**. Special emphasis was placed on the adequacy of Suburban's review of appraisals related to FHA-insured mortgages on individual units in two condominium complexes.

Suburban did not adequately review selected condominium appraisals and did not comply with HUD requirements in the origination of FHA-insured single-family mortgages. As a result, HUD insured mortgages on 38 properties that were overvalued by approximately 40 percent, some of which did not have occupancy authorization from the City of Phoenix. The property overvaluations resulted in a corresponding overinsurance of the FHA-insured mortgages and an increased risk to HUD. Additionally 7 of the 48 mortgages reviewed had significant underwriting deficiencies that should have precluded their approval and submission to HUD for insurance.

OIG recommended that HUD initiate settlement negotiations with Suburban, requesting reimbursement and/or indemnification for HUD's actual and potential losses on the 38 loans involving the overvalued condominiums and the seven loans that had significant underwriting deficiencies. Additionally, OIG recommended that Suburban be required to obtain new appraisals on other FHA-insured mortgages that it originated, involving the two appraisers and the seller involved with the condominium projects reviewed, and that appropriate administrative action be taken against the two appraisers for their failure to follow HUD appraisal requirements. (Audit Report: 2007-LA-1011)



HUD OIG audited single-family loan origination at the **Renton, WA**, branch of Countrywide Home Loans, Inc. The Renton branch did not comply with HUD requirements in originating 5 of 22 FHA-insured loans. By not establishing that the borrowers had the ability and willingness to repay the mortgage debt and that the insured property was sufficient collateral for the loan, the Renton branch exposed the FHA insurance fund to an unnecessary risk of more than \$740,000, the total insured amount for the five loans.

OIG recommended that HUD require Countrywide to correct the deficiencies or indemnify HUD for the five loans with original insured amounts totaling more than \$740,000. The projected loss is nearly \$208,000 or 29 percent of the total unpaid balance on the five loans. (Audit Report: 2007-SE-1002)



HUD OIG audited the **Plymouth Meeting, PA**, branch of Countrywide Home Loans, Inc. The branch office generally complied with HUD regulations, procedures, and instructions in the origination and quality control review of FHA-insured single-family loans. However, it did not properly verify the borrower's assets for 2 of the 10 loans reviewed, which were valued at nearly \$257,000, causing an unnecessary risk to the FHA insurance fund.

OIG recommended that HUD require Countrywide to indemnify almost \$257,000 for the two loans, which it issued contrary to HUD's loan origination requirements, and develop internal procedures to more closely monitor its underwriting process. (Audit Report: 2007-PH-1010)



HUD OIG reviewed the operations at the Waters Edge branch of Alethes Mortgage, LLC, located in Dallas, TX, due to its high default rate. The branch operated under the name Waters Edge Mortgage, LLC.

Alethes did not notify HUD about one loan that contained an irregularity, conducted incomplete quality control reviews, and closed loans with underwriting deficiencies. By not alerting HUD to potential fraud or serious violations, Alethes increased the risk to the FHA insurance fund.

OIG recommended that HUD require Alethes to indemnify one loan and ensure that it complies with HUD's underwriting requirements. (Audit Report: 2007-FW-1010)



During the audit of Alethes Mortgage, LLC, in Dallas, TX (Audit Report: 2007-FW-1010), HUD OIG noted that a loan that closed in November 2005 and defaulted in April 2006 contained a questionable rent verification. While the loan was originated by Alethes, it was underwritten by SecurityNational Mortgage Company. Due to this condition and HUD's not being able to provide the case file, OIG did not include this loan in the audit findings on Alethes. OIG requested that the HUD review this loan and determine whether it should be indemnified. (Audit Report: 2007-FW-1801)



HUD OIG reviewed branch number 358 of Countrywide Home Loans, Inc., a direct endorsement lender in Houston, TX. The branch generally complied with HUD regulations, procedures, and instructions in the origination of FHA-insured single-family mortgages. Nine of the ten loan files reviewed contained minor deficiencies; however, one of the files contained significant deficiencies, which placed the FHA insurance fund at unnecessary risk.

OIG recommended that HUD require the branch to indemnify it for one loan with an original mortgage amount of more than \$112,000 that contained significant deficiencies and to improve its policies, procedures, and controls to ensure that FHA-insured loans are originated, processed, and underwritten according to HUD requirements. (Audit Report: 2007-FW-1009)

Single-Family Real Estate-Owned Property Sales

HUD OIG audited HUD's oversight of management and marketing contractors under the jurisdiction of HUD's Philadelphia Homeownership Center in Philadelphia, PA, to determine whether HUD ensured that the contractors marketed HUD's real estate-owned properties in accordance with their contract requirements.

HUD's Philadelphia Homeownership Center's oversight of its contractors did not ensure the effective marketing of HUD's real estate-owned properties. Its contractors routinely failed to meet their marketing performance requirements. Marketing

performance failed to meet targets because the sales goals and other objectives measured under contract terms were inconsistent with local market conditions and inflexible. Center staff monitored performance monthly, as required, but without overall positive impact on inventory reduction, improved return on sales, or increased owner occupancy of HUD real estate-owned properties. As a result, the Philadelphia Homeownership Center did not fully accomplish HUD's national goals to expand homeownership opportunities, strengthen neighborhoods and communities, and ensure a maximum net return to the mortgage insurance fund.

OIG recommended that HUD establish and implement procedures to address cases in which contractors demonstrate a pattern of not meeting their contract requirements, assess its policies, and revise them as needed to improve the contractors' performance and, thereby, better accomplish HUD's goals regarding its real estate-owned properties. (Audit Report: 2007-PH-0002)



Investigations

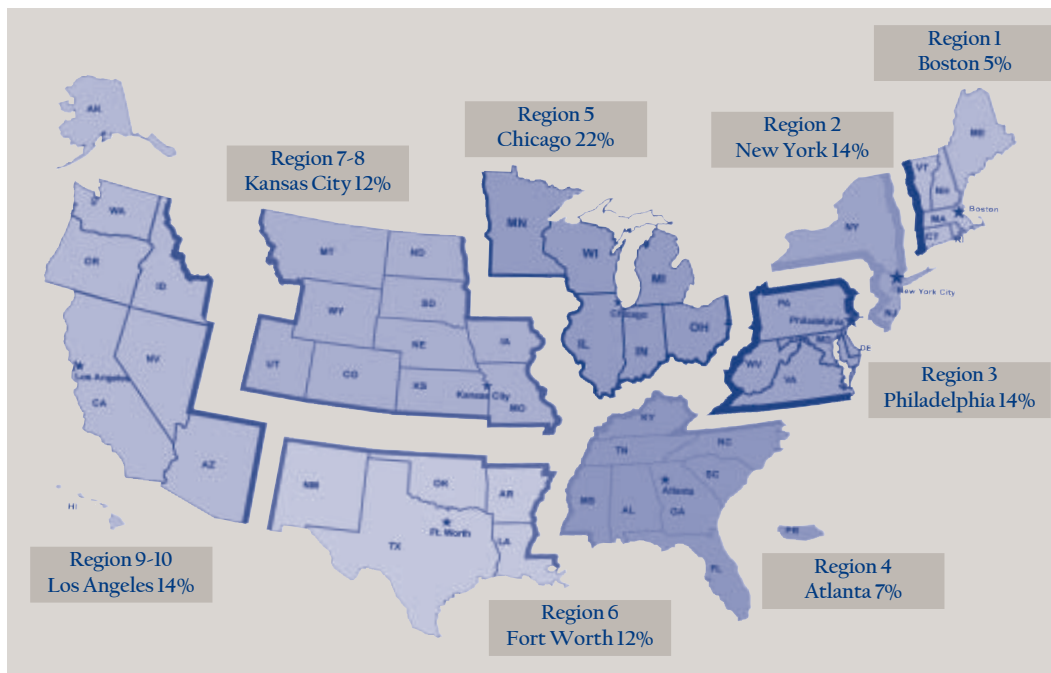
Some investigations discussed in this report were generated from leads provided by HUD single-family housing program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative I: Contribute to the Reduction of Fraud in Single-Family Insurance Programs

Key program results	Cases closed	\$ Recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	171	\$64,045,525	102	118
Our focus	page 14	- Loan Origination Fraud		
	page 19	- Identity Fraud and False Social Security Numbers		
	page 22	- Bankruptcy Fraud		
	page 22	- Other Single-Family Fraud		

A Look Back for the Year

Chart 2.2: Percentage of OIG Single-Family Housing Closed Investigation Cases, Performed FY 07*



*This does not include cases in which funds misused came from Congress for hurricane relief. (see chapter 5 for these cases)

Loan Origination Fraud

Donald Fazio, the former branch manager and loan officer at Brucha Mortgage Bank (Brucha), was sentenced in U.S. District Court, **Brooklyn, NY**, to 30 months incarceration and 3 years probation and ordered to forfeit nearly \$2.6 million and pay HUD \$708,378 and Stewart Title \$440,387 in restitution for his earlier guilty plea to conspiracy and money laundering. In addition, Gary Konstantin, also a former branch manager and loan officer at Brucha previously sentenced for his earlier guilty pleas to conspiracy, money laundering, and wire and insurance fraud, was debarred from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government for an indefinite period. Fazio, Konstantin, and others completed minimal property renovations and submitted false loan documents and appraisals to obtain FHA-insured mortgages and then flipped the properties and skimmed construction funds. HUD realized losses of \$11.6 million after 58 mortgages defaulted.



JaVeena Harris, an underwriter at First National Funding Company, pled guilty in U.S. District Court, **Newark, NJ**, to falsification of records. Harris falsified employment documents used by borrowers who obtained FHA-insured mortgages. HUD realized losses of more than \$9.8 million after 66 mortgages defaulted.



Esperanza Espinoza, Jesus Jose Olivas, and Pedro Rodriguez, employees of Number 1 L.A. Real Estate, were each sentenced in U.S. District Court, **Los Angeles, CA**, for their earlier guilty pleas to conspiracy, false statements, wire fraud, or money laundering. Espinoza was sentenced to 3 years probation and 200 hours of community service and ordered to pay HUD \$301,608 in restitution, Olivas was sentenced to 4 months incarceration and 3 years supervised release and ordered to pay HUD \$215,726 in restitution, and Rodriguez was sentenced to 3 months incarceration and 3 years supervised release. Olivas purchased and resold properties to straw borrowers who obtained FHA-insured mortgages, Espinoza prepared or purchased fraudulent documents for unqualified borrowers who obtained FHA-insured mortgages, and Rodriguez laundered property sales proceeds through a casino in Las Vegas, NV. HUD realized losses in excess of \$2.9 million after 189 mortgages defaulted.



Benedicta Gomez, owner of One Service, Inc., was sentenced in U.S. District Court, **Denver, CO**, to 30 days incarceration and 3 years supervised release and ordered to pay HUD \$94,386 in restitution for her earlier guilty plea to wire fraud. Gomez prepared fraudulent tax returns used by unqualified and undocumented immigrants who obtained FHA-insured mortgages. HUD realized losses of \$2.4 million after 51 mortgages defaulted.



Frank Mazzaresse, a former loan officer at RBC Mortgage, and Raul Raygoza, an employee of Friends Furniture, were each sentenced in U.S. District Court, **Rockford, IL**, for their earlier guilty pleas to conspiracy. Mazzaresse was sentenced to 4 years probation and ordered to perform 150 hours of community service and pay HUD \$30,044 in restitution. Raygoza was sentenced to 5 years probation and ordered to pay HUD \$149,227 in restitution. Mazzaresse, Raygoza, and others conspired to provide or approve false employment, income, or other documents for unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses in excess of \$2 million after more than 40 mortgages defaulted.



Trudy M. Peters, a former escrow officer at Ticor Title Agency; Tony Vasquez, a former housing counselor at Chicanos Por La Causa; and Maria Felix, an assistant at Sahara Investments, each pled guilty in U.S. District Court, **Phoenix, AZ**, to making false statements to HUD or conspiracy to make false statements to defraud HUD. Peters, Vasquez, Felix, and others conspired to defraud HUD's "preforeclosure" program when they submitted fraudulent appraisals, falsified counseling certification forms, or concealed debt encumbering properties. HUD realized losses in excess of \$1.8 million after 65 mortgages defaulted.



Nina Cameron, a former loan officer with Acclaim Mortgage; Odie Webster, a former realtor with Metro Brokers; and Sandra Lindsey, a former FHA-insured mortgagor, were each sentenced in U.S. District Court, **Denver, CO**, for their earlier guilty pleas to conspiracy, making false statements, or aiding and abetting. Cameron was sentenced to 6 months home detention and 60 months probation and ordered to pay HUD \$123,595 in restitution, Webster was sentenced to 4 months home detention and 60 months probation and ordered to pay HUD \$75,551 in restitution, and Lindsey was sentenced to 12 months probation. From February 1999 to July 2004, Cameron, Webster, and others submitted or caused the submission of fraudulent documents for Lindsey and other unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses in excess of \$1.3 million after 40 mortgages defaulted.



Devon Bowie, the former president of Neighborhood Mortgage Bankers; Keith Miles, owner of Mid-South Atlantic Asset Holding Company; and Peter Port, owner of Port Abstract, each sentenced in U.S. District Court, **Newark, NJ**, for their earlier guilty pleas to providing false statements, were debarred from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government for 3 to 5 years. Bowie, Miles, Port, and others submitted false loan documents and appraisals for unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses in excess of \$1.2 million after 33 mortgages defaulted.



Gilbert Lugo, a former owner of Benefit Escrow, was sentenced in U.S. District Court, Los Angeles, CA, to 6 months home detention and 3 years probation and ordered to pay HUD \$972,162 in restitution for his earlier guilty plea to conspiracy, making false statements, and aiding and abetting. Lugo conspired with others and provided downpayment funds for unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses of \$618,678 after 43 mortgages defaulted.



Michael O'Keefe, Jr., owner of Citywide Mortgage Company, was indicted in U.S. District Court, New Orleans, LA, for conspiracy, money laundering, mail fraud, and aiding and abetting. In addition, Calvin Davis, doing business as The Cowboy Institute, Brothers Helping Brothers, and Dreamboat Enterprises; Michelle Cochrane, a former loan processor and underwriter at Citywide; Robert Green, doing business as Parkway Tax Service and Fast Tax; and straw borrower Timothy Falls each pled guilty to conspiracy or providing false statements to HUD and the Internal Revenue Service. Falls was sentenced to 6 months home confinement with electronic monitoring and 60 months probation and ordered to pay HUD \$2,000 in restitution. O'Keefe allegedly conspired with others to recruit straw borrowers, inflate appraisals, and provide fraudulent documents for unqualified borrowers who obtained FHA-insured mortgages; Davis, Cochrane, and Green conspired with others to recruit straw borrowers and underwrite FHA-insured mortgages containing fraudulent documents; and Falls, acting as a straw borrower, obtained and later defaulted on an FHA-insured mortgage. HUD realized losses of \$600,000 after 11 properties defaulted.



Alan Mason, a closing attorney doing business as Alan Mason Legal Services, Inc., pled guilty in U.S. District Court, Worcester, MA, to wire fraud and Federal income tax evasion.

Former lawyer Mason accused of tax-evasion

By Scott J. Croteau
TELEGRAM & GAZETTE STAFF

WORCESTER — Disbarred real estate lawyer Alan Mason is accused of illegally wiring money into his own accounts and evading taxes in a scheme detailed in federal documents. Authorities claim Mr. Mason of Princeton took "a portion of loan proceeds he received from lenders which were intended to be used in real estate transactions to pay off prior liens on properties."

The alleged crimes occurred from June 2001 through June 2006, according to the information filed in U.S. District Court in Worcester. Assistant U.S. Attorney Mark J. Balthazard

Turn to Favor/Page A5

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Loan firm's owner accused of fraud

Ex-senator's son faces 5 fed counts

By Susan Finch
Staff writer

Michael O'Keefe Jr., son of disgraced former state Sen. President Michael O'Keefe and owner of Citywide Mortgage Co., defrauded the federal government into guaranteeing nearly \$600,000 in Citywide loans to unqualified borrowers involved in a "house-flipping" scam, according to a federal grand jury indictment unsealed Monday.

Other lenders, attracted by the U.S. Department of Housing and Urban Development guarantees, bought the loans from Citywide before the borrowers quit paying on the debts, leaving HUD holding the bag, the mid-May indictment said.

O'Keefe is charged with conspiracy to defraud the U.S. government, conspiracy to commit money laundering, and violating mail fraud and other federal laws to launder money.

See O'KEEFE, A-11

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Mason closed both FHA-insured and conventional loans, failed to pay more than \$6.2 million to mortgage lien holders, and then used loan closing funds for business or personal expenditures. HUD realized losses of \$406,450 after Mason failed to eliminate three FHA-insured liens.



Mario Mendoza, a former real estate broker at Weichart Realty sentenced in U.S. District Court, Newark, NJ, for his earlier guilty plea to theft by deception, was debarred from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government for 3 years. Mendoza and others submitted fraudulent loan documents for unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses in excess of \$349,000 after 12 mortgages defaulted.



Calvin Dalton, president of RETI Relocation Services; Larry Frazier, owner of Larry Frazier Realty; certified appraisers Demetri Coffee, Paul Jaretsky, Rhonda Kent, and David Bobo; and closing attorney James Stovall III each pled guilty in U.S. District Court, Atlanta, GA, to conspiracy, money laundering, misprision of a felony, or bank or wire fraud. From April 2000 to September 2001, the above defendants and others created or submitted false documents or appraisals to assist straw borrowers who obtained more than \$20 million in mortgage loans. HUD realized losses of \$300,000 after two FHA-insured mortgages defaulted.



Peter Gatsch and David Sonner, former owners or officers of Illinois Energy Contractors Inc. (IECI), each agreed to perform 100 hours of community service in pretrial diversion agreements filed in U.S. District Court, Chicago, IL. Gatsch and Sonner admitted to paying approximately \$200,000 in kickbacks to property owners who contracted home improvement services through IECI after the homeowners obtained FHA-insured home improvement loans.



Pam Joi Smith, a loan officer at Countrywide Home Loans, Inc., pled guilty in U.S. District Court, Newark, NJ, to wire fraud. Smith processed FHA-insured and conventional mortgage loan applications that contained false income or asset information. HUD realized losses of \$197,643 after eight FHA-insured mortgages defaulted.



Morgan Haines, a real estate investor sentenced in U.S. District Court, Buffalo, NY, for his earlier guilty plea to conspiracy to provide false statements to HUD, was debarred from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government

for 3 years. In addition, Theodore Antonucci, Jr., a real estate investor sentenced for his earlier guilty plea to conspiracy to commit bank fraud, was debarred from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government for 10 years. Haines, Antonucci, Jr., and others purchased homes in the Rochester, NY, area, flipped the properties to each other at inflated values, and then provided false documents to secure and later default on FHA or conventional mortgages. HUD realized losses of \$186,475 after two FHA-insured mortgages defaulted.



Angela Sommers, owner of Sommers Financial, was sentenced in U.S. District Court, **Los Angeles, CA**, to 5 months incarceration and 3 years supervised probation for her earlier guilty plea to wire fraud and aiding and abetting. Sommers and others purchased and used fraudulent documents to assist unqualified borrowers in obtaining FHA-insured mortgages. HUD realized losses of \$185,818 after 26 mortgages defaulted.



Laura Jeanne Barlow, a former underwriter at Main Street Mortgage Service and Ark Mortgage, sentenced in U.S. District Court, **Newark, NJ**, for her earlier guilty plea to conspiracy to provide false statements, was debarred from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government for 3 years. Barlow used her position and in exchange for compensation, approved unqualified borrowers for FHA-insured mortgages. HUD realized losses in excess of \$76,000 after six mortgages defaulted.



David M. Sutton, Jr., pled guilty in U.S. District Court, **Richmond, VA**, to making false statements to HUD. Sutton submitted false income documents to obtain and later default on an FHA-insured mortgage. HUD realized a loss of \$58,000 after his mortgage defaulted.



James Boyle, a loan officer at RBC Mortgage, pled guilty in U.S. District Court, **Rockford, IL**, to mail fraud. Boyle created and supplied fraudulent brokerage account statements or falsified employment documents for unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses of \$52,648 after two mortgages defaulted.



Michael Lock and Jerhonda McCray, owners of World Financial Mortgage; Kevin Slamann, Lisa Colella, and Nicole Brown, closing agents at Excell Closing Services, Harvard Title, Metro Title, or Nations Title; Monique Dunlop and Krista Jeray, loan officers at Mortgage Exchange; Ruben Fields, an appraiser at Express Valuation; Chianti Clay; and Marcus Leonard were each indicted in U.S. District Court, **Milwaukee, WI**, for committing wire, mail, and bank fraud. The above defendants

allegedly provided fraudulent loan documents and appraisals for straw borrowers who obtained FHA-insured or conventional mortgages on properties they leased to Milwaukee Housing Authority Section 8 tenants. HUD losses are not yet determined.



John Morris, a former appraisal coordinator for now-defunct N.J. Affordable Homes (NJAH), and William Page, an NJAH appraiser, each pled guilty in U.S. District Court, Newark, NJ, to conspiracy to commit wire or mail fraud. Morris retained NJAH appraisers who prepared false appraisals for nominee properties, and Page provided false appraisals for borrowers who obtained FHA-insured or conventional mortgages. HUD losses are not yet determined.



Corwin Johnson pled guilty in U.S. District Court, Buffalo, NY, to bank fraud, aiding in the preparation of a fraudulent Federal income tax return, and violating his supervised probation. Johnson and others prepared and submitted false Federal income tax returns and other documents for unqualified borrowers who obtained FHA-insured mortgages. HUD losses are not yet determined.



Laura Figueroa, owner of Rough Edges, LLC, and other businesses, pled guilty in U.S. District Court, Bristol, CT, to mail fraud and conspiracy to file false claims for Federal income tax refunds. Figueroa and others prepared false employment documents for unqualified borrowers who obtained FHA-insured mortgages and submitted false Federal income tax returns using the identities of others. HUD losses are not yet determined.

Identity Fraud and False Social Security Numbers

David Calderon, owner of Atlas Home Loans, a HUD direct endorsement lender; his wife and Atlas office manager Baneza Calderon; his brother and Atlas loan officer Carlos Calderon; and Atlas loan processor Robert Cardenas were each sentenced in U.S. District Court, Grand Terrace, CA, for their earlier guilty pleas to making false statements, conspiracy, or misprision of a felony. David Calderon was sentenced to 24 months incarceration and 36 months supervised release and ordered to pay HUD more than \$1.8 million in restitution, Baneza Calderon was sentenced to 36

Woman Pleads Guilty To Fraud And Conspiracy

By DON STACONE
CRIMINAL STAFF WRITER

NEW HAVEN — A Bristol woman with an extensive history of felony convictions pleaded guilty Friday in federal court to taking part in a scheme that bilked the Internal Revenue Service and the state Labor Department out of more than \$100,000.

Laura Figueroa, 38, and others admitted phony tax returns and unemployment claims between 2000 and 2005, according to Assistant U.S. Attorney Thomas Daly.

She pleaded guilty Friday before U.S. District Judge Ellen Huie Burns to mail fraud and conspiracy to file false claims for tax refunds.

Prosecutors would not disclose the identities of others allegedly involved in the crime, saying the investigation is ongoing.

Figueroa will be sentenced Oct. 5 and could face up to 30 years in prison and \$800,000 in fines.

Figueroa, who lists 56 Barbara Road as her address, and others submitted 50 bogus income tax returns and prepared false W-2 forms in an effort to get \$267,041 in refunds, according to court documents. The IRS paid out \$100,041.

In a separate scheme, she is accused of conspiring to cheat the state Labor Department out of \$136,000. Figueroa and others set up unemployment compensation accounts for non-existent employees at two companies, then submitted claims for unemployment benefits for them.

Figueroa's phone number is not listed, and the 56 Barbara Road home appears on a real estate broker's list of federal Housing and Urban Development properties that are for sale. Her attorney, Ronald Rosierita, could not be reached for comment.

Two years ago, Figueroa was convicted in Superior Court in New Britain of running up \$20,000 in credit card bills by using someone else's identity. Figueroa was running a hair salon in Bristol in 2003 and used information from an employee's job application and tax paperwork to open credit card accounts, according to prosecutors in that case. Court documents in that case showed she also charged a few thousand dollars on credit cards that she'd opened under the name of her teenage daughter.

Records in that case showed Figueroa had accumulated more than 50 convictions for issuing bad checks, larceny and violating probation between 1985 and 2005.

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months supervised release and ordered to perform 360 hours of community service and pay HUD \$370,354 in restitution, Carlos Calderon was sentenced to 10 months incarceration and 36 months supervised release and ordered to pay HUD \$273,690 in restitution, and Cardenas was sentenced to 36 months supervised probation and ordered to pay HUD \$720,278 in restitution. David, Baneza, and Carlos Calderon and Cardenas created fraudulent identification and employment documents for unqualified or straw borrowers who obtained FHA-insured mortgages. HUD realized losses in excess of \$2.7 million after 42 mortgages defaulted.



Rosemary Diaz, a real estate agent at Familia Realty, pled guilty in U.S. District Court, **Los Angeles, CA**, to mail fraud and aiding and abetting. From September 1998 to January 2002, Diaz and others created or provided false identification, employment, credit, and other information to assist unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses greater than \$900,000 after 18 mortgages defaulted.



Edgar De la Rosa, Maria de los Angeles Mendez, Manuel Barron-Salcido, and Ruben Magdaleno Martinez each pled guilty in Colorado State District Court, **Golden, CO**, to forging checks or commercial instruments or attempted forgery. De La Rosa, Barron-Salcido, and Martinez were each sentenced to 36 months incarceration and 36 months probation, and Mendez was sentenced to 45 days each incarceration and probation. The above defendants provided false SSNs and forged documents to obtain and later default on FHA-insured mortgages. HUD realized losses of \$400,000 after nine mortgages defaulted.



Seven FHA-insured mortgagors were charged in Collin, Rockwall, or Ellis County District Courts, **Rockwall or Collin County, TX**, with securing execution of documents by deception. The above defendants allegedly used false SSNs and other documents to obtain and later default on FHA-insured mortgages. In addition, Ignacio Juan Jasso, a real estate broker and former loan officer at JR Mortgage, pled guilty in U.S. District Court, Dallas, TX, to making false Federal credit institution entries, reports, and transactions; and six FHA-insured mortgagors pled guilty to securing execution of documents by deception and were each sentenced to 24 months probation and collectively fined more than \$3,060. Jasso assisted unqualified borrowers who obtained FHA-insured mortgages, and the remaining defendants used false SSNs and other documents to obtain and later default on FHA-insured mortgages. HUD realized losses in excess of \$285,845 after six mortgages defaulted.



Sonia Toledo, a former loan officer at Building & Loan Mortgage Company, and Doris and Sylvia Toledo, realtors doing business as El Grupo Toledo, were each charged in Kansas District Court, **Olathe, KS**, with theft, making a false writing, conspiracy, and

computer crimes. From 2002 to 2005, Sonia, Doris, and Sylvia Toledo allegedly assisted undocumented immigrants who used false SSNs and obtained FHA-insured mortgages. HUD realized losses of \$131,385 after three mortgages defaulted.



Claudia Hernandez-Martinez, also known as Claudia Hernandez or Claudia Martinez, and Concepcion Hernandez-Herrera, also known as Claudia Hernandez or Claudia Hernandez H, each pled guilty in Colorado District Court, **Brighton, CO**, to conspiracy to offer a false instrument for recording. The above defendants provided fraudulent SSNs to obtain and later default on FHA-insured mortgages. HUD realized losses in excess of \$120,000 after both mortgages defaulted.



Rudean Cooper was sentenced in Montgomery County Circuit Court, **Rockville, MD**, to 36 months supervised probation and ordered to perform 240 hours of alternative community service and pay court costs for her earlier guilty plea to identity theft. Cooper also provided \$25,000 to HUD as settlement for a Program Fraud Civil Remedies Act lawsuit. Cooper used a fraudulent SSN to obtain and later default on an FHA-insured mortgage. HUD realized a loss of \$58,742 after his mortgage defaulted.



Yolanda Weatherspoon was indicted in Franklin County Circuit Court, **Rocky Mount, VA**, for making false statements, forgery, and obtaining a Department of Motor Vehicle document by fraud. Weatherspoon allegedly used a fraudulent SSN to obtain and later default on an FHA-insured mortgage. HUD realized a loss of \$37,000 after her mortgage defaulted.



Rodolfo Campos, Orlando Garcia, and Norma Cortez were each indicted in U.S. District Court, **Plano, TX**, for making false statements to HUD, use of fraudulent identification documents, and Social Security Administration (SSA) fraud. Campos, Garcia, and Cortez allegedly used false SSNs to obtain and later default on an FHA-insured mortgage. HUD realized a loss of \$35,000 after their mortgage defaulted.



Gennaro Thompson was sentenced in Prince George's County District Court, **Upper Marlboro, MD**, to 20 years incarceration (suspended except for one day) and 3 years probation and ordered to pay HUD \$4,426 in restitution for his earlier guilty plea to aggravated theft over \$500 and identity fraud. Thompson used the identity of his son and provided fraudulent documents to obtain and later default on an FHA-insured mortgage. HUD realized a loss of \$4,426 after his mortgage defaulted.



Undocumented immigrants Alberto and Mabel Gutierrez were each sentenced in U.S. District Court, **Harrisonburg, VA**, to 6 months incarceration and 12 months probation, fined \$3,000, and ordered to eliminate their FHA-insured mortgage and undergo deportation hearings for their earlier guilty pleas to making false statements to HUD. Alberto and Mabel Gutierrez used false SSNs or Immigration and Naturalization resident alien cards to obtain and later refinance an FHA-insured mortgage.

Bankruptcy Fraud

Donna Renae Woods Lawrence, also known as Donna Willis, the former president of Assurety Mortgage Group, Inc. (Assurety), pled guilty in U.S. District Court, **Atlanta, GA**, to conspiracy and false bankruptcy declarations. Lawrence used a stolen SSN and obtained HUD approval to originate FHA-insured mortgages through Assurety, fraudulently eliminated the security interest of prior lenders and received proceeds from multiple loans on the same properties, and then filed false bankruptcy petitions to delay lender foreclosures on mortgages valued at approximately \$3.6 million. HUD realized losses in excess of \$330,000 after five mortgages defaulted.



John Cash, also known as Typhon Ra and doing business as Lake Shore Group, was sentenced in U.S. District Court, **Chicago, IL**, to 135 months incarceration and 6 years probation and ordered to pay numerous homeowners \$187,604 in restitution for his earlier guilty plea to bankruptcy and wire fraud. Cash collected monthly mortgage payments from more than 30 distressed FHA, Department of Veterans Affairs (VA), or conventional mortgagors and then failed to make their mortgage payments and filed fraudulent bankruptcy petitions unbeknownst to the homeowners. HUD realized losses of approximately \$125,000 after five FHA-insured mortgages defaulted.



Carlos Castelan pled guilty in U.S. District Court, **Salt Lake City, UT**, to making false statements and destroying, altering, or falsifying records in a bankruptcy or Federal investigation. Castelan used a false SSN when he obtained an FHA-insured mortgage and filed for bankruptcy. HUD realized a loss of \$62,000 after his mortgage defaulted.

Other Single-Family Fraud

Real estate investors Jill and Colin Reilly and Alexis and Josh Smith each pled guilty in U.S. District Court, **Tucson, AZ**, to submitting false statements to HUD and FHA Preforeclosure Real Estate Settlement Procedure Act violations. The above defendants were each sentenced to one year probation, and Colin Reilly was ordered to pay HUD \$238,283 in restitution. Jill and Colin Reilly and Alexis and Josh Smith failed to report payments to and from homeowners on HUD-1 settlement statements.



Steven Marquez, a former loan officer at Primera Mortgage Company, pled guilty in Cook County Circuit Court, **Chicago, IL**, to theft. Marquez was sentenced to 3 years probation and ordered to pay HUD \$70,000 in restitution. Marquez deceived two property owners and acquired ownership rights to their properties and then sold the properties to borrowers who obtained new FHA-insured mortgages. The original property owners believed they were refinancing their mortgages when they signed documents and assigned their homeownership rights to Marquez. HUD realized losses of \$70,000 after both mortgages defaulted.



Carlos West, a teacher and HUD Officer/Teacher Next Door (O/TND) program participant, entered into a civil settlement agreement filed in U.S. District Court, **Chicago, IL**, and agreed to pay the U.S. Department of Justice \$45,000. West obtained a HUD-owned property through the O/TND program but failed to report his ownership of additional real estate leased to Chicago Housing Authority Section 8 tenants on HUD certifications.



Annabel Villalobos, a correctional officer for the California Department of Corrections and HUD Good Neighbor Next Door (GNND) program participant, entered into a civil settlement agreement filed in U.S. District Court, **Bakersfield, CA**, and paid HUD \$29,000, the discounted amount for property she obtained through the GNND program. From September 2003 to January 2006, Villalobos failed to report her nonresidency in her GNND property on HUD certifications.



Lamont Harris, a former public school guidance counselor and HUD O/TND program participant, was sentenced in U.S. District Court, **Norfolk, VA**, to 3 months home detention and 3 years probation, fined \$2,500, and ordered to pay HUD \$23,500 in restitution for his earlier guilty plea to making false statements to HUD. Harris failed to report his nonresidency in his O/TND property on HUD certifications.



Kristine Knowles, a teacher and HUD O/TND program participant, was named in a civil complaint filed in U.S. District Court, **Chicago, IL**. Knowles allegedly failed to report her ownership of additional real estate and her nonresidency in her O/TND property on HUD certifications. HUD loss is estimated at \$17,500.



Terry January, a Los Angeles County deputy sheriff and HUD O/TND program participant, was convicted in U.S. District Court, **Los Angeles, CA**, of making false statements. January failed to report his ownership of additional residential real estate and his nonresidency in his O/TND property on HUD certifications. HUD loss is estimated at \$16,000.



Real estate consultant Donovan Gilpin, doing business as Pre Amble Properties, and realtor Rohan A. Johnson, also known as Ato Ra Ajah El, were each sentenced in U.S. District Court, **Central Islip, NY**, for their earlier guilty pleas to theft of government property, conspiracy to commit mail fraud, or converting and conveying property owned by HUD without authority. Gilpin was sentenced to 38 months incarceration and 36 months supervised release and ordered to pay the victim \$116,500 in restitution. Johnson was sentenced to 46 months incarceration and 36 months supervised release and ordered to pay the above restitution jointly and severally with Gilpin. Gilpin and Johnson, members of an antigovernment Moorish rights group, filed fraudulent real estate deeds transferring the ownership of three HUD-owned, one VA-owned, and one bank-owned property to Pre Amble Properties; illegally resided in two HUD-owned properties; and then sold the bank-owned property to an unsuspecting buyer and attempted to sell HUD- and VA-owned properties to undercover operatives. The fraudulent deeds prevented HUD from selling its properties to legitimate buyers and banks from deeding foreclosed properties to HUD.



Real estate investor Dariusz Przybylek, sentenced in U.S. District Court, **Chicago, IL**, to 21 months incarceration and 3 years supervised release for his earlier guilty plea to wire fraud, was arrested for failing to report to serve his sentence. Przybylek attempted to use a straw buyer to purchase a HUD-owned property for 150 percent of the HUD appraised value by submitting fraudulent contractor affidavits and loan documents and an inflated appraisal provided by previously indicted Erwin Espe, a former HUD-approved appraiser. Przybylek attempted to complete the above transaction to facilitate his receipt of \$113,000 in rehabilitation funds through a straw contractor.



Chapter 2



HUD's Public and Indian Housing Programs

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to 4,111 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident management entities and resident skills 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 Office of Inspector General (OIG) has also conducted numerous outreach efforts. (see chapter 7, page 133)

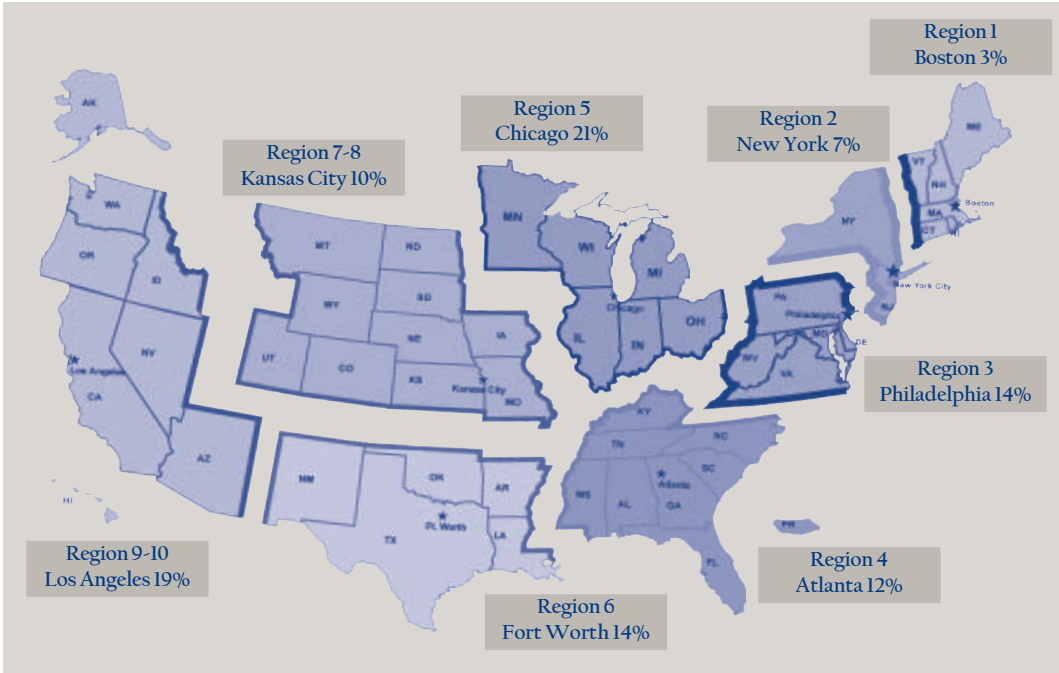
Audits

Strategic Initiative 2: Contribute to the Reduction of Erroneous Payments in Rental Assistance

Key program results		Questioned costs	Funds put to better use
Audit	30 Audits	\$16,659,793	\$105,843,606
Our focus	page 27	- Section 8 Housing Choice Voucher Program Activities at PHAs	
	page 34	- Public Housing Program Activities	

A Look Back for the Year

Chart 3.1: Percentage of OIG Public and Indian Housing Audit Reports, Performed FY 07



Section 8 Housing Choice Voucher Program Activities at PHAs

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, whether the PHA managed the program according to HUD requirements, and whether 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, Washington, DC, conducted a nationwide audit of the Housing Choice Voucher program to determine the extent to which PHAs paid excessive subsidies for families that were housed in rental units with more bedrooms than authorized (overhousing). OIG also wanted to identify the causes of such overhousing and to evaluate HUD's approach to reducing the frequency and extent of overpayments that can result.

PHAs nationwide paid excess subsidies totaling an estimated \$20 million for more than 16,500 families to reside in assisted units with more bedrooms than people in the family.

OIG recommended that HUD issue additional guidance to address evaluating reasonable accommodations requests and submitting accurate data to HUD. OIG also recommended that HUD incorporate data analysis designed to identify and correct overhousing and related data errors into its risk assessment and monitoring methodologies. (Audit Report: 2007-FW-0001)



HUD OIG audited the Section 8 housing quality standards inspections of the Housing Authority of the County of Los Angeles, Los Angeles, CA. The Authority did not complete timely housing quality standards inspections. Of 68 program units reviewed, 50 did not meet HUD's housing quality standards.

OIG recommended that HUD require the Authority to (1) implement adequate procedures and controls to ensure that units meet HUD's housing quality standards to prevent \$11.5 million in program funds from being spent on units that are in material noncompliance, (2) verify and certify that the owners took appropriate corrective actions for all applicable housing quality standards violations and abate the rents or terminate the housing assistance payments contracts if appropriate actions were not taken, and (3) develop adequate controls to enforce implementation of policies and procedures to ensure that program units are inspected at least annually to meet HUD's housing quality standards before housing assistance payments are dispersed. (Audit Report: 2007-LA-1007)



HUD OIG audited the Section 8 Housing Choice Voucher program of the Newport News Redevelopment and Housing Authority, Newport News, VA. The Authority did not operate its program in accordance with HUD requirements and regulations. It failed to ensure that its program housing stock met housing quality standards, did not adequately support housing assistance payments, and incorrectly calculated housing assistance payments. Of the 66 housing units inspected, 54 did not meet HUD's housing quality standards, and 28 had 98 violations that existed at the time of the Authority's previous inspection. This condition resulted in almost \$111,000 in housing assistance payments and administrative fees paid by HUD for units that were not decent, safe, and sanitary. Additionally, 48 of the 74 tenant files reviewed did not contain the documentation required by HUD and the Authority's program administrative plan, resulting in more than \$262,000 in unsupported housing assistance payments and administrative fees. The Authority also incorrectly calculated housing assistance payments, resulting in almost \$8,000 in overpayments and more than \$7,000 in underpayments.

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) implement adequate procedures and controls to ensure that program units meet housing quality standards to prevent an estimated \$4 million from being spent on units with material housing quality standards violations, (3) reimburse its program from nonfederal funds for the improper use of program funds, (4) provide documentation or reimburse its program from nonfederal funds for unsupported housing assistance payments and administrative fees, and (5) repay housing assistance overpayments and reimburse tenants for housing assistance underpayments. (Audit Report: 2007-PH-1009)

Housing violations corrected

Newport News' Section 8 units meet federal standards missed in 2006.

BY SABINE HIRSCHAUER
shirschauer@dailypress.com | 247-4536

NEWPORT NEWS — The city's housing authority has corrected all violations, hired additional staff and will change procedures to ensure that its subsidized Section 8 apartments and homes meet federal standards in the future, city officials said Tuesday.

The Redevelopment and Housing Authority's board of commissioners met Tuesday for the first time since an audit found that many of its housing units did not meet federal standards.

Of the 66 units inspected in December by the inspector general of the U.S. Department of Housing and Urban Development, 54 of them — or 81 percent — had deficiencies such



Please see HOUSING/AB

The Aqua Vista apartments, left, and The Towers, the white building in the background, are part of Section 8 housing in Newport News. DAILY PRESS FILE PHOTO

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HUD OIG audited the Housing Authority of the City of North Las Vegas, **North Las Vegas, NV**. The Authority did not follow HUD requirements when administering its Section 8 Housing Choice Voucher program funds. Although the Authority had \$4.4 million in program funds and related interest to house additional eligible participants, its Section 8 program was significantly underleased. As a result, eligible Section 8 participants were denied the opportunity to seek safe, decent, and quality housing under the program.

OIG recommended that HUD require the Authority to implement adequate controls and procedures to ensure that it does not underlease its Section 8 Housing Choice Voucher program. (Audit Report: 2007-LA-1015)



HUD OIG reviewed the Housing Choice Voucher program of the Housing Authority of the County of San Mateo, **Belmont, CA**. The Authority did not use HUD program funds in accordance with requirements. It used more than \$573,000 in Housing Choice Voucher program funds to overlease the Moving to Work Demonstration (MTW) program and improperly implemented an MTW preference in its Housing Choice Voucher program that impacted 71 families on the Housing Choice Voucher program waiting list. The Authority improperly loaned \$1.4 million in Housing Choice Voucher program funds to pay for construction costs of the El Camino Village low-rent public housing project and \$500,000 in Midway Village Comprehensive Improvement Assistance Program grant funds to reimburse the Housing Choice Voucher program for its El Camino Village project construction cost overruns. In addition, it transferred nearly \$116,000 in portability administrative fees to its nonfederal account and overdraw its Housing Choice Voucher program operating reserve.

OIG recommended that HUD require the Authority to (1) reimburse the Housing Choice Voucher program from the MTW program or from nonfederal funds for the overleasing of the MTW program and reimburse more than \$1.23 million used to house MTW program participants moved to the Housing Choice Voucher program, (2) reimburse the Housing Choice Voucher program \$1.4 million plus interest from nonfederal funds, (3) reimburse Midway Village \$500,000 plus interest from nonfederal funds, (4) reimburse the Housing Choice Voucher program nearly \$116,000 plus interest from nonfederal funds, and (5) implement controls and establish policies and procedures for the accounting and use of Housing Choice Voucher program operating reserves. (Audit Report: 2007-LA-1014)



HUD OIG audited the Housing Choice Voucher program of the Dayton Metropolitan Housing Authority, **Dayton, OH**. None of the 59 housing units selected for inspection met HUD's housing quality standards, and 56 of the units had 214 violations that existed at the time of the Authority's previous inspections. OIG estimates that over the next year, HUD will pay nearly \$1.8 million in housing assistance payments for units with material housing quality standards violations. In addition, five units that failed quality control inspections also failed reinspections, but

the Authority failed to abate the program rents for the units, resulting in an improper payment of nearly \$3,900 in housing assistance and administrative fees. The Authority also incorrectly calculated households' payments, resulting in nearly \$39,000 in overpayments and more than \$1,500 in underpayments. OIG estimates that over the next year, when corrective actions are taken, the Authority will overpay more than \$1 million in housing assistance and utility allowances. Further, of the 67 household files reviewed, 37 did not contain documentation required by HUD and the Authority's program administrative plan to support more than \$254,000 in housing assistance and utility allowances.

OIG recommended that HUD require the Authority to reimburse its program from nonfederal funds for the improper use of more than \$63,000 in program funds, provide documentation or reimburse its program more than \$282,000 from nonfederal funds for the unsupported housing assistance payments and administrative fees, and implement adequate procedures and controls to address the findings identified to prevent nearly \$1.8 million from being spent on units with material housing quality standards violations and more than \$1 million in excessive housing assistance. (Audit Report: 2007-CH-1008)



HUD OIG audited the Housing Choice Voucher program of the Housing Commission of Anne Arundel County, **Glen Burnie, MD**. The Commission did not always operate its program in accordance with HUD requirements and regulations. It did not always ensure that its program housing stock met housing quality standards. Of the 61 units inspected, 35 did not meet HUD's housing quality standards, and 30 had 117 material violations that existed on or before the Commission's previous inspections. The Commission paid nearly \$117,000 in housing assistance for the 30 units with material violations. The Commission also did not always properly perform rent reasonableness determinations for units it owned and, therefore, could not support more than \$733,000 in housing assistance payments. Lastly, the Commission did not properly administer its Family Self-Sufficiency program and as a result, did not ensure that more than \$215,000, which it paid to program participants, was proper.

OIG recommended that HUD require the Commission to reimburse its program from nonfederal funds for the improper use of funds paid for 30 units with 117 material violations of housing quality standards and provide documentation or reimburse its program from nonfederal funds for unsupported housing assistance payments and for improper escrow payments made to participants in the Family Self-Sufficiency program. OIG also recommended that HUD require the Commission to ensure that program housing units inspected during the audit are repaired to meet HUD's housing quality standards and implement adequate procedures and controls to ensure that program units meet housing quality standards to prevent an estimated \$2.1 million from being spent on units with material housing quality standards violations. (Audit Report: 2007-PH-1011)



HUD OIG audited the Housing Choice Voucher program of the Indianapolis Housing Agency, **Indianapolis, IN**. The Agency failed to comply with HUD's requirements and its cost allocation plan regarding the allocation of administrative expenses. It did not document its initial allocation analysis in 2005, base allocations on actual historical data, or update its allocation percentages for 2006. It used its restricted program administrative fees to pay more than \$1.6 million for expenses that exceeded the program's reasonable fair share, allocated expenses that were unrelated to the program's operation, and lacked documentation to support expenses incurred. OIG estimates that over the next year the Agency will use more than \$855,000 in fees for expenses not related to its program.

OIG recommended that HUD require the Agency to (1) reimburse its program administrative fee reserve for the improper use of fees, (2) provide documentation to support the reasonableness of the allocation of vehicle costs to its program or reimburse its program administrative fee reserve from nonfederal funds for the improper use of fees, and (3) implement adequate procedures and controls to ensure that it uses an appropriate basis for allocating administrative expenses to its program and that adequate expense documentation is maintained. (Audit Report: 2007-CH-1011)



HUD OIG audited the Housing Choice Voucher program of the Plymouth Housing Commission, **Plymouth, MI**. The Commission's program administration regarding documentation to support households' eligibility for housing assistance, housing assistance and utility allowance payments calculations, the Family Self-Sufficiency program, household portability, and the cost allocation plan for indirect costs was inadequate. The Commission was unable to support more than \$138,000 in housing assistance and utility allowance payments, overpaid nearly \$10,000 and underpaid nearly \$9,000 in housing assistance and utility allowances, lacked adequate documentation to support nearly \$1,900 in reduced housing assistance and utility allowance payments, and failed to remove from its program households that did not receive housing assistance for more than 180 days.

Further, the Commission failed to administer its and the Dearborn Heights Housing Commission's Family Self-Sufficiency programs according to the applicable requirements and its family self-sufficiency action plan. As a result, the Commission had nearly \$930,000 in escrow funds that should have been paid to program participants or reimbursed to the applicable program, misused \$53,000 in Housing Choice Voucher/Family Self-Sufficiency Program Coordinators funds, inappropriately paid more than \$14,000 in final escrow payments, could not support more than \$13,000 in participants' escrow accounts, and overfunded and underfunded participants' escrow accounts by more than \$2,000.

The Commission had weaknesses in the accuracy of housing assistance and program administrative fee payments it made to receiving housing authorities for port-out households. It also failed to establish an adequate cost allocation plan and appropriately allocate indirect costs shared by all of the housing programs it administered.

OIG recommended that HUD require the Commission to reimburse its program from nonfederal funds for the improper use of program funds, reimburse its Coordinators funds from nonfederal funds for incorrectly administering its Family Self-Sufficiency program, provide support or reimburse its program from nonfederal funds for the unsupported payments, and implement adequate procedures and controls to address the findings identified. (Audit Report: 2007-CH-1012)



HUD OIG completed a second audit of the Housing Choice Voucher program of the Plymouth Housing Commission, **Plymouth, MI**. The Commission's program administration regarding housing unit conditions, the effectiveness of its abatement process, rent reasonableness determinations, zero-income households, and the procurement of consulting services was inadequate. Of 61 units inspected, 42 did not meet HUD's housing quality standards, and 38 had 181 health and safety violations that existed at the time of the Commission's previous inspections.

In addition, the Commission did not comply with its abatement process. Of the 40 program units that failed an annual housing or quality housing standards inspection between October 2006 and April 2007, 13 units had emergency health and safety violations that were not corrected in a timely manner. The Commission also failed to abate the housing assistance for nine units and improperly abated the housing assistance payments for eight units.

The Commission also did not properly determine the reasonableness of program rents before approving housing assistance contracts for all 66 household files reviewed and did not adequately determine income for 7 of 25 households that reported zero income. Further, it did not follow its own procurement policy when it acquired the consulting services of The Schiff Group for the administration of its program.

OIG recommends that HUD require the Commission to reimburse its program from nonfederal funds for the improper use of nearly \$61,000 in program funds and implement adequate procedures and controls to address the findings cited. These procedures and controls should help ensure that more than \$1.4 million in program funds is spent on housing units that meet HUD's requirements. We also recommend that HUD restrict the Commission's ability to administer other HUD-funded programs until the Commission substantially improves its program administration to ensure compliance with applicable requirements. (Audit Report: 2007-CH-1016)



HUD OIG audited the Housing Choice Voucher program at the Holyoke Housing Authority, **Holyoke, MA**. The Authority generally administered the program according to its administrative plan but not always in accordance with its annual contributions contracts and HUD requirements. It did not (1) ensure that the required documentation was maintained to support the eligibility of each tenant and its housing assistance payments, (2) conduct rent reasonableness determinations according to HUD requirements, (3) follow a prudent personnel practice regarding payment for unused

sick leave upon the death or retirement of an employee, and (4) always properly allocate costs or account for interfund transfer transactions.

OIG recommended that HUD require the Authority to (1) implement adequate procedures and controls over its housing assistance payments, (2) establish controls to ensure that rent reasonableness determinations are completed in accordance with HUD requirements, (3) revise its sick leave policy with regard to its federal programs and reimburse its programs nearly \$398,000 in unreasonable costs for employees' unused sick leave, and (4) provide support for or reimburse to HUD more than \$354,000 in unsupported administration costs and nearly \$557,000 in interprogram transactions. OIG also recommended that HUD recapture from the Authority nearly \$107,000 in administrative fees for not performing rent reasonableness determinations in accordance with HUD's requirements. (Audit Report: 2007-BO-1008)



HUD OIG audited the Housing Choice Voucher program of the Peoria Housing Authority, Peoria, IL. The Authority's program administration regarding housing unit conditions and timeliness of annual housing unit inspections was inadequate. Of the 59 housing units inspected, 58 did not meet HUD's housing quality standards, and 28 had 88 exigent health and safety violations that existed at the time of the Authority's previous inspections. The Authority also failed to ensure that its housing unit inspections were conducted in a timely manner. Of the 3,062 unit inspections conducted by the Authority from January 1, 2005, through January 31, 2007, 823 (26.8 percent) inspections were not conducted within the required one year of the previous inspections. The number of days late ranged from 1 to 488, and 402 of the late inspections were more than 30 days late.

OIG recommended that HUD require the Authority to reimburse its program from nonfederal funds for the improper use of nearly \$107,000 in program funds and implement adequate procedures and controls to address the issues identified. These procedures and controls should help ensure that more than \$1 million in program funds is spent on housing units that meet HUD's requirements. (Audit Report: 2007-CH-1014)

PHA units fail inspection

Federal agency finds 53 Peoria dwellings didn't meet required housing quality standards

BY KAREN McDONALD OF THE JOURNAL STAR

PEORIA — A recent analysis of the Peoria Housing Authority's Section 8 voucher program showed the conditions of housing units and the timeliness of inspections was inadequate, according to the Office of Inspector General.

Of the 59 housing units selected for inspection, which previously had passed PHA inspections, the OIG found 58 did not meet federal housing quality standards, including 28 with health and safety violations that have since been corrected. The violations will cost the housing authority \$107,000 and prompted an inspections reorganization, PHA Executive Director Brenda Costes said Friday.

Though the PHA generally agrees with the findings, it disputes some deficiencies such as broken windows, debris, torn carpet, or problems with railings or porches that may have happened after the units passed its inspections.

"Also the tenant has responsibility to report repairs or problems, and we need to really increase the education for our clients and emphasize the fact that if there's a problem at your home, contact us and we can help you work with a landlord to get the repair completed," Costes said.

"... We're only out there once a year to do inspections, and we don't have the manpower to increase the number of inspections we do just one per year."

The federal inspections were conducted between May 15 and June 1 on units that previously passed inspections by the PHA between January and March. Landlords were notified of the problems as federal inspections were being conducted and ordered to correct them.

A bulk of the violations involved security windows, stairs/railings/porches and lead-based paint, while others involved electricity, hazards, debris, walls, floors, heating equipment and ventilation, plumbing, smoke and carbon monoxide detectors and more, according to the report.

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HUD OIG audited the Housing Choice Voucher program of the Madison County Housing Authority, Collinsville, IL. Of the 48 housing units inspected, 40 did not meet HUD's housing quality standards, and 35 had 264 violations that existed at the time of the Authority's previous inspections. The Authority incorrectly calculated households' payments, resulting in more than \$39,000 in overpayments and \$13,000 in underpayments. It did not ensure that its households' files contained required documentation to support housing assistance and utility allowance payments. Of the 88 files reviewed, 20 did not contain documentation required by HUD and the Authority's program administrative plan to support more than \$126,000 in housing assistance payments. The Authority also failed to adequately use HUD's Enterprise Income Verification system to determine that reported zero-income households had unreported income, resulting in more than \$14,000 in improper housing assistance payments.

OIG recommended that HUD require the Authority to (1) reimburse its program from nonfederal funds for the improper use of program funds, (2) provide documentation or reimburse its program from nonfederal funds for the unsupported housing assistance payments and administrative fees, and (3) implement adequate procedures and controls to address the findings identified to prevent more than \$784,000 from being spent on units with material housing quality standards violations and excessive housing assistance. (Audit Report: 2007-CH-1010)

Public Housing Program Activities

HUD OIG audited the Navajo Housing Authority's, Window Rock, AZ, use of subgrantees for housing development projects to determine whether the Authority's procedures for selecting and monitoring subgrantees were adequate to ensure compliance with Native American Housing and Self-Determination Act (NAHASDA) program requirements.

The Authority's procedures for selecting and monitoring subgrantees failed to ensure that NAHASDA funds were used in accordance with program requirements and that housing production goals were achieved. As a result, the Authority failed to prevent recurring problems, including extended project delays, unnecessary project expenses, and misuse of NAHASDA grant funds by subgrantees and/or their construction contractors. These failures resulted in increased costs, inefficient housing production, and, ultimately, significantly fewer housing opportunities for the intended program beneficiaries, Navajo citizens. For at least 14 housing projects, for which more than \$53 million has been allocated, the projects were either not started or not finished, funds were misused by subgrantees and/or their contractors, or construction or management problems threaten the long-term viability of the projects.

OIG recommended that HUD require the Authority to (1) consider discontinuing the use of subgrantees for housing development activities and establish a new strategy for more efficient and effective housing development or (2) implement additional controls to ensure that funds provided to subgrantees are used in accordance with NAHASDA requirements and in a manner that will ensure performance and management goals are achieved. (Audit Report: 2007-LA-1008)



HUD OIG audited the Housing Authority of the City of Asbury Park, **Asbury Park, NJ**, to determine whether (1) capital funds were properly expended and obligated in accordance with HUD requirements, (2) salaries and related benefits allocated to different programs were reasonable and supported, and (3) controls over maintenance and repairs were adequate.

The Authority did not adequately administer its capital grant program. It did not (1) disburse funds for administrative costs within budget limitations, (2) obligate capital grant funds in a timely manner, and (3) use prudent procurement practices. In addition, the Authority's employee compensation cost was not always reasonable and supported, and it could not ensure that its preventive maintenance program was effective. As a result, it did not operate in a manner that promoted the serviceability of the projects.

OIG recommended that HUD instruct the Authority to (1) reimburse HUD for nearly \$693,000 in excess administrative fees charged to the capital fund grant, (2) reimburse HUD almost \$722,000 related to the untimely obligation of capital funds, (3) comply with Federal procurement requirements to ensure that the Authority procures its goods and services in the most economical manner, (4) repay HUD more than \$190,000 for excessive employee compensation from nonfederal funds, and (5) develop and implement procedures to ensure that units meet uniform physical condition standards and repairs are completed and inspected before the work order is closed. (Audit Report: 2007-NY-1006)



HUD OIG audited the Housing Authority of the City of Hoboken, **Hoboken, NJ**, to determine whether (1) the Authority administrated its capital grant program in accordance with applicable HUD laws and regulations and (2) payments to the City of Hoboken for police services were reasonable and supported.

The Authority did not adequately administer its capital grant program. It used almost \$819,000 of its fiscal years 2000 through 2003 capital grant funds to pay administrative and management improvement costs in excess of the limitations imposed by HUD and transferred a total of more than \$637,000 from its fiscal years 2003-01, 2004, and 2005 capital grants to pay operating expenses for its low-rent public housing program. Further, the Authority made total payments of more than \$333,000 to the City for police services without obtaining or maintaining adequate and complete documentation to support the payments.

OIG recommended that HUD instruct the Authority to (1) reimburse the capital fund program almost \$819,000, (2) reduce the Authority's future capital grants by more than \$632,000, (3) transfer \$5,000 from the low-rent public housing program to the capital fund program, (4) establish and implement internal control policies and procedures that will prevent funds allocated to site and unit improvements from being used to pay the Authority's operating expenses, (5) provide HUD with adequate and complete documents to support the total payments made to the City for police services and have the City reimburse the Authority or provide the Authority with

comparable future services for any payments determined to be unsupported, (6) establish and implement adequate internal control procedures to ensure that contracts are conducted in compliance with HUD's requirements and Federal regulations, and (7) ensure the accuracy of financial information entered into HUD systems. (Audit Report: 2007-NY-1011)



HUD OIG audited the Wilmington Housing Authority, **Wilmington, NC**, to determine whether it violated requirements when it noncompetitively procured services from its affiliate, Housing and Economic Opportunities, Inc., and whether it returned program income to HUD in accordance with its up-front grant special warranty deed.

The Authority did not follow requirements for selection of its affiliated nonprofit entity to be a development partner for two of its development projects. As a result, it inappropriately paid its affiliate more than \$296,000 in HOPE VI funds. Also, in violation of its special warranty deed with HUD's Multifamily Property Disposition Center, the Authority inappropriately allowed its affiliate to retain more than \$1.2 million in program income it received from home sales.

OIG recommended that HUD require the Authority to (1) repay \$296,655 from nonfederal funds to its HOPE VI program, (2) implement procedures to ensure that it follows Notice: PIH-2007-15 for transactions with its affiliate, (3) return to HUD \$1.2 million in program income received by its affiliate, and (4) implement procedures to ensure that the affiliate recaptures home sales proceeds and returns the appropriate amount to the Federal Housing Administration (FHA) insurance fund. OIG also recommended that HUD take appropriate administrative action against the Authority and affiliate for not complying with up-front grant special warranty deed requirements. (Audit Report: 2007-AT-1011)



HUD OIG audited the Harrisburg Housing Authority, **Harrisburg, PA**, to determine whether it administered its low-rent public housing program in accordance with HUD regulations.

The Authority did not administer its low-rent public housing program in accordance with HUD regulations. It improperly disbursed nearly \$835,000 in operating funds from its low-rent public housing program to open and support the Greater Harrisburg Community Credit Union and allowed a related conflict-of-interest situation to exist.

OIG recommended that HUD review the issues and if appropriate, initiate action to declare the Authority in substantial default of its consolidated annual contributions contract and take appropriate administrative action as detailed in the contract. OIG also recommended that HUD direct the Authority to repay its low-rent public housing program from nonfederal funds for the ineligible disbursements related to the credit union; develop and implement controls to ensure that disbursements of operating funds

are eligible and supported; and develop and implement controls to detect, prevent, and resolve future conflict-of-interest situations. (Audit Report: 2007-PH-1013)



HUD OIG audited the District of Columbia Housing Authority's, Washington, DC, administration of its leased housing under its MTW program to determine whether the Authority adequately determined tenant eligibility and properly calculated and supported its leased housing assistance payments.

The Authority did not adequately determine tenant eligibility and did not properly calculate and support its leased housing assistance payments. There were problems in all 34 tenant files reviewed. The files did not contain many of the key documents required by HUD and the Authority's administrative plan, resulting in unsupported payments totaling nearly \$310,000. The Authority also failed to perform 5,038 (57 percent) of the 8,835 tenant reexaminations required for fiscal year 2006 and incorrectly calculated housing assistance payments, resulting in more than \$25,000 in overpayments and more than \$4,000 in underpayments.

D.C. Housing Authority told to return funds

By Jim McElhatton
THE WASHINGTON TIMES

Federal regulators are asking the D.C. Housing Authority to return hundreds of thousands of dollars in questionable expenses and say the authority has kept poor records on how it disbursed more than \$18 million in public-housing vouchers, according to a new government audit.

The authority also paid some tenants without performing annual checks to see whether they remained eligible, according to the inspector general for the Department of Housing and Urban Development.

The inspector general said he also found "major errors" involving cases in which the authority failed to take into account some housing recipients' income or overtime when calculating housing-assistance payments.

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OIG recommended that HUD require the Authority to (1) support or reimburse its program from nonfederal funds for the unsupported housing assistance payments and administrative fees and reduce the Authority's fiscal year 2008 administrative fees by an appropriate percentage for failing to perform the reexaminations and (2) implement adequate procedures and controls to ensure that it follows HUD requirements, performs required quality control reviews, and assigns sufficient staff to administer its leased housing. OIG also recommended that the Authority reimburse its program from nonfederal funds for the overpayment of housing assistance and reimburse applicable tenants for housing assistance underpayments, thereby putting these funds to better use. (Audit Report: 2007-PH-1008)



HUD OIG audited the Butler Metropolitan Housing Authority's, Hamilton, OH, 5(h) homeownership and Turnkey III Homeownership Opportunity programs to determine whether the Authority properly accounted for and used its programs' proceeds in accordance with HUD requirements.

The Authority failed to properly account for nearly \$400,000 of the programs' proceeds for more than 5 years because it commingled the proceeds with funds in its

retained earnings account. The \$400,000 consisted of more than \$166,000 in 5(h) sales proceeds and nearly \$232,000 in Turnkey III proceeds. The Authority also did not use the 5(h) proceeds in a timely manner. As a result, the programs' proceeds were not used to assist low- and moderate-income families.

OIG recommended that HUD require the Authority to transfer from its retained earnings account to the applicable accounts the 5(h) and Turnkey III proceeds plus earned interest, submit a proposal(s) for HUD's approval on how the programs' proceeds will be used, and implement procedures and controls to ensure that the proceeds are used to support the development of affordable housing for low- and moderate-income families in accordance with HUD requirements. (Audit Report: 2007-CH-1013)



HUD OIG audited the Boyne City Housing Commission's, Boyne City, MI, nonprofit development activities to determine whether the Commission diverted or pledged resources subject to its annual contributions contract, other agreement, or regulation for the benefit of non-HUD developments.

The Commission defaulted substantially on its contract when it improperly pledged resources for the benefit of the Boyne City Nonprofit Housing Corporation and the Boyne City Housing Commission Limited Dividend Housing Association Limited Partnership, organizations created by the Commission, without HUD approval. The Commission obtained two bank loans to purchase 13.47 acres of land. The loans' promissory notes included a provision that allowed the bank to set off the amounts owed on the loans against any and all accounts the Commission had with the bank. As of April 2007, the Commission owed more than \$137,000 on two loans.

The Commission failed to file a declaration of trust on the land to protect HUD's interest and prevent a conveyance or encumbrance without HUD approval. It also did not obtain HUD's approval to sell 4.82 acres of the land at more than \$51,000 below fair market value. Further, the Commission managed Deer Meadows, a 30-unit senior housing project receiving Section 8 housing assistance from the Commission that the Limited Partnership owned, and the Commission performed unit inspections, thus creating a conflict of interest.

OIG recommended that HUD require the Commission to (1) amend its promissory notes to eliminate the setoff provision to prevent the seizure of the Commission's funds in case of default on the notes, (2) file a declaration of trust on the remaining land to protect HUD's interest, (3) reimburse the applicable program for the sale of part of the land at below fair market value and the improper Section 8 administrative fees received related to Deer Meadows, (4) contract with an independent third party to perform housing quality standards inspections of Deer Meadows as required by HUD, and (5) implement adequate procedures and controls to address the findings identified. OIG also recommended that HUD take appropriate action against the Commission. (Audit Report: 2007-CH-1009)



HUD OIG audited the Housing Authority of DeKalb County's, Decatur, GA, administration of its procurement and financial management systems to determine whether the Authority has complied with its low-income program contractual and regulatory requirements since being released from its memorandum of agreement with HUD.

The Authority did not adequately monitor contract payments and did not comply with Federal requirements or its financial management policies. Its staff did not ensure that its financial management policies were followed, nor did all staff follow the established procedures for processing contract payments. As a result, the Authority incurred more than \$47,000 in ineligible costs and more than \$36,000 in unsupported public housing funds.

OIG recommended that HUD require the Authority to repay its public housing program for ineligible contract payments from nonfederal funds and either support the unsupported contract payments or repay its public housing program from nonfederal funds. HUD should also require the Authority to develop and implement internal controls to ensure that contract payments are complete, accurate, and in accordance with established procedures. In addition, HUD should ensure that the financial management policies are followed and that all Authority staff follow the established procedures when processing contract payment requests. (Audit Report: 2007-AT-1006)



Investigations

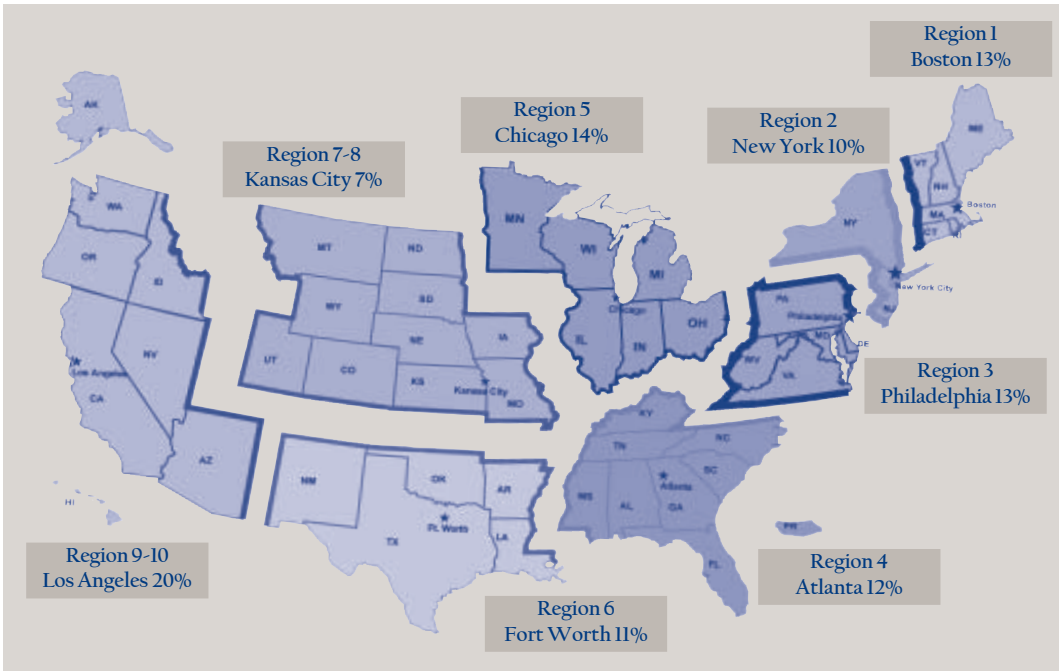
Some investigations discussed in this report were generated from leads provided by HUD public and Indian housing program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

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	519	\$7,939,052	312	578
Our focus	<ul style="list-style-type: none"> page 41 - Public Housing Authority Theft/Embezzlement page 46 - Rental Assistance Fraud page 66 - Fed Rent Initiative page 68 - Fugitive Felon Initiatives page 70 - Other Fraud/Crimes 			

A Look Back for the Year

Chart 3.2: Percentage of OIG Public and Indian Housing Closed Investigation Cases, Performed FY 07*



*This does not include cases in which funds misused came from Congress for hurricane relief. (see chapter 5 for these cases)

Public Housing Authority Theft/Embezzlement

William Moorehead, doing business as William Moorehead and Associates, was sentenced in U.S. District Court, **Chicago, IL**, to 48 months incarceration and 36 months supervised release and ordered to pay Marion Stamps Memorial Charity Fund \$19,000 for his earlier guilty plea to wire fraud. Moorehead also agreed to pay to the U.S. Treasury \$2.8 million in restitution. Moorehead, a property manager for numerous housing authorities and privately owned Section 8 housing developments, created fraudulent records and money transfers to hide \$995,000 in embezzled or misused HUD funds.



Carl Payne, the suspended Harrisburg Housing Authority (HHA) executive director and Greater Harrisburg Community Credit Union (HCCU) president and chief executive officer, was indicted in U.S. District Court, **Harrisburg, PA**, for making false statements, providing false and misleading information, and obstruction of justice. Payne allegedly diverted about \$500,000 in HHA public housing funds to subsidize HCCU without authorization or disclosure. HUD's Enforcement Center suspended Payne after his indictment.



Dora Perez, the former San Benito Housing Authority (SBHA) low-rent manager, was sentenced in U.S. District Court, **Brownsville, TX**, to 24 months incarceration and 36 months probation and ordered to pay SBHA \$273,591 in restitution for her previous conviction of theft from a federally funded program. From 1998 to 2006, Perez embezzled approximately \$273,591 in tenant rents from Palmville I & II, SBHA senior and disabled housing developments.

Embezzler gets 2 years
Perez ordered to pay full restitution

By CELESTE V. TELLO
Staff Writer
ctello@sanbenitotimes.com

BROWNSVILLE—Perez, Assistant Manager of the Public Housing Authority of the City of San Benito, Dora Michael Perez, was sentenced to two years of imprisonment in a federal penitentiary on Monday, April 9.

The sentencing took place before U.S. District Judge William G. Tague. Tague also accepted Perez's plea earlier this year and found her guilty of the offense on Feb. 28.

Perez pled guilty to charges of embezzling more than \$270,000 from the PHA at the Palmville Development where she would take payments from tenants.

Perez stole and embezzled the cash and money orders the tenants used to make payments on rent and used it for her personal benefit.

The former assistant manager was arrested on Oct. 18 last year following an investigation.

Aide from a two-year term of imprisonment, Perez will be facing three years of supervised release and has been ordered to pay full restitution.

The amount that Perez will pay is the equivalent of what was stolen from the PHA. In this case, the amount is exactly \$273,591.42.

"Per the court's second, but not final, order, funds are to be applied towards restitution and any remaining balance is to be paid during the term of supervised release in monthly installments," Executive Assistant U.S. Attorney Nancy Herrera said.

At the present time, Perez' retirement funds are estimated to \$42,000. She will be required to sign these over to the PHA as part of her restitution.

While Herrera could not comment on whether Perez' sentencing was typical, she did say that the court applied the discretionary sentencing guidelines to determine the sentencing range.

For Arnold Padilla, Executive Director of the PHA, the sentencing is a serving of justice ... the type that brings mutual resolution.

"This was difficult for our agency to have happen to it and we're glad it's over," Padilla said. "We shall for the young Son 'Perez,'" page 2.

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William Dearman, the former Alexandria Redevelopment and Housing Authority (ARHA) executive director, entered into a pretrial diversion agreement with the U.S. Attorney's Office in **Alexandria, VA**, and admitted to violating HUD regulations and the Virginia Public Procurement Act. Dearman circumvented procurement

regulations and awarded more than \$190,000 in roofing contracts without competition and then falsely certified ARHA annual contributions contracts. The pretrial diversion agreement defers Dearman's prosecution for 24 months; prohibits him from seeking or obtaining employment with any HUD-funded, -sponsored, or -administered employer for 3 years; requires him to perform 50 hours of community service; and orders him to pay the cost of prosecution.



Rebecca Sargeant, a former Springfield Housing Authority (SHA) accounts receivable clerk, was indicted in U.S. District Court, **Springfield, IL**, for embezzlement and theft of public monies. Sargeant allegedly prepared, endorsed, and negotiated \$168,000 in SHA checks for her personal use without authorization.



Eric Hurt, a former Hoboken Housing Authority (HHA) accounting manager, was sentenced in U.S. District Court, **Newark, NJ**, to 41 months incarceration and 3 years probation and ordered to pay HHA \$111,083 and Montessori Day School \$157,085 in restitution for his earlier guilty plea to theft concerning programs receiving Federal funds, filing false Federal income tax returns, and wire fraud. From July 2002 to December 2003, Hurt embezzled \$111,083 when he issued HHA checks to himself without authorization, deposited the checks into his personal bank accounts, and then used HHA funds for personal expenditures. Hurt also failed to report the embezzled funds on his Federal income tax returns.



Brent Williams, the former Crow Creek Housing Authority (CCHA) executive director; Alyce McGhee, the former CCHA finance officer; and former CCHA employees Carla Big Eagle, Velsworth Hawk, and Terra Thompson were each indicted in U.S. District Court, **Sioux Falls, SD**, for theft and conspiracy to embezzle from an Indian tribal organization. From November 2004 through December 2005, the above defendants allegedly submitted fictitious receipts and fabricated invoices to embezzle \$96,403 in CCHA funds.



Tracy Pewo, the former Kiowa Tribal Housing Program (Kiowa) executive director, and Charles Stickler, a former Kiowa commissioner, were each indicted in U.S. District Court, **Oklahoma City, OK**, for theft from an Indian tribal organization and aiding and abetting. Stickler and Pewo allegedly took three motor vehicles purchased with HUD funds and owned by the Kiowa Tribe of Oklahoma. HUD loss is estimated at \$87,455.



Ronnie Trahan, a former Opelousas Police Department (OPD) major, was sentenced in U.S. District Court, **Opelousas, LA**, to 10 months home confinement and 60 months probation and ordered to pay HUD \$36,955 in restitution for his earlier conviction for

aiding and abetting in the filling of a false claim. From August 2000 through June 2003, Trahan and previously convicted OPD chief Larry Caillier, while under a bicycle patrol contract with Opelousas Housing Authority (OHA), submitted false time and attendance reports to OHA and obtained \$63,255 in HUD funding they were not entitled to receive.



Barbara Rawls-Ivy, the former executive director of Alliance for Strong Communities (ASC), a Housing Authority for the City of New Haven (HANH) nonprofit organization, was sentenced in U.S. District Court, Bridgeport, CT, to 30 days incarceration, 5 months home detention, and 3 years probation and ordered to pay HANH \$49,059 in restitution for her earlier guilty plea to theft from a program receiving Federal funds. From 2001 through 2003, Rawls-Ivy prepared, endorsed, and negotiated more than \$49,000 in ASC checks for her personal use.

Ex-alderwoman gets 30 days for embezzling

This was not a one-time crime. It was calculated to be difficult to detect.

Assistant U.S. Attorney John A. Marvelli and Michael S. McGee had recommended a 18- to 18-month prison term, with no more than half spent confined to her home and a fine between \$5,000 and \$10,000.

She is expected to report to prison between Sept. 14 and Oct. 1.

Hall did not impose a fine, but Rawls-Ivy must make restitution to the Housing Authority of New Haven on a schedule of \$300 per month.

Rawls-Ivy earned \$85,000 a year as executive director of Alliance for Strong Communities, a defunct nonprofit arm of the authority that provided support services for low-income public housing tenants. On 19 occasions, between May 2001 and April 2003, she wrote checks out to "cash" and later submitted fictitious invoices and receipts to cover up the thefts.

"I stole and I lied about it," she said standing before Hall dressed in a blue denim jumpsuit.

See Storybook, 4B

Barbara Rawls-Ivy, left, leaves U.S. District Court in Bridgeport Thursday with her husband, Lawrence Ivy, who shows his displeasure at being photographed.

Steve Ingersoll/Staff

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Betty Trent, the former Brooksville Housing Authority (BHA) executive director, was convicted in U.S. District Court, Tampa, FL, of conspiracy to defraud the U.S. Government, wire fraud, theft concerning programs receiving Federal funds, embezzlement of public money, making false claims and statements, and falsification of Federal records in an investigation. From December 2001 to September 2006, Trent and former BHA project manager Jo Ann Bennett created fabricated invoices and

Housing authority chief guilty

A jury finds that she stole federal money intended for repairs.

By TOM MARSHALL
Times Staff Writer

TAMPA — Guilty on all counts.

That was the verdict juries reached late Friday in the federal corruption trial of Betty Trent, the suspended executive director of the Brooksville Housing Authority.

Deliberating in U.S. District Court, the jury found Trent guilty of seven charges, including wire fraud, conspiracy to defraud the federal government and lying to an FBI agent, said U.S. Attorney's Office spokesman Steve Cole.

Trent and project manager Jo Ann Bennett were indicted in November by a federal grand jury, accused of swindling \$40,000 in U.S. government funds intended to repair two low-income housing projects.

Bennett, who pleaded guilty in February to a single charge of conspiracy to defraud the government, testified that she hired a nephew under false pretenses and then passed the money to her boss, Trent. Eighteen checks were cashed between December 2001 and June 2005.

The nephew, Devon Moore, told the jury he cashed the checks and gave the money to Bennett but never replaced the drywall or made other repairs. He began cooperating with prosecutors in 2004 after receiving tax notices from the IRS.

A 2002 federal audit of the Brooksville Housing Authority found numerous examples of misused money from a \$470,000 federal grant, including a \$20,000 payment to Trent that she later described as a loan.

Trent, who has been free on \$25,000 bond since her indictment, faces up to 40 years in prison.

Staff writers Claudia Broadwater and Dan DeWitt contributed to this report. Tom Marshall can be reached at tmarshall@spgtrib.com or (813) 848-1411.

Found guilty on seven counts, Betty Trent faces up to 40 years in prison.

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obtained more than \$40,000 in BHA funds. Bennett was sentenced to 12 months and one day incarceration and 36 months supervised release and ordered to pay BHA \$40,650 in restitution for her earlier guilty plea to conspiracy to defraud the U.S. Government.



Faye Nystrom, the former Benson County Housing Authority (BCHA) executive director, was sentenced in U.S. District Court, Grand Forks, ND, to 6 months incarceration and 3 years probation and ordered to pay BCHA \$82,558 in restitution for her earlier guilty plea to embezzlement. From 2002 to 2004, Nystrom embezzled \$40,547 in BCHA funds and \$23,983 in U.S. Department of Agriculture Rural Development funds managed by BCHA. Nystrom's actions also caused BCHA to expend \$18,000 for audit expenses.



Anslem, Karen, and Rachelle Thompson, former employees of Lukachukai Chapter Veterans Organization Service Development, Inc., a nonprofit organization receiving Indian Housing Block Grant funds from the Navajo Housing Authority (NHA), were each indicted in U.S. District Court, Phoenix, AZ, for conspiracy and embezzlement or theft from an Indian tribal organization. From March 2000 through November 2002, the above defendants allegedly embezzled more than \$42,000 in NHA funds for their personal use.



Frank Giannoccaro, a former Rochester Housing Authority (RHA) contractor and owner of Plumbing and Construction, Inc., pled guilty in U.S. District Court, Rochester, NY, to theft of government funds. Giannoccaro submitted more than \$36,000 in fraudulent work orders and completion certifications to RHA.



Cherilyn Bahe, a former administrative assistant for Dzilna'adilii Management Corporation (DMC), a Navaho Housing Authority contractor, pled guilty in U.S. District Court, Albuquerque, NM, to forging endorsements on a private entity check. Bahe forged authorized signatures on 31 DMC checks totaling \$23,957 and then negotiated the checks and used DMC funds for personal expenses.



3 people indicted in funds scheme

Former HUD employees accused of taking \$42,000

By Kathy Helms
Dino Bureau

WINDOW ROCK — Three former employees of a Lukachukai veterans group have been indicted by a federal grand jury in Phoenix for allegedly embezzling around \$42,000 in federal housing grant funds.

The jury returned a four-count indictment against Anslem Thompson, 63, Karen Thompson, 36, and Rachelle Thompson, 29, all of Lukachukai, on charges of embezzlement and theft from an Indian tribal organization, conspiracy, and aiding and abetting, according to the U.S. Attorney's Office.

Though they share the same last name, the defendants are not directly related.

The indictment alleges that the three former employees of the nonprofit Lukachukai Chapter Veterans Organization Service Development Incorporation conspired to embezzle approximately \$42,000 in U.S. Department of Housing and Urban Development housing grant funds, received by the veterans organization.

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Rosemary Kappes, the former Housing Authority of Salt Lake City (HASLC) executive director, was indicted in U.S. District Court, Salt Lake City, UT, for theft concerning programs receiving Federal funds and mail and health care fraud. Kappes allegedly used \$22,000 in HASLC funds to obtain health insurance benefits for her former spouse.



Guy Copes, the former Housing Authority of the Town of Beaufort (HATB) executive director, was charged in Carteret County Superior Court, Beaufort, NC, with larceny by an employee, malfeasance of a corporate officer, and embezzlement. Copes allegedly used about \$10,000 in HATB funds for personal expenses.

Grand jury indicts Housing ex-boss

By PAMELA MANSON
The Salt Lake Tribune

A federal grand jury Wednesday indicted the former executive director of the Housing Authority of Salt Lake City on three dozen felony counts related to allegations that she kept her ex-husband on her health insurance policy for eight years after their divorce.

Rosemary Kappes, who resigned from the housing program in June over the probe into the case, is charged with 22 counts of health care fraud and 18 counts of mail fraud. In addition, she faces one count of theft concerning a program receiving federal funds because her employee was paying the insurance premiums.

Kappes, a 62-year-old Layton resident, finalized her divorce in November 1996, which automatically terminated her former husband's coverage.

However, she never notified the housing authority or insurance carrier of the divorce and left her ex-spouse on the policy until August 2004, the indictment alleges. During those eight years, Eugene Blue Cross Blue Shield of Utah continued to pay claims submitted by the former husband's health-care providers.

Kappes and her lawyer, Max Wheeler, could not be reached for comment Wednesday. However, Wheeler in May called the investigation into the insurance status "a bunch of nonsense."

He said his client and her husband reconciled after living apart for only six months and Kappes' failure to take her spouse off the policy was a technical issue.

The maximum penalty for mail fraud is 20 years in prison and a \$250,000 fine. The other charges carry penalties of 10 years behind bars and a \$250,000 fine.

Prosecutors said Kappes will be issued a summons to appear in federal court for arraignment.

pmanson@atrib.com

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Angelene Gaskins, a former Tampa Housing Authority (THA) project manager, was arrested and charged in the Tenth Judicial Circuit County Court, Tampa, FL, with grand theft and committing a scheme to defraud. Gaskins allegedly negotiated about \$3,945 in THA tenant money orders or checks and used THA funds for personal expenses.



Tonya Cramier-Oncza, a former Westland Housing Commission (WHC) bookkeeper, pled guilty in Wayne County Circuit Court, Detroit, MI, to embezzlement and uttering and publishing a false document. Cramier-Oncza was sentenced to 3 years supervised probation and ordered to pay WHC and the court \$1,140. Cramier-Oncza embezzled WHC funds when she diverted WHC tenant rents into her personal bank account.



Bertha Muniz, the former Bayard Housing Authority (BHA) executive director, pled guilty in Grant County State Court, Silver City, NM, to embezzlement. Muniz was sentenced to 18 months probation and ordered to pay BHA \$1,126 in restitution. Muniz authorized BHA maintenance personnel to perform repairs at her and other BHA employees' residences using materials purchased with BHA funds.



Princess Reaves, a City of Paterson (Paterson) deputy court administrator, and Victor Ortiz, a Paterson employee, were each indicted in U.S. District Court, Newark, NJ, for soliciting and accepting bribes. In addition, Paterson Housing Authority Section 8 caseworkers Marisol Cortez, Flora Cruz, and Elisa Griffin; Paterson employees Marie Rosa, Yolanda Lane, and Javier Nunez; Paterson building inspector Standley Williams; and Passaic Valley Water Commission employees Robert Schweiderick and George Morgan each pled guilty to soliciting and accepting cash payments intending to be influenced in connection with transactions of a local government or agency or soliciting and accepting corrupt payments under color of official right. Reaves and Ortiz allegedly and the remaining defendants admittedly solicited and accepted bribes from an unnamed conspirator in exchange for steering Section 8 tenants to specific properties, expediting building inspections, or rejecting tenant complaints filed in municipal court. HUD losses are not yet determined.



Spencer Jenkins, owner of JP Services, a property management agent for Johnston County Housing Authority (JCHA), and Patsy L. Narron, a mortgage loan settlement agent, were each indicted in the Eleventh Judicial District Court, Smithfield, NC, for obtaining property by false pretenses. Narron was also charged with larceny by an employee. Jenkins and Narron allegedly provided false information and documents to obtain mortgage loans on properties purchased through a straw borrower, and then Jenkins allegedly placed JCHA Section 8 tenants in three of the fraudulently acquired properties. HUD losses are not yet determined.



James Lozano, a former project manager for Columbia Highlands Company, a Housing Authority of New Orleans (HANO) subcontractor through Honore Construction Company, was sentenced in U.S. District Court, New Orleans, LA, to 3 months incarceration and 9 months home confinement with electronic monitoring, fined \$5,000, and ordered to perform 100 hours of community service and pay Habitat for Humanity \$15,000 in restitution for his earlier guilty plea to soliciting and accepting bribes. Lozano solicited and accepted bribes while working on a HANO construction project.

Rental Assistance Fraud

Thirty-one New York City Housing Authority (NYCHA) Housing Choice Voucher program participants were arrested after their indictments in U.S. District Court, New York City, NY, for theft of government funds. The above defendants allegedly failed to report income on NYCHA certifications and obtained more than \$1.1 million in NYCHA housing assistance they were not entitled to receive.



Anthony Morman, Keith Thacker, Lawrence Howard, John White, Corey Jones, Jason Boyd, John Williams, Walter Powell, and Kameron Beckum, Indianapolis Housing Authority (IHA) Section 8 landlords, were each charged in Marion County

Superior Court, Indianapolis, IN, with conspiracy to commit welfare fraud, welfare fraud, and theft. The above defendants allegedly failed to report their criminal histories or true property ownership, fraudulently purchased properties leased to IHA, or omitted IHA housing contract payments on bankruptcy petitions. In addition, Kimberly McGuire and Willie Ferrell, also IHA Section 8 landlords, were each charged in Indiana Superior Court with welfare fraud and theft. McGuire and Ferrell allegedly failed to report vacant, fire damaged, or ownership transfers of properties they leased to IHA Section 8 tenants. Collectively, the above defendants obtained \$677,634 in IHA housing assistance contract payments they were not entitled to receive.



Jozef Hajeczka, Etta May Morrison, and Blanca Martinez, also known as Mabel Medina, former Yonkers Municipal Housing Authority (YMHA) Section 8 tenants, were each arrested and charged in New York State Court, New York City, NY, with grand larceny. Hajeczka, Morrison, and Martinez allegedly used false Social Security numbers on YMHA certifications and obtained \$127,640 in YMHA housing assistance they were not entitled to receive. In addition, Denise Hendrickson-Peterkin, a former YMHA Section 8 tenant, and her husband, Gary Peterkin, each pled guilty in Westchester County Court to grand larceny and agreed to pay YMHA \$64,000 in restitution. Hendrickson-Peterkin failed to report her actual marital status or the residency of her husband on YMHA certifications and obtained \$64,000 in YMHA housing assistance she was not entitled to receive. Collectively, the above defendants caused HUD losses of \$191,640.

2 plead guilty in housing scheme

Hema Easley
The Journal News

A Spring Valley couple have pleaded guilty to bilking the government of more than \$63,000 in housing subsidies while they were living in Yonkers.

Denise Henderickson-Peterkin, 37, pleaded guilty to one count of second-degree grand larceny, a class C felony, and Gary Peterkin, 41, pleaded guilty to one count of third-degree grand larceny, a class D felony. They both live at 2 Shady Ridge Lane in Spring Valley.

A joint investigation by the Westchester County District Attorney's office, the U.S. Department of Housing and Urban Development's Inspector General's Office and the Yonkers Municipal Housing Authority revealed that the couple applied for Section 8 housing subsidies between December 1997 and February 2006. Applicants must apply afresh each year for the subsidy to be renewed.

They were granted \$63,496 in HUD subsidies during the nine-year-period. They lived at 48 Touissant Ave. in Yonkers during that period. They have since moved to Spring Valley.

Denise Henderickson-Peterkin used her maiden name in the applications and claimed to be living alone. The couple did not reveal they were living together at the Yonkers location, said Lucian Chalfen, spokesman for the Westchester District Attorney's Office. If they had done so they wouldn't have been entitled to Section 8 subsidies, he said.

As part of their guilty plea, the Peterkins have been ordered to repay the \$63,496.

They will be sentenced on Dec. 19, said Chalfen.

Denise Henderickson-Peterkin faces a maximum of 15 years in state prison and Gary Peterkin faces a maximum of seven years.

Reach Hema Easley at heasley@ohud.com or 845-578-2442.

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David Braun, Joseph Berger, Michael and Reizel Herman, and Moshe and Rachel Huss, Kiryas Joel Housing Authority (KJHA) Housing Choice Voucher program participants, were each arrested and charged in New York State Court, Monroe, NY,

with grand larceny. The above defendants allegedly failed to report income or assets on KJHA certifications and collectively obtained about \$181,000 in KJHA housing assistance they were not entitled to receive.



Ernestine Lewis and Julie Harris, former Chicago Housing Authority (CHA) Section 8 tenants, were each sentenced in U.S. District Court, **Chicago, IL**, for their earlier guilty pleas to theft or making false statements. Lewis was sentenced to 4 years probation and ordered to pay HUD \$38,679 in restitution. Harris was sentenced to 5 years probation and ordered to pay HUD \$32,272 in restitution. Lewis, a Chicago Police Department employee, simultaneously applied for and obtained about \$66,014 in CHA public housing and Section 8 housing assistance, and Harris failed to report income on CHA certifications and obtained \$32,272 in CHA housing assistance she was not entitled to receive. In addition, former CHA Section 8 tenant Lilia Pabon was ordered to pay HUD \$130,257 in a civil judgment arising from her previous conviction for making false statements. Pabon failed to report income on CHA certifications and obtained \$75,572 in CHA housing assistance she was not entitled to receive. Collectively, the above defendants caused HUD losses of \$141,586.



Shannon Larkin, Carmaline Stewart, Maria Guadalupe Moreno, Dexter Prather, Patricia Cooney, Roberta Martin, Sanya Smith, Barbara Robinson, and Rose Pires, San Diego Housing Commission (SDHC) Section 8 tenants, were each charged in San Diego County Superior Court, **San Diego, CA**, with making false statements and grand theft. The above defendants allegedly failed to report employment, income, or unauthorized residents on SDHC certifications and collectively obtained \$122,795 in SDHC housing assistance they were not entitled to receive.



Ayub Abdul Aziz Smith, also known as Robert Smith; Tina Harring; Barbara Singleton-Pradia; and Larry Pradia, former Rochester Housing Authority (RHA) Section 8 tenants or landlord, were each sentenced in U.S. District Court, **Rochester, NY**, for their earlier guilty pleas to conspiracy to commit HUD and Social Security Administration (SSA) fraud or theft of government funds. Smith was sentenced to 5 years probation and ordered to pay HUD \$14,163 and SSA \$23,442 in restitution, Harring was sentenced to 5 years probation and ordered to pay HUD \$22,202 in restitution, Singleton-Pradia was sentenced to 6 months home confinement and 5 years probation and ordered to pay HUD \$55,933 in restitution, and Pradia was sentenced to 5 years probation and ordered to pay the above restitution jointly and severally with Singleton-Pradia. The above defendants failed to report income or accurate household composition on RHA certifications and collectively obtained \$107,202 in RHA housing assistance they were not entitled to receive.



Mayra Montano, a former Islip Housing Authority (IHA) Section 8 tenant, pled guilty in New York State Superior Court, Central Islip, NY, to grand larceny. Montano failed to report her ownership of her IHA subsidized property and obtained \$107,000 in IHA housing assistance she was not entitled to receive.



Diane Griggs, Tamika Issac, Emma Florence, and Koreen Scott, former Georgia Department of Community Affairs (DCA) Section 8 tenants, were each indicted in U.S. District or Coweta or Douglas County Courts, Macon, Newnan, or Douglas County, GA, for false statements, theft by deception, or committing fraud in obtaining public assistance. The above defendants allegedly failed to report income on DCA certifications and obtained \$73,809 in DCA housing assistance they were not entitled to receive. In addition, Richard Swindle and Betty Jenkins, former DCA Section 8 tenants, each pled guilty to making false statements, theft by deception, and committing fraud in obtaining public assistance. Swindle and Jenkins failed to report income or actual household composition on DCA certifications and obtained \$28,895 in DCA housing assistance they were not entitled to receive. Collectively, the above defendants caused HUD losses of \$102,704.



Niasha King, a St. John the Baptist Housing Authority (SJBHA) public housing tenant; Joseph Pierre; and Orlando and B.J. Brown were each arrested and charged in St. John Parish District Court, LaPlace, LA, with simple arson and conspiracy to commit arson. King allegedly conspired with Pierre and Orlando and B.J. Brown to set a fire in her SJBHA public housing unit. HUD realized losses in excess of \$100,000 after the fire destroyed two SJBHA public housing units.



Glory Ann Davenport, a former Tampa Housing Authority (THA) Section 8 tenant, pled guilty in U.S. District Court, Tampa, FL, to theft of government funds. In addition, THA Section 8 tenants Tara Roberts, Sherrine Roberts, and Damaryes Villanueva were each sentenced for their earlier guilty pleas to committing public assistance or organized fraud or a pretrial diversion agreement. Tara Roberts was sentenced to 12 months house arrest and 14 years probation and ordered to perform 20 months community service and pay THA \$21,548 in restitution, Sherrine Roberts was sentenced to 60 months probation and ordered to pay THA \$21,815 in restitution, and Villanueva agreed to pay THA \$7,181 in restitution. The above defendants failed to report employment, income, accurate marital status, or their nonresidency in a subsidized unit on THA certifications and collectively obtained \$95,817 in THA housing assistance they were not entitled to receive.



Henrietta Hartshorn, Belinda De Leon Gortarez, and Ernesto Rodriguez, former Garden Grove Housing Authority (GGHA) Section 8 tenants, were each charged in

Orange County Superior Court, **Westminster, CA**, with grand theft. Gortarez pled guilty and was sentenced to 6 months incarceration and ordered to pay the City of Garden Grove \$50,756 in restitution. Hartshorn and Rodriguez allegedly and Gortarez admittedly failed to report their previous criminal history on GGHA certifications and collectively obtained more than \$90,000 in GGHA housing assistance they were not entitled to receive.



Eleven Lucas County Metropolitan Housing Authority (LCMHA) Section 8 tenants and James Foster, an LCMHA landlord, were each charged in Lucas County Court of Common Pleas, **Toledo, OH**, with theft, grand theft, and tampering with records. The LCMHA Section 8 tenants allegedly failed to report income, accurate household composition, or subleasing of their subsidized units on LCMHA certifications; and Foster allegedly failed to report his residency in his leased LCMHA subsidized unit. Collectively, the above defendants obtained \$85,800 in LCMHA housing assistance they were not entitled to receive.



Tawanda Gulley, a former Pinellas County Housing Authority (PCHA) Section 8 tenant, entered into a pretrial diversion agreement filed in U.S. District Court, **Tampa, FL**, and agreed to 9 months of supervised probation and to pay HUD \$12,319 in restitution. In addition, Lucner St. Louis, an unauthorized resident in both PCHA and Clearwater Housing Authority (CHA) public housing units, pled guilty to reentry of an undocumented immigrant after deportation, immigration document fraud, and aggravated identity theft; and former PCHA Section 8 tenant Lamesha Ware was sentenced to 5 years probation and 6 months home detention and ordered to pay HUD \$36,997 in restitution for her earlier guilty plea to making false statements. Gulley failed to report assets on PCHA certifications; St. Louis resided with his spouse in both PCHA and CHA public housing units without authorization; and Ware obtained two Florida drivers licenses showing different addresses and then conspired with her mother, previously sentenced Saint Petersburg Housing Authority Section 8 tenant Mary Martin, to obtain \$16,900 in PCHA and \$36,997 in Saint Petersburg housing assistance they were not entitled to receive. Collectively, the above defendants caused HUD losses in excess of \$74,122.



Bonnie Thomas, a King County Housing Authority (KCHA) Section 8 tenant, and Terrell Dorsey, an unauthorized resident in her KCHA subsidized unit, were each charged in King County Superior Court, **Seattle, WA**, with theft. Thomas allegedly failed to report Dorsey's residency or income on KCHA certifications and obtained \$16,680 in KCHA housing assistance she was not entitled to receive. In addition, Toma Lelea, a former KCHA Section 8 tenant, pled guilty in U.S. District Court to committing SSA fraud and theft of public money. Lelea failed to report income or assets on KCHA and SSA certifications and obtained \$53,009 in KCHA housing

assistance and \$29,735 in SSA benefits he was not entitled to receive. Collectively, the above defendants caused HUD losses of \$69,689.



Brenda Duke and Douglas Cronin, former California Department of Housing and Community Development (CHCD) Section 8 landlord and tenant, were each indicted in U.S. District Court, Sacramento, CA, for theft of government property or making false statements to HUD. Cronin and Duke allegedly failed to report their joint residency in Cronin's CHCD subsidized unit and together obtained \$68,837 in CHCD housing assistance they were not entitled to receive.



Nancy Vu and her husband Chien Van Nguyen, former Anaheim Housing Authority (AHA) Section 8 recipients, were each charged in Orange County Superior Court, Santa Ana, CA, with grand theft and perjury. Vu and Nguyen allegedly failed to disclose investment income on AHA certifications and together obtained more than \$66,000 in AHA housing assistance they were not entitled to receive.



Baneta Martin-Williams, a former Charlotte Housing Authority (CHA) Housing Choice Voucher program participant, was arrested after her indictment in U.S. District Court, Charlotte, NC, for theft of government funds and making false statements to HUD. In addition, Kawanna Rucker and Sonya Douglas, former CHA Housing Choice Voucher program participants, each pled guilty to making false statements to HUD or theft of government funds. Martin-Williams allegedly and Rucker and Douglas admittedly failed to report employment or income on CHA certifications and collectively obtained \$63,451 in CHA housing assistance they were not entitled to receive.



Kim Johnson, Loretta Sullivan, and Lisa Foster, former Lake County Housing Authority (LCHA) Section 8 tenants, each pled guilty in Lake County Circuit Court, Chicago, IL, to forgery, theft, or state benefits fraud. Johnson was sentenced to 30 months probation and ordered to perform 100 hours of community service and pay HUD \$31,689 in restitution, Sullivan was sentenced to 30 days incarceration and 30 months probation and ordered to pay HUD \$4,987 in restitution, and Foster was sentenced to 30 months probation and ordered to perform 200 hours of community service and pay HUD \$26,000 in restitution. The above defendants failed to report income on LCHA certifications and collectively obtained \$62,676 in LCHA housing assistance they were not entitled to receive.



Mercy Stringfield and Bing King, Housing Authority of the City of Los Angeles (HACLA) Section 8 tenants, were each arrested and charged in Los Angeles County

Superior Court, Los Angeles, CA, with welfare fraud, perjury, grand theft, or making false statements and representations. Stringfield allegedly used several aliases, and King allegedly failed to report his undocumented immigrant status on HACLA certifications. Together they obtained about \$61,650 in HACLA housing assistance they were not entitled to receive.



Latisha Green, Israel Bonilla Hernandez, and Lonnie Brown, former Las Vegas Housing Authority (LVHA) Section 8 tenants, were each charged in Clark County Justice Court, Las Vegas, NV, with theft by misrepresentation or possession of a document to establish a false identity or status. From 2002 to 2007, Green, Hernandez, and Brown allegedly failed to report income or actual household composition on LVHA certifications and collectively obtained \$58,765 in LVHA housing assistance they were not entitled to receive.



Carla Francis, a City of Oceanside Housing and Neighborhood Services Department (OHND) Section 8 tenant, was charged in San Diego County Superior Court, San Diego, CA, with making false statements and grand theft. Francis allegedly failed to report assets owned by household members on OHND certifications and obtained \$51,981 in OHND housing assistance she was not entitled to receive.



Gladys Cabrera, a former Revere Housing Authority (RHA), Boston Housing Authority (BHA), and Metropolitan Boston Housing Partnership (MBHP) Section 8 tenant, pled guilty in U.S. District Court, Boston, MA, to conspiracy, bank and mail fraud, theft and receipt of stolen mail, and theft of government benefits. Cabrera and previously indicted Esther Arias allegedly took U.S. mail belonging to others and then used stolen identifications to obtain \$51,916 in RHA, BHA, and MBHP housing assistance they were not entitled to receive.

BROCKTON

Woman convicted of fraud, mail theft

■ Gladys Cabrera, 31, will be sentenced Aug. 15 on a variety of charges.

ENTERPRISE REPORT

BROCKTON — A city woman was convicted this week in federal court of stealing mail, using stolen identities to open credit card and bank accounts, making fraudulent bank deposits with stolen checks and fraudulently obtaining HUD Section 8 public housing assistance benefits.

Gladys Cabrera, 31, of 10 Essex St. pleaded guilty in U.S. District Court in Boston to one count of conspiracy, one count of mail fraud, nine counts of theft of mail, one count of bank fraud and one count of theft of government property.

At the plea hearing, the prosecutor said that had the case proceeded to trial, the government's evidence would have proven that starting in 2003 and continuing until her arrest on Jan. 10, 2004, Cabrera engaged in a conspiracy with co-defendant Esther Arias in which they stole mail from houses in the Lynn area, obtained stolen checks that they altered and used to receive cash and make deposits to bank accounts, obtained credit cards by fraud, and charged credit purchases in the names of other persons without their knowledge.

In addition, the prosecution said evidence would have shown that Cabrera assisted Arias in fraudulently obtaining HUD Section 8 benefits for an apartment in Revere.

Chief U.S. District Judge Mark L. Wolf scheduled sentencing for Aug. 15.

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Angela Mendieta, a Hawthorne Housing Authority (HHA) Section 8 tenant, pled guilty in Los Angeles County Superior Court, Hawthorne, CA, to grand theft. Mendieta was sentenced to 3 years probation and ordered to pay HHA restitution in an amount

not yet determined. Mendieta failed to report employment or income on HHA certifications and obtained more than \$50,000 in HHA housing assistance she was not entitled to receive.



Julie Delgado, Marie Lucero, and Flora Gallegos, Bernalillo County Housing Authority (BCHA) Housing Choice Voucher program landlord or participants, were each charged in Bernalillo County State Court, **Albuquerque, NM**, with fraud. Delgado, her sister Lucero, and Gallegos allegedly failed to report familial relationships or income on BCHA certifications and collectively obtained \$49,287 in BCHA housing assistance they were not entitled to receive.



Sima Noor, a Torrance City Housing Authority (TCHA) Housing Choice Voucher program participant, was convicted in Los Angeles County Superior Court, **Torrance, CA**, of attempting to file a false or forged instrument. Noor was sentenced to 5 years probation and ordered to pay TCHA \$27,034 in restitution. From 1992 to 2006, Noor provided false information on TCHA applications and obtained more than \$48,000 in TCHA housing assistance she was not entitled to receive.



Pamela Jenkins, a former Hampton Redevelopment and Housing Authority (HRHA) Section 8 tenant, pled guilty in Hampton Circuit Court, **Hampton, VA**, to welfare fraud and making false statements to obtain public assistance. Jenkins was sentenced to 5 years probation and ordered to pay the Virginia Department of Social Services \$16,468 in restitution. Jenkins failed to report the residency or income of her spouse on HRHA, SSA, or Virginia Department of Social Services certifications and obtained about \$43,000 in HRHA housing assistance and \$21,220 in SSA and other benefits she was not entitled to receive.



Charlene Philbrook, a former Malden Housing Authority (MHA) public housing tenant, pled guilty in Malden District Court, **Malden, MA**, to larceny. Philbrook was sentenced to 5 years probation and ordered to pay MHA \$41,691 in restitution. From September 2000 through September 2005, Philbrook failed to report income on MHA certifications and obtained \$41,691 in MHA housing assistance she was not entitled to receive.



Aserine Blevins and Terry Ann Littlepage, former Cook County Housing Authority (CCHA) Section 8 tenant and fictitious landlord, were each sentenced in U.S. District Court, **Chicago, IL**, to 3 years probation and ordered to pay HUD \$36,800, jointly and severally, for their earlier guilty pleas to making false statements and theft of public monies. Blevins was also ordered to serve 6 months home confinement. Blevins and

Littlepage hid Blevins ownership interest in her CCHA subsidized property and together obtained \$36,800 in CCHA housing assistance they were not entitled to receive. In addition, Eugene and Wilma Hardney, former CCHA Section 8 landlords previously convicted of making false statements and barred from conducting business with HUD, each pled guilty in Cook County Circuit Court to committing loan fraud, deceptive practices, and theft. The Hardneys were sentenced to 2 and 4 years incarceration, respectively. Eugene and Wilma Hardney provided false information and documents to obtain conventional mortgages on two properties and then leased the properties to CCHA Section 8 tenants and collected \$4,000 in CCHA housing assistance contract payments after one property went into foreclosure and became lender owned. Collectively, the above defendants caused HUD losses of \$40,800.



Blondine Wynn and La'Vine Reid, former Greensboro Housing Authority (GHA) Housing Choice Voucher program participants, were each sentenced in U.S. District Court, Greensboro, NC, for their earlier guilty pleas to making false statements to HUD or the U.S. Department of Health and Human Services. Wynn was sentenced to 5 years probation and ordered to pay GHA \$14,461 in restitution. Reid was sentenced to 2 days incarceration, 8 months home confinement, and 3 years supervised release and ordered to pay GHA \$26,145 in restitution. Wynn and Reid failed to report income or accurate household composition on GHA certifications and together obtained more than \$40,000 in GHA housing assistance they were not entitled to receive. In addition, Johnnie Mae Brooks, a former GHA Section 8 tenant sentenced for her earlier guilty plea to false statements, was arrested after violating the terms of her probation.



Elaine Pritchett and Walter Melton, former Cleveland Metropolitan Housing Authority (CMHA) Section 8 tenant and landlord, were each indicted in U.S. District Court, Cleveland, OH, for theft. Pritchett allegedly failed to report her familial relationship to Melton or her previous ownership interest in her CMHA subsidized property on CMHA certifications, and Melton allegedly failed to report his familial relationship to Pritchett or his prior criminal history. Collectively, the above defendants allegedly obtained about \$38,300 in CMHA housing assistance they were not entitled to receive.



Rochelle Varner, a Cuyahoga Metropolitan Housing Authority (CMHA) Section 8 tenant, pled guilty in Cuyahoga County Court of Common Pleas, Cleveland, OH, to securing writings by deception and tampering with records. Varner used the identity of her minor child to obtain an ownership interest in real property, failed to report her property ownership on CMHA certifications, and obtained \$38,211 in CMHA housing assistance she was not entitled to receive.



Sharon Diggs and Antionette Smith, former Clark County Housing Authority (CCHA) Section 8 tenants, were each charged in Clark County Justice Court, Las Vegas, NV, with theft by misrepresentation. In addition, Youland Criggley, a former CCHA Section 8 tenant, was sentenced in Clark County District Court to 12 months incarceration (suspended) and 36 months probation and ordered to perform 20 hours of community service per month (if not employed full time) and pay CCHA \$11,881 in restitution for her earlier guilty plea to fraudulently obtaining public assistance. Diggs and Smith allegedly and Criggley admittedly failed to report income or actual household composition on CCHA certifications. Collectively, the above defendants obtained \$38,145 in CCHA housing assistance they were not entitled to receive.



Darlyn Cooper, a former Santa Monica Housing Authority (SMHA) Housing Choice Voucher program participant, pled guilty in Los Angeles Superior Court, Santa Monica, CA, to grand theft. Cooper was sentenced to 2 years probation and ordered to perform 60 days of community service and pay SMHA \$13,027 in restitution. From July 2005 through March 2006, Cooper failed to report income on SMHA certifications and obtained \$34,493 in SMHA housing assistance she was not entitled to receive.



Erica Wren, Tiffany Miles, Connie Terrell, and Joy Parker-Stapleton, former Kankakee Housing Authority (KHA) Section 8 tenants, were each charged in Kankakee County Circuit Court, Kankakee, IL, with theft by deception. The above defendants allegedly failed to report income on KHA certifications and collectively obtained \$33,877 in KHA housing assistance they were not entitled to receive.



Emad Duar, a San Francisco Housing Authority (SFHA) Section 8 tenant, pled guilty in U.S. District Court, San Francisco, CA, to theft of government funds. From October 2001 through November 2003, Duar failed to report income on SFHA certifications and obtained \$33,000 in SFHA housing assistance he was not entitled to receive.



Wilhermina Rodriguez, also known as Muriel Rodriguez, a former Portland Housing Authority (PHA) Section 8 tenant, pled guilty in Cumberland County Superior Court, Portland, ME, to theft by deception and making unsworn falsifications. Rodriguez agreed to pay PHA \$32,928 in restitution. Rodriguez failed to report income on PHA and other certifications and obtained \$32,928 in PHA housing assistance and \$44,461 in welfare and food stamp benefits she was not entitled to receive.



Jean Andrews, a Chester County Housing Authority (CCHA) public housing tenant, was charged in Chester County Court of Common Pleas, **Phoenixville, PA**, with theft by deception and unsworn falsifications. Andrews allegedly failed to report income on CCHA certifications and obtained \$32,591 in CCHA housing assistance she was not entitled to receive.



As a result of "Operation Raincheck," 59 Michigan State Housing Development Authority or Lansing, Benton Harbor, Kalamazoo, Battle Creek, Holland, Eaton County, or Dowagiac Housing Commission Section 8 tenants were each charged in their respective County District Courts in **Kalamazoo, Battle Creek, Benton Harbor, or Lansing, MI**, with larceny by conversion and false pretenses. The above defendants allegedly failed to report income on housing certifications and collectively obtained more than \$30,000 in housing assistance they were not entitled to receive.



Laura Rivas, a former Housing Authority of the County of Santa Clara (HACSC) Section 8 tenant, was charged in Santa Clara County Superior Court, **San Jose, CA**, with grand theft. Rivas allegedly failed to report the unauthorized residency of her spouse on HACSC certifications and obtained \$29,127 in HACSC housing assistance she was not entitled to receive.



Carolyn Brown, Maurice Bennett, and Bonny Morgan, Montgomery County Housing Opportunities Commission (MHOC) Section 8 tenants, were each charged in Montgomery County District Court, **Silver Spring or Rockville, MD**, with theft by deception and making false statements. Brown, Bennett, and Morgan allegedly failed to disclose the registered sex offender status of Bennett or another unauthorized resident on MHOC certifications and collectively obtained \$28,819 in MHOC housing assistance they were not entitled to receive.



Alfred Filion, a former Schuylkill County Housing Authority (SCHA) Housing Choice Voucher program participant, was indicted in U.S. District Court, **Scranton, PA**, for making false statements. Filion allegedly failed to report his prior criminal history or registered sex offender status on SCHA certifications and obtained \$3,200 in SCHA housing assistance he was not entitled to receive. In addition, former SCHA Housing Choice Voucher program participant Tarkita Reeves was sentenced to 3 years probation and ordered to pay HUD \$23,811 in restitution for her earlier guilty plea to making false statements. Reeves failed to report an unauthorized resident on SCHA certifications and obtained \$23,811 in SCHA housing assistance she was not entitled to receive. Collectively, the above defendants caused HUD losses of \$27,011.



Dris Mitchell, a former Mississippi Regional Housing Authority (MRHA) Section 8 tenant and employee of the Mississippi Attorney General's Office, was sentenced in U.S. District Court, **Jackson, MS**, to 36 months probation and ordered to pay HUD \$3,750 in restitution for her earlier guilty plea to filing a false claim. In addition, former MRHA Section 8 tenant Denice Peters was sentenced to 10 months probation and ordered to perform 40 hours community service and pay MRHA \$23,106 in restitution for her earlier guilty plea to making false statements. Mitchell and Peters failed to report income on MRHA certifications and together obtained \$26,865 in MRHA housing assistance they were not entitled to receive.



Suzanne Bruce, a Boston Housing Authority (BHA) Section 8 tenant, was charged in Roxbury District Court, **Boston, MA**, with larceny. Bruce allegedly failed to report income on BHA certifications and obtained \$26,382 in BHA housing assistance she was not entitled to receive.



Michele Verrall, a former Butte Housing Authority (BHA) public housing tenant, pled guilty in U.S. District Court, **Missoula, MT**, to making false statements to HUD. From December 1998 to December 2005, Verrall failed to report income on BHA certifications and obtained \$26,000 in BHA housing assistance she was not entitled to receive.



Serena Priddy, a former Maricopa County Housing Authority (MCHA) Section 8 tenant, was sentenced in Maricopa County Superior Court, **Phoenix, AZ**, to 36 months probation and ordered to pay MCHA \$25,620 in restitution for her earlier guilty plea to attempted fraudulent schemes and practices. From March 2002 through April 2005, Priddy failed to report income on MCHA certifications and obtained \$25,620 in MCHA housing assistance she was not entitled to receive.



Antonio Carter, a Seattle Housing Authority (SHA) public housing tenant, was charged in King County Superior Court, **Seattle, WA**, with theft. Carter allegedly failed to report income on SHA certifications and obtained about \$25,000 in SHA housing assistance he was not entitled to receive.



Kynia Morris, a former North Las Vegas Housing Authority (NLVHA) Section 8 tenant, was sentenced in Clark County District Court, **Las Vegas, NV**, to 12 months incarceration (suspended) and 3 years probation and ordered to perform 20 hours of community service and pay NLVHA and Nevada Welfare \$26,017 in restitution for her previous conviction for attempted theft. From 2003 to 2006, Morris failed to report

income or accurate household composition on NLVHA certifications or other documents and obtained \$22,762 in NLVHA housing assistance and \$4,255 in welfare benefits she was not entitled to receive.



Abbie Richardson, a Tri County Community Council (TCCC) Section 8 tenant, was sentenced in U.S. District Court, **Pensacola, FL**, to 5 years probation and ordered to pay HUD \$21,101 in restitution for her earlier guilty plea to theft of government funds. Richardson failed to report income on TCCC certifications and obtained \$21,101 in TCCC housing assistance she was not entitled to receive.



Krista James, a former Davis County Housing Authority (DCHA) Housing Choice Voucher program participant, pled guilty in Utah State Court, **Farmington, UT**, to fraudulently obtaining housing benefits. James was sentenced to 36 months probation and ordered to pay HUD \$15,817 in restitution. In addition, former DCHA Housing Choice Voucher program participant McKenzie Davis was sentenced to 36 months probation and ordered to perform 50 hours community service and pay HUD \$4,818 in restitution for her earlier guilty plea to fraudulently obtaining housing benefits. James failed to report an unauthorized resident, and Davis failed to report a registered sex offender residing in their DCHA subsidized units. Together they obtained \$20,635 in DCHA housing assistance they were not entitled to receive.



Shannon French, a former Richland Housing Authority (RHA) Section 8 tenant, was charged in Benton County Superior Court, **Pasco, WA**, with theft. From September 2000 to September 2005, French allegedly failed to report income or actual household composition on RHA certifications and obtained \$20,256 in RHA housing assistance she was not entitled to receive.



Shari Hunter, a former Fayette County Housing Authority (FCHA) Section 8 tenant, pled guilty in Fayette County Court, **Connersville, IN**, to welfare fraud. Hunter was sentenced to two concurrent terms of 8 years incarceration (suspended) and 4 years probation and ordered to pay FCHA \$19,997 in restitution. Hunter failed to report income or her actual marital status on FCHA certifications and obtained \$19,997 in FCHA housing assistance she was not entitled to receive.



Teresa Pearson, a former Montgomery County Housing Authority (MCHA) Housing Choice Voucher program participant, was sentenced in U.S. District Court, **Philadelphia, PA**, to 5 years probation and ordered to pay MCHA \$19,606 in restitution for her previous conviction of making false statements to HUD. Pearson

failed to report employment or income on MCHA certifications and obtained \$19,606 in MCHA housing assistance she was not entitled to receive.



Elaine Close, a Johnstown Housing Authority (JHA) Section 8 tenant, was indicted in U.S. District Court, **Johnstown, PA**, for making false statements. From 2003 to 2005, Close allegedly failed to report income on JHA certifications and obtained more than \$18,000 in JHA housing assistance she was not entitled to receive.



Wilhemenia Jefferson, a former Bucks County Housing Authority (BCHA) Housing Choice Voucher program participant, was convicted in Bucks County Court of Common Pleas, **Doylestown, PA**, of theft by deception and receiving stolen property. Jefferson was sentenced to 36 months probation and ordered to pay BCHA \$17,406 in restitution. From 2001 to 2006, Jefferson omitted income on BCHA certifications and obtained \$17,406 in BCHA housing assistance she was not entitled to receive.



Kenneth Christenot, a former Billings Housing Authority (BHA) Section 8 landlord, was sentenced in U.S. District Court, **Billings, MT**, to 18 months incarceration and 3 years probation and ordered to pay HUD \$19,382 in restitution for his previous conviction for making false statements and theft. Christenot failed to report his residency in his BHA subsidized property and obtained \$19,382 in BHA housing contract payments he was not entitled to receive.



Cathleen Farnham and her mother, Beverly Shier, Taylor Housing Commission (THC) Section 8 tenant and landlord, were each charged in Monroe County Court, **Taylor, MI**, with theft. Farnham allegedly failed to report Shier's residency in or her purchase of real estate and subsequent abandonment of her subsidized unit. Shier allegedly failed to report her familial relationship to and residency with Farnham or the subsequent subleasing of Farnham's subsidized unit to

Man sentenced in housing fraud

Senior U.S. District Judge Jack Shanstrom on Wednesday sentenced a Billings man to 18 months in prison and ordered \$19,382 restitution for lying to get federal housing benefits.

Kenneth R. Christenot, 38, was convicted by a jury in August of one count of false statements and one count of theft of government property.

At sentencing, Christenot denied trying to influence witnesses' testimony and said he didn't believe he had committed any crime. He said he was trying to do a friend a favor.

Prosecutors said Christenot, a landlord who received housing vouchers from the Housing Authority of Billings through a federal program, hid information about the tenant's residence and household. Christenot was accused of stealing housing subsidies on behalf of his tenant.

Christenot's co-defendant, Ramona Emmett, 45, was convicted in a separate trial of two counts of false statements and one count of theft of government property. The government said Emmett failed to disclose to the Housing Authority of Billings that Christenot, her landlord, was living in her household. And she failed to disclose when her daughters had left her household and the child support she was receiving. The information would have affected her housing assistance.

U.S. District Judge Richard Cebull sentenced Emmett last October to one year in prison and ordered \$19,382 restitution.

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others. Collectively, Shier and Farnham obtained about \$17,000 in THC housing assistance they were not entitled to receive.



Nancy Savitch, a former Fall River Housing Authority (FRHA) Section 8 tenant, was sentenced in U.S. District Court, **Boston, MA**, to 3 years probation and ordered to pay HUD \$16,411 and SSA \$39,956 in restitution for her earlier guilty plea to theft of government funds and SSA fraud. Savitch failed to report income on FRHA and SSA certifications and obtained \$16,411 in FRHA housing assistance and \$39,956 in SSA benefits she was not entitled to receive.



Luzcelenia Watson and Kristal Allen, former Worcester Housing Authority (WHA) Section 8 tenant and landlord, each pled guilty in Worcester District Court, **Worcester, MA**, to conspiracy and making false claims or larceny over \$250. Watson was sentenced to 12 months probation and ordered to pay WHA \$3,500 in restitution. Allen was sentenced to 5 years probation and ordered to pay WHA \$9,000 in restitution. Watson, while receiving WHA Section 8 housing assistance, obtained an ownership interest in a WHA subsidized property and, in conjunction with the former owner, concealed her property ownership and failed to report rental income on WHA certifications. Allen failed to report income on WHA certifications and obtained \$9,000 in WHA housing assistance she was not entitled to receive. Collectively, the above defendants caused HUD losses of \$16,070.



Jesenia Sosa, a City of Buena Ventura Housing Authority (CBHA) Housing Choice Voucher program participant, was arrested and charged in Ventura County Superior Court, **Ventura, CA**, with grand theft and welfare fraud. Sosa allegedly failed to report income or an unauthorized resident on CBHA certifications and obtained \$16,044 in CBHA housing assistance she was not entitled to receive.



Dawn Maniscalco, a former Belmont Shelters Corporation (BSC) Housing Choice Voucher program participant, was sentenced in U.S. District Court, **Buffalo, NY**, to 3 years probation and ordered to pay HUD \$15,898 in restitution for her earlier guilty plea to making false entries involving HUD transactions. Maniscalco failed to report income on BSC certifications and obtained \$15,898 in BSC housing assistance she was not entitled to receive.



Chantira Watkins, a former DuPage Housing Authority (DHA) Section 8 tenant, pled guilty in DuPage County Circuit Court, **DuPage, IL**, to attempted forgery. Watkins was sentenced to 24 months probation and ordered to pay HUD \$13,700 in restitution.

Watkins failed to report income on DHA certifications and obtained \$15,718 in DHA housing assistance she was not entitled to receive.



Tirania Swann, a Baltimore City Housing Authority (BCHA) public housing tenant, was charged in Baltimore Circuit Court, **Baltimore, MD**, with theft. Swann allegedly failed to report income or assets on BCHA certifications and obtained \$15,528 in BCHA housing assistance she was not entitled to receive.



Joseph and Jasmine Landrin, former Massachusetts Department of Housing and Community Development (DHCD) landlords, were each charged in Gardner District Court, **Gardner, MA**, with larceny over \$250 by false pretense and making false claims to a government agency. From August 2005 to August 2006, Joseph and Jasmine Landrin allegedly concealed their familial relationship to the DHCD Section 8 tenant leasing their property and obtained \$14,666 in DHCD housing contract payments they were not entitled to receive.



Philomina Shalo, a former Olathe Housing Authority (OHA) Section 8 tenant, pled guilty in Johnson County District Court, **Olathe, KS**, to stealing. Shalo was sentenced to 180 days confinement and 12 months probation and ordered to pay HUD \$2,439 in restitution. Shalo failed to report income on OHA certifications and obtained \$13,738 in OHA housing assistance she was not entitled to receive.



Bunnie Light, a former Rural Resources Community Action (RRCA) Section 8 tenant, was charged in Stevens County Superior Court, **Colville, WA**, with theft. Michael Bouchard, a fictitious RRCA Section 8 landlord, pled guilty to theft and was sentenced to 12 months incarceration and ordered to pay RRCA \$1,000 in restitution. From April 2004 to May 2005, Light allegedly failed to report income or Bouchard's residency in her RRCA subsidized unit, and Bouchard fraudulently claimed he was a landlord of Light's RRCA subsidized property and hid his relationship to and residency in her RRCA subsidized unit. Collectively, Light and Bouchard obtained \$13,602 in RRCA housing assistance they were not entitled to receive.



Samantha Boyd, a former Maryland Department of Housing and Community Development (MHCD) Housing Choice Voucher program participant, was charged in Maryland District Court, **Salisbury, MD**, with theft by deception and making false statements. Boyd allegedly failed to report employment or income on MHCD certifications and obtained \$13,085 in MHCD housing assistance she was not entitled to receive.



Linda Hill and Lewis Lacy, former Fluvanna-Louissa Housing Foundation (FLHF) Section 8 tenant and landlord, each pled guilty in Fluvanna County Circuit Court, Fluvanna County, VA, to welfare fraud. Hill and Lacy were each sentenced to 5 years incarceration (suspended) and ordered to pay FLHF \$12,994 in restitution. Hill and Lacy failed to report their joint residency on FLHF certifications and together obtained \$12,994 in FLHF housing assistance they were not entitled to receive.



Michelle Legette, a former Housing Authority of Winston Salem (HAWS) Section 8 tenant and Forsyth County detention officer, was arrested after her indictment in U.S. District Court, Greensboro, NC, for making false statements to HUD and theft of government funds. From March 2005 to August 2006, Legette allegedly failed to report income on HAWS certifications and obtained \$11,880 in HAWS housing assistance she was not entitled to receive.



Freddie Maestes, a Taos County Housing Authority (TCHA) Section 8 tenant, pled guilty in Taos County State Court, Taos, NM, to failure to disclose facts to obtain public assistance. Maestes was sentenced to 3 years deferred adjudication and supervised probation. From August 2003 to August 2004, Maestes and his previously convicted wife, Patricia Maestes, failed to report income on TCHA certifications and together obtained \$11,718 in TCHA housing assistance they were not entitled to receive.



Charlotte Washington, a former Alexandria Housing Authority (AHA) Section 8 tenant, was sentenced in U.S. District Court, Lafayette, LA, to 3 years probation, fined \$1,000, and ordered to perform 100 hours of community service and pay AHA \$7,952 in restitution for her earlier guilty plea to making false statements. Washington failed to report income on AHA certifications and obtained \$11,664 in AHA housing assistance she was not entitled to receive.



Toy Cook, a Sacramento Housing and Redevelopment Agency (SHRA) Housing Choice Voucher program participant, pled *nolo contendere* in Sacramento County Superior Court, Sacramento, CA, to violating welfare and institutional codes. In addition, La Mica Barnett, a former unauthorized resident in a SHRA subsidized unit, was sentenced to 365 days incarceration and 5 years probation and ordered to pay HUD \$12,541 in restitution for her earlier *nolo contendere* plea to grand theft and welfare fraud. Cook allegedly failed to report income, and Barnett allegedly failed to report her unauthorized residency or the authorized tenant's abandonment of the SHRA subsidized unit on SHRA certifications. Together they obtained about \$16,220 in SHRA housing assistance they were not entitled to receive.



Gail Bush, a former Area Housing Authority of the County of Ventura (AHACV) Housing Choice Voucher program participant, was sentenced in Ventura County Superior Court, **Thousand Oaks, CA**, to 5 months incarceration and 36 months supervised release and ordered to pay AHACV \$10,587 in restitution for her earlier guilty plea to grand theft and perjury. From June 2002 to February 2003, Bush reported false income amounts on AHACV certifications and obtained \$10,587 in AHACV housing assistance she was not entitled to receive.



Nichole Harrison and Tina Schavers, former Pomona Housing Authority (PHA) Section 8 tenants, were each sentenced in Los Angeles County Superior Court, **Pomona, CA**, for their earlier guilty pleas to making false statements, grand theft, or welfare fraud. Harrison was sentenced to 3 months incarceration and 36 months probation and ordered to pay PHA \$200 in restitution. Schavers was sentenced to 3 years probation and ordered to perform 30 days community service and pay PHA \$7,630 in restitution. Harrison and Schavers omitted income or accurate household compositions on PHA certifications and together obtained \$10,438 in PHA housing assistance they were not entitled to receive.



Michelle Palardy, a Southern Middlesex Opportunity Council (SMOC) Section 8 tenant, was charged in Middlesex District Court, **Framingham, MA**, with larceny and forgery. Palardy allegedly failed to report income on SMOC and SSA certifications and obtained \$10,007 in SMOC housing assistance and \$6,125 in SSA benefits she was not entitled to receive.



Kathy Frazier, a former Richmond Redevelopment and Housing Authority (RRHA) public housing tenant, pled guilty in Richmond Circuit Court, **Richmond, VA**, to petit larceny. Frazier was sentenced to 5 years probation and ordered to pay RRHA \$9,352 in restitution. Frazier failed to report income on RRHA certifications and obtained more than \$9,352 in RRHA housing assistance she was not entitled to receive.



Bernadette Wagner, a former Emmons County Housing Authority (ECHA) public housing tenant, pled guilty in U.S. District Court, **Bismarck, ND**, to making false statements to HUD. From November 1993 to September 2005, Wagner failed to report income on ECHA certifications and obtained \$9,000 in ECHA housing assistance she was not entitled to receive.



Harold and Donna Owen, former Brunswick Housing Authority (BHA) Section 8 tenants, were each charged in Cumberland County Superior Court, **Portland, ME**, with theft. From June 2001 through March 2005, Harold and Donna Owen allegedly failed

to report welfare benefits on BHA certifications and together obtained \$7,257 in BHA housing assistance they were not entitled to receive.



William Foster, Jr., an authorized aide for a former Kentucky Housing Corporation (KHC) Section 8 tenant, now deceased, pled guilty in U.S. District Court, **Louisville, KY**, to wire fraud. From June 2004 to June 2005, Foster claimed the deceased KHC Section 8 tenant on KHC certifications and obtained \$7,196 in KHC housing assistance he was not entitled to receive.



Candy McCourt, a former Salina Housing Authority (SHA) public housing tenant, was charged in Salina County Court, **Salina, KS**, with making false statements and theft. McCourt allegedly failed to report an unauthorized resident or the resident's income on SHA certifications and obtained \$7,129 in SHA housing assistance she was not entitled to receive.



Teresa Reid, a former Franklin Housing Authority (FHA) employee and Section 8 tenant, pled guilty in Virginia Circuit Court, **Franklin, VA**, to forging a public record. Reid was sentenced to 5 years incarceration (suspended) and 5 years probation and ordered to pay FHA \$4,918 in restitution. Reid omitted income on FHA certifications and then fraudulently recertified herself and obtained more than \$7,000 in FHA housing assistance she was not entitled to receive.



Kristie and Dale Weinand, former Minot Housing Authority (MHA) Section 8 tenants, were each sentenced in U.S. District Court, **Bismarck, ND**, to 36 months probation and ordered to pay HUD \$2,000 in restitution, jointly and severally, for their earlier guilty pleas to making false statements to HUD. Kristie and Dale Weinand failed to report income on MHA certifications and together obtained \$6,826 in MHA housing assistance they were not entitled to receive.



Tamicka Janigan, a former Auburn Housing Authority (AHA) Section 8 tenant, was charged in Lee County Court, **Auburn, AL**, with intentionally obtaining by deception services known by her to be available only for compensation. Janigan allegedly failed to report income on AHA certifications and obtained \$3,924 in AHA housing assistance she was not entitled to receive.



Mehdi Ghaemi, owner of Arborz Real Estate Company, and Hamidullah Sarwary, a former Littleton Housing Authority (LHA) Section 8 tenant, each pled guilty in Colorado State District Court, **Englewood, CO**, to fraudulently obtaining housing

benefits. Ghaemi was sentenced to 24 months deferred adjudication and ordered to pay LHA \$3,760 in restitution. Sarwary was sentenced to 24 months probation and ordered to perform 96 hours of community service and pay LHA \$3,760 in restitution, jointly and severally with Ghaemi. Ghaemi assisted Sarwary in hiding his property ownership from LHA, and Sarwary failed to report his property ownership on LHA certifications and obtained \$3,760 in LHA housing assistance he was not entitled to receive.



Mary Leshner, a former Atchison Housing Authority (AHA) Housing Choice Voucher program participant, pled guilty in Atchison County Court, **Atchison, KS**, to theft. Leshner was ordered to pay AHA \$3,242 in restitution. From July 2005 to October 2006, Leshner failed to report income on AHA certifications and obtained \$3,242 in AHA housing assistance she was not entitled to receive.



Gloria Dutton, a former Augusta Housing Authority (AHA) Section 8 tenant, pled guilty in Kennebec County Superior Court, **Augusta, ME**, to theft by deception. Dutton failed to report her ownership interest in her AHA subsidized property and obtained \$3,028 in AHA housing assistance she was not entitled to receive.



Maria Mireles, a former Harlingen Housing Authority (HHA) low-rent tenant, was sentenced in Cameron County State Court, **Harlingen, TX**, to 12 months probation and ordered to perform 125 hours of community service and pay HHA \$2,062 in restitution for her earlier guilty plea to committing fraud. Mireles failed to report income on HHA certifications and obtained \$2,062 in HHA housing assistance she was not entitled to receive.



Dondi Morrell, a former Enfield Housing Authority (EHA) Section 8 tenant, was arrested and charged in Superior Court, **Enfield, CT**, with committing forgery and larceny. Morrell allegedly altered and negotiated an EHA check and obtained \$2,286 in EHA funds she was not entitled to receive.



Felix Ortiz-Garcia, a Harrisburg Housing Authority (HHA) public housing tenant, was indicted in U.S. District Court, **Harrisburg, PA**, for the sale and distribution of narcotics, making false statements, and possession of a firearm. Ortiz-Garcia and others allegedly distributed heroin and other illegal narcotics from his HHA public housing unit, caused the drug-overdose deaths of four individuals, and failed to report either his drug trafficking operation or income on HHA certifications. HUD losses are not yet determined.



Wesley Thompson, a former Auburn Housing Authority (AHA) Section 8 tenant previously indicted in U.S. District Court, **Portland, ME**, for theft of public funds and fraud against both HUD and SSA, was ordered to refrain from contacting a government witness who testified against him in an ongoing criminal matter.

Fed Rent Initiative

Constituting its primary appropriated activity, HUD's housing assistance programs served more than 4.8 million households and expended more than \$24 billion in fiscal year 2003. Recent studies indicate that an estimated 60 percent of all subsidized housing rents are miscalculated, and approximately \$3.2 billion in erroneous payments 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 and tenant subsidy overpayments, HUD and HUD OIG commenced "Operation FedRent," a joint effort to address rental assistance fraud in HUD's public or Section 8 and Housing Choice Voucher programs by Federal employees. Operation FedRent compares HUD tenant information to Federal employee and retiree data maintained by the U.S. Office of Personnel Management. After the comparison, an income eligibility determination is made and Social Security numbers for family members six 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.



Lauton Joshua, a U.S. Army employee, and her grandmother Helen Lowe, former San Francisco Housing Authority (SFHA) Section 8 tenant and landlord, were each indicted in U.S. District Court, **San Francisco, CA**, for mail fraud. Joshua and Lowe allegedly failed to report employment, income, assets or their familial relationship on SFHA certifications and obtained about \$127,000 in SFHA housing assistance they were not entitled to receive.



Sahia Seaman, a U.S. Postal Service (USPS) employee and former Charlotte Housing Authority (CHA) Housing Choice Voucher program participant, was arrested after her indictment in U.S. District Court, **Charlotte, NC**, for making false statements and theft of government funds. In addition, Temeria Alexander, Lavoris McIver, and Victoria Walker, also USPS employees and former CHA Housing Choice Voucher program participants, each pled guilty to making false statements or theft of government funds. Seaman allegedly and Alexander, McIver, and Walker admittedly failed to report employment or income on CHA certifications and collectively obtained \$72,249 in CHA housing assistance they were not entitled to receive.



Marjorie Chatman, an SSA employee and former Richmond Housing Authority (RHA) Section 8 tenant, pled guilty in U.S. District Court, **Oakland, CA**, to theft of government funds. From April 1997 through November 2006, Chatman failed to report income on RHA certifications and obtained \$64,000 in RHA housing assistance she was not entitled to receive.



Chanel Brown, Towanda Good, Darlene Thomas, and Erica Anthony, SSA or Department of Veterans Affairs employees and Baltimore City Housing Authority (BCHA) Housing Choice Voucher program participants, were each charged or pled guilty in Maryland State Court, **Baltimore, MD**. Brown and Good were charged with theft, and Thomas and Anthony each pled guilty to theft. Thomas was sentenced to 3 years supervised probation, and Thomas and Anthony were collectively ordered to pay BCHA \$13,128 in restitution. Brown and Good allegedly and Thomas and Anthony admittedly failed to report income on BCHA certifications and collectively obtained \$61,147 in BCHA housing assistance they were not entitled to receive.



Ramona Cushenberry, a U.S. Department of Homeland Security employee and Housing Authority of the County of Los Angeles (HACOLA) Section 8 tenant, was indicted in U.S. District Court, **Los Angeles, CA**, for making false statements. Cushenberry allegedly failed to report income or disability benefits on HACOLA certifications and obtained about \$25,000 in HACOLA housing assistance she was not entitled to receive.



Audrey Boyd, a USPS employee and Baltimore County Housing Authority (BCHA) Housing Choice Voucher program participant, pled guilty in Maryland Circuit Court, **Baltimore, MD**, to theft. Boyd was sentenced to 5 years probation and ordered to pay BCHA \$24,382 in restitution. Boyd failed to report employment or income on BCHA certifications and obtained \$24,382 in BCHA housing assistance she was not entitled to receive.



Shellette Jackson, a U.S. Department of State employee and former Washington, DC, Housing Authority (DCHA) Section 8 tenant, pled guilty in U.S. District Court, **Washington, DC**, to making false claims and fraudulently obtaining public assistance. Jackson failed to report income on DCHA and DC Department of Human Services certifications and obtained \$22,705 in DCHA housing assistance and \$27,679 in Medicaid, food stamps, and other benefits she was not entitled to receive.



Denise Mayes, a USPS employee and former Detroit Housing Commission (DHC) Section 8 tenant, entered into a pretrial diversion agreement in U.S. District Court, Detroit, MI, and agreed to pay HUD \$19,356 in restitution. Mayes failed to report income on DHC certifications and obtained \$19,356 in DHC housing assistance she was not entitled to receive.



Andres DeZubiria, a Transportation Security Administration security screener and former Seattle Housing Authority (SHA) public housing tenant, was charged in King County Superior Court, Seattle, WA, with theft. DeZubiria allegedly failed to report income on SHA certifications and obtained \$16,242 in SHA housing assistance he was not entitled to receive.



Judy Bell, a USPS employee and former Greensboro Housing Authority (GHA) Housing Choice Voucher program participant, was sentenced in U.S. District Court, Greensboro, NC, to 3 years supervised probation and ordered to pay GHA \$10,659 in restitution for her earlier guilty plea to making false statements to HUD. Bell failed to report income on GHA certifications and obtained more than \$10,000 in GHA housing assistance she was not entitled to receive.



Shavonne Coleman-Modest, an Internal Revenue Service employee and former Michigan State Housing Development Authority (MSHDA) Section 8 tenant, entered into a pretrial diversion agreement filed in U.S. District Court, Detroit, MI. She agreed to perform 40 hours of community service and pay HUD \$8,498 in restitution. Coleman-Modest failed to report income on MSHDA certifications and obtained \$8,498 in MSHDA housing assistance she was not entitled to receive.



Marietta Sims, a USPS employee and former Houston Housing Authority (HHA) Section 8 tenant, was sentenced in 174th District Court, Houston, TX, to 5 years deferred adjudication and ordered to pay HUD \$3,957 and the U.S. Department of Health and Human Services \$1,116 in restitution for her earlier guilty plea to theft. Sims failed to report employment or income on HHA certifications and obtained \$5,073 in HHA housing assistance and \$1,463 in food stamp benefits she was not entitled to receive.

Fugitive Felon Initiatives

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 (USMS), and other participating law enforcement data banks. In addition, OIG special agents actively participate in the USMS "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 8,092 arrests. OIG strongly supports Operation FALCON in an effort to make HUD public and assisted housing safe places for families to live. FFI results during this semiannual reporting period are described below.



HUD OIG participated in Operation FALCON IV, a USMS action initiated to identify, locate, and apprehend violent fugitives, including those charged with sex crimes, in **Essex and Hudson Counties, NJ; Dallas, TX; Kansas City, KS; and Kansas City, MO**. As a result, 676 individuals were arrested on outstanding felony warrants, 64 of whom resided in HUD-assisted housing.



Staniford Griswold was indicted in U.S. District Court, **Kansas City, MO**, for assaulting a Federal officer and unlawful transportation of a firearm. Griswold allegedly assaulted a HUD OIG special agent during Operation FALCON IV.



Todd Jefferson, Gene Stone, Robert Castello, and Jose Santos, public housing or Section 8 tenants at Bayonne, Union County, North Bergen, or Weehawken Housing Authorities, were each arrested in **Hudson County, NJ**, on outstanding State or local warrants issued for burglary, domestic violence, or parole violations.



Jeffrey Brooks, an unauthorized resident in a Housing Authority of New Orleans (HANO) subsidized unit, was arrested in **New Orleans, LA**, on an outstanding felony warrant for simple battery.

Other Fraud/Crimes

Douglas and Cassandra Williams, doing business as WET National Relocation Services, each pled guilty in Clark County District Court, Las Vegas, NV, to theft or conspiracy to commit theft. From July 2006 through January 2007, Douglas and Cassandra Williams created and sold fraudulent Section 8 vouchers to numerous victims, and then Douglas Williams, a former Las Vegas Housing Authority inspector, conducted unauthorized inspections to further their scheme.



Rex Wetzel, a Blackfeet Housing Authority (BHA) homeownership program participant, pled guilty in U.S. District Court, Great Falls, MT, to theft. Wetzel obtained \$12,000 from BHA to use as a downpayment on the purchase a home, but instead of purchasing the property, Wetzel forged the seller's signature, negotiated the check, and used the BHA funds for personal expenditures.



Phyllis Moor, the former Lakeland Housing Authority (LHA) land acquisition director, pled guilty in the Tenth Judicial Circuit Court, Bartow, FL, to making false statements. Moor was sentenced to 12 months probation and ordered to perform 100 hours of community service. Moor concealed her criminal history and falsified her LHA employment application to obtain LHA employment.



Chapter 3



HUD's 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.

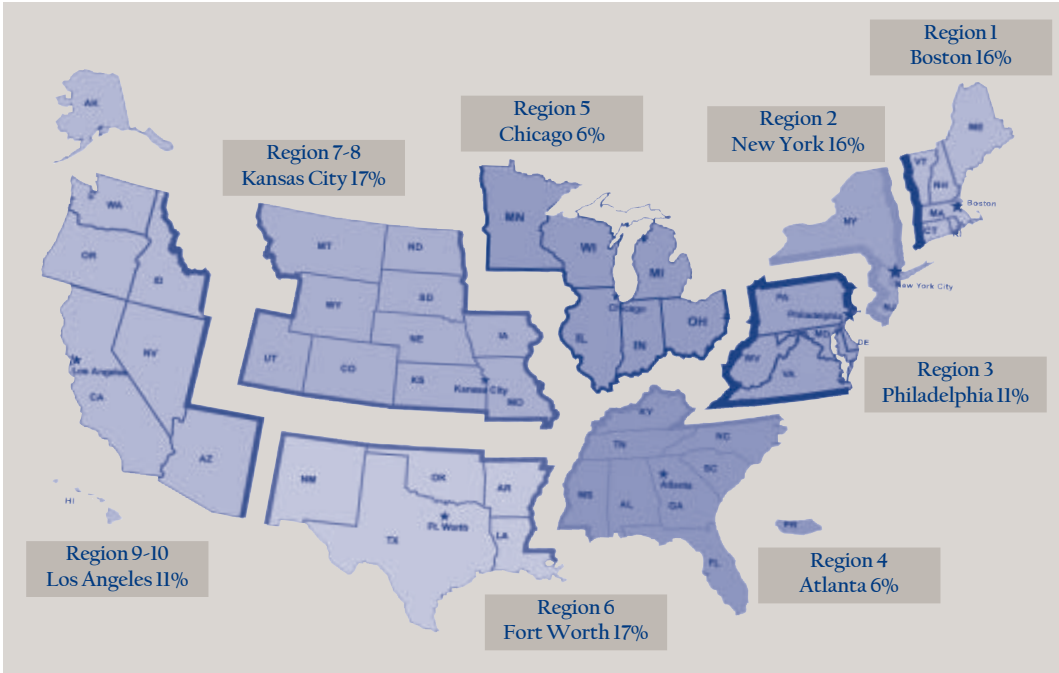
Audits

Strategic Initiative 2: Contribute to the Reduction of Erroneous Payments in Rental Assistance

Key program results		Questioned costs	Funds put to better use
Audit	12 Audits	\$9,743,360	\$31,671,293
Our focus	page 73	- Project-Based Section 8 Contract Administrators	
	page 74	- Multifamily Accelerated Processing Procedures	
	page 74	- Owner and Management Agent Operations	
	page 77	- HUD Mortgage Insurance Program	

A Look Back for the Year

Chart 4.1: Percentage of OIG Multifamily Housing Audit Reports, Performed FY 07



Project-Based Section 8 Contract Administrators

The HUD Office of Inspector General (OIG) reviewed HUD's payments to project-based Section 8 contract administrators relating to three incentive-based performance standards. The audit objectives were to determine whether HUD (1) acted appropriately when it allowed contract administrators to bill for tasks for which HUD no longer required activity, (2) had adequate procedures in place to ensure that Federal advances made for housing assistance payments were invested in interest-bearing accounts, and (3) had adequate procedures in place to recover interest earned on Federal advances.

HUD paid contract administrators \$27.2 million during fiscal year 2006 for work that HUD had eliminated, but which was still included in the contracts. Additionally, HUD did not ensure that housing assistance payment advances were kept in interest-bearing accounts, resulting in more than \$54,000 in interest not earned, and did not recover almost \$133,000 in interest earned on advances kept in interest-bearing accounts.

OIG recommended that HUD (1) revise the annual contributions contract when renewing contracts so that it properly reflects the work required to be performed, (2) include in the revised annual contributions contract a method for adjusting fees when HUD modifications change or eliminate work for which contract administrators are specifically paid, (3) develop and implement procedures for monitoring the use of interest-bearing accounts, (4) ensure that contract administrators are told that they are still required to use an interest-bearing account when HUD waives the contract requirement for use of a depository agreement, and (5) develop and implement procedures to recover interest earned on housing assistance payment advances. (Audit Report: 2007-SE-0001)



HUD OIG audited the Trumbull Metropolitan Housing Authority's, Warren, OH, project-based Section 8 housing assistance activities with its related nonprofit organizations.

The Warren Housing Development Corporation, a nonprofit entity created by the Authority, received more than \$2.2 million in housing assistance payments from July 1, 2005, through February 28, 2007, contrary to HUD's requirements. The Corporation was created in May 1977 as a nonprofit instrumentality of the Authority. However, it revised its articles of incorporation in June 2005 and was no longer an instrumentality of the Authority. According to HUD's regulations, the project must be owned by a public housing agency (instrumentality) throughout the term of the housing assistance payments contract. The Authority revised the Corporation's articles of incorporation on March 13, 2007, to reinstate the Corporation as an instrumentality of the Authority.

OIG recommended that HUD require the Authority to implement procedures and controls to ensure that it follows HUD's requirements regarding Section 8 housing assistance payments to its instrumentality. (Audit Report: 2007-CH-1007)



Multifamily Accelerated Processing Procedures

OIG audited Capmark Finance, Inc.'s underwriting and processing of the mortgage loan for Asbury Square Apartments, located in Tulsa, OK, to determine whether Capmark followed multifamily accelerated processing (MAP) and HUD requirements when underwriting and processing the Asbury loan.

Capmark misrepresented Asbury's financial and physical situation to HUD in its underwriting narrative. Further, it did not exercise the amount of due diligence required to support its recommendation for HUD endorsement. The Asbury mortgage loan, as recommended by Capmark, did not provide enough funds to restore the project to a financially viable condition. While Capmark complied with most MAP requirements when underwriting the loan, its underwriting narrative lacked material financial information and analysis. In addition, Capmark did not perform its property site inspection in keeping with MAP requirements. As a result, Asbury defaulted on the loan before final closing, causing HUD a possible loss of more than \$5.9 million.

OIG recommended that HUD (1) refer Capmark to the Mortgagee Review Board for appropriate action and (2) establish a MAP Lender Review Board that would address and resolve violations by Capmark, which could cause losses exceeding \$5.9 million to HUD's Federal Housing Administration (FHA) insurance fund, and deficiencies in Capmark's quality control plan. (Audit Report: 2007-FW-1011)



HUD OIG reviewed HUD's MAP procedures to determine how effectively HUD has implemented processes for reviewing and monitoring MAP lenders' underwriting of loans.

MAP is an effective way of processing multifamily mortgage insurance applications. HUD has maintained a careful balance between expedited processing and ensuring an acceptable level of risk for its mortgage insurance programs. However, it has not processed MAP applications within established timeframes, and the MAP Guide is not current.

OIG recommended that HUD examine the MAP processing timeframes to determine what practical improvements it can make to achieve faster processing and implement the improvements. OIG also recommended that HUD update and issue a revised MAP Guide and implement a system to ensure that new requirements are implemented formally. (Audit Report: 2007-BO-0002)

Owner and Management Agent Operations

Over the past 6 months, OIG has audited owner and management agent operations with an emphasis on combating equity skimming. While OIG's objectives varied by auditee, the majority of the reviews were to determine whether the owner and/or management agent used the project funds in compliance with the regulatory

agreement and HUD requirements. The results of OIG's more significant audits are described below.



HUD OIG audited the Cathedral Foundation of Jacksonville, Inc., **Jacksonville, FL**, concerning its involvement as owner and/or manager of four elderly multifamily housing projects. The Foundation used more than \$2.65 million in project funds for questioned costs while the projects had no surplus cash and without the required HUD approval. The questioned amount included \$1.35 million, which the Foundation repaid itself without HUD approval for project advances, and \$1.3 million for questioned salaries, fringe benefits, janitorial services, a retirement plan, parking fees, and other costs. The questioned costs violated Federal statutes, regulations, contracts, and other HUD requirements. The Foundation and subsidized project owners also collected nearly \$94,000 in prohibited parking fees from tenants, placing an unjustified financial burden on the tenants.

OIG recommended that HUD (1) require the Foundation and project owners to deposit into the project's residual receipts accounts more than \$2.5 million for ineligible, unreasonable, or unnecessary costs and repay any portion of the more than \$147,000 in unsupported costs that it cannot document as reasonable and necessary costs for the projects; (2) require the Foundation and the owners of the projects to reimburse tenants who paid prohibited parking fees; and (3) take appropriate administrative action against the Foundation and project owners for not complying with requirements. (Audit Report: **2007-AT-1010**)



HUD OIG audited Elders Place II, Incorporated, **Philadelphia, PA**, the owner of a 40-unit housing project funded under the Section 202 program. Elders Place II did not (1) maintain complete and accurate books and records to support the receipt and disbursement of HUD funds, (2) deposit all HUD funds intended for the construction of the project into the project's construction account, (3) maintain adequate control over the disbursement of project funds, (4) establish an escrow account to cover additional construction costs, and (5) submit an acceptable cost certification to bring the project to final closing. As a result, it made ineligible disbursements of nearly \$88,000 and unsupported disbursements totaling more than \$605,000 and drastically delayed the process of bringing the project to final closing.

OIG recommended that HUD direct Elders Place II to repay the project from nonfederal funds for the ineligible costs identified by the audit, provide documentation to support the questioned costs or reimburse the project for any unsupported costs from nonfederal funds, deposit more than \$95,000 into an escrow account to cover the additional construction costs, and develop and implement written procedures to ensure that disbursements of HUD funds are eligible and consistent with applicable HUD and Federal regulations, thereby preventing nearly \$46,000 from being disbursed improperly over the next year. (Audit Report: **2007-PH-1006**)



HUD OIG audited the records for Moosup Gardens Apartments, **Moosup, CT**, a HUD-insured multifamily project. OIG identified questioned costs and opportunities for funds to be put to better use totaling more than \$730,000. These cost exceptions were due to weak internal controls, a 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 more than \$230,000 in unreasonable and unsupported relocation services costs when the project was in a non-surplus-cash position; (3) included more than \$280,000 in unreasonable and unsupported expenses in their HUD-insured mortgage cost certification; and (4) did not properly manage the HUD-assisted learning center.

OIG recommended that HUD require the owners to (1) repay the project for ineligible use of operating funds while the project was in a non-surplus-cash position and pay down the project's mortgage for unsupported development costs, (2) repay the project for unreasonable and unsupported relocation costs, (3) make a principal payment to pay down the project's mortgage for unreasonable relocation costs and provide support for or make a principal payment to pay down the project's mortgage for unsupported operations expenses included in the mortgage amount HUD insured, and (4) establish and implement a business plan which ensures that the project's learning center delivers effective programs in an economical and efficient manner and becomes self-sufficient without HUD funding. Further, OIG recommended that HUD pursue administrative sanctions as appropriate against the responsible parties for the unreasonable and unsupported disbursements identified. (Audit Report: 2007-BO-1006)



HUD OIG audited the owner and previous management agent of Fallbrook Apartments in **Houston, TX**. The owner and/or previous management agent made unauthorized distributions of the project's funds, totaling more than \$367,000, when the project was in a non-surplus-cash position and could not adequately support six disbursements totaling nearly \$32,000. However, the previous management agent did not fully pay itself nearly \$68,000 in management fees, and the owner repaid a total of \$150,000 to the project's operating bank account while OIG was conducting the audit, which reduced the amount of funds owed to the project. Also, the owner did not submit the 2005 and 2006 annual audited financial statements as required. The owner fully funded the tenant security deposit account in March 2006 when the current management agent took over.

OIG recommended that HUD require the owner to (1) repay the project more than \$149,000 for unauthorized distributions and put that amount plus the \$150,000 in repaid funds in a restricted escrow account to ensure that the owner uses the funds only for eligible project expenses, (2) provide support for the unsupported costs or repay the project, and (3) submit the 2005 and 2006 annual audited financial statements. HUD should pursue double damages remedies against the responsible

parties and pursue administrative sanctions and civil money penalties against the owner for repeatedly violating the project's regulatory agreement. (Audit Report: 2007-FW-1012)

HUD Mortgage Insurance Program

HUD OIG audited excess funds generated by the HUD mortgage insurance program. Excess funds are the amounts remaining under the trust indenture after the trustee uses mortgage insurance proceeds to redeem all outstanding bonds related to an assigned mortgage. The audit objective was to determine whether HUD properly identified, claimed, and collected excess funds.

HUD had inadequate controls over origination and assignment of bond-financed mortgages. As a result, for 33 projects reviewed, HUD failed to claim and collect \$2 million in excess funds.

OIG recommended that HUD take appropriate actions to strengthen controls and ensure that excess funds are identified, claimed, and collected. (Audit Report: 2007-KC-0003)



Investigations

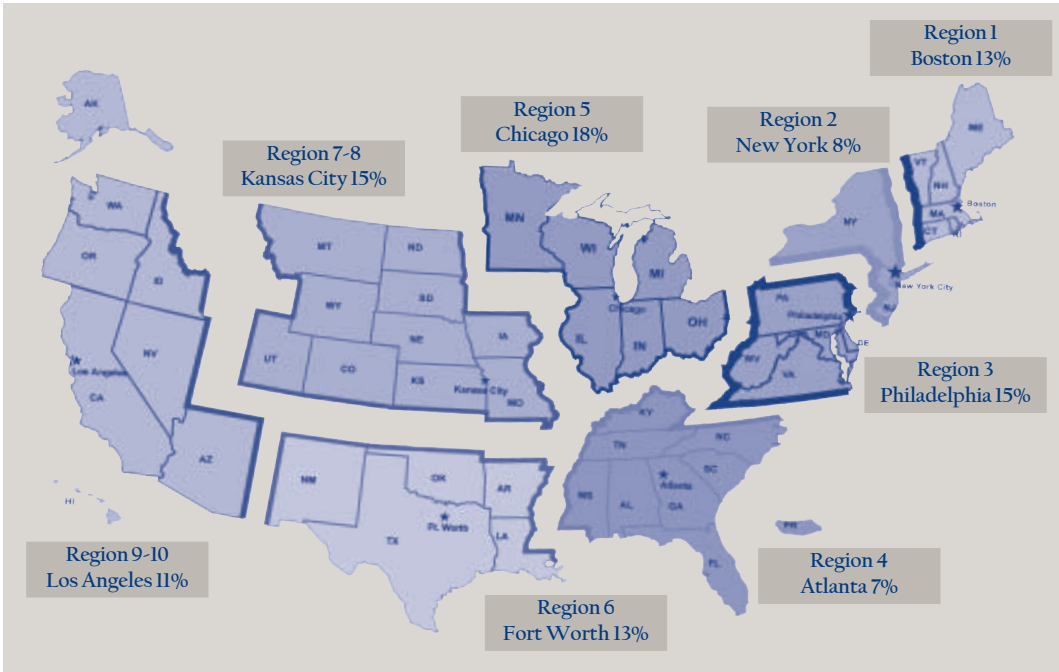
Some investigations discussed in this report were generated from leads provided by HUD multifamily housing program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

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	96	\$6,030,312	40	79
Our focus	page 79 page 81 page 83	<ul style="list-style-type: none"> - Theft/Embezzlement - Rental Assistance Fraud - Other Fraud Crimes 		

A Look Back for the Year

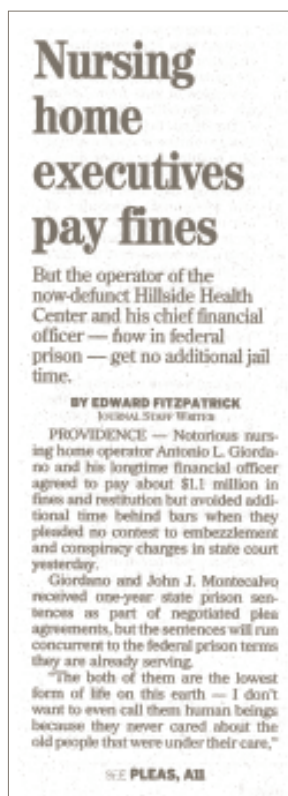
Chart 4.2: Percentage of OIG Multifamily Housing Closed Investigation Cases, Performed FY 07*



*This does not include cases in which funds misused came from Congress for hurricane relief. (see chapter 5 for these cases)

Theft/Embezzlement

Antonio Giordano, owner of Suburban Mortgage and four HUD-insured nursing homes located in Rhode Island and known as Coventry Health Center, Mount St. Francis Health Center, Edmunds Place, and Hillside Health Center; and John Montecalvo, administrator of the above nursing homes, each pled *nolo contendere* in Superior Court, Providence, RI, to embezzlement over \$100,000, conspiracy, and patient neglect at Hillside Health Center. Giordano and Montecalvo were each sentenced to 10 years incarceration (one year simultaneous with their current Federal prison terms) and 9 years probation; fined \$500,000; and ordered to pay Rhode Island Medicaid \$500,000, Alliance for Better Long Term Care \$100,000, and 10 victims \$30,000 in restitution and pay the Rhode Island State Attorney General's Office \$8,000 for prosecution costs. Giordano, Montecalvo, and others illegally diverted income or funds from the above nursing homes to themselves or identity-of-interest companies. HUD realized losses of approximately \$14 million when Giordano defaulted on both the Coventry Health Center and Edmunds Place Federal Housing Administration (FHA)-insured mortgages.



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David Forgy, chief executive officer of RM&G and doing business as Heartland Health Care Group of Oklahoma (Heartland), a HUD-insured nursing home, pled guilty in U.S. District Court, Oklahoma City, OK, to misprision of equity skimming and aiding and abetting. From March 2001 through December 2002, Forgy disbursed funds from Heartland project accounts for his personal benefit while Heartland was in a non-surplus-cash position and then defaulted on Heartland's HUD-insured mortgage and caused HUD losses in excess of \$4.4 million.



Iris Baez, the former board president of Co-Op City, a HUD-funded 15,372-unit housing development, and Nickhoulas Vitale, also known as Nicky Vitale, a former Co-Op City painter, were each arrested after their indictments in U.S. District Court, New York City, NY, for bribery and conspiracy. Baez and others allegedly awarded a \$3.5 million painting contract to Vitale's current employer, Stadium Interior Painting, in exchange for \$100,000 in kickbacks.



Jeffrey Williams, a former Arbor Management, Inc. (AMI), property manager at Kimberton and Carleton Court Apartments, HUD-funded multifamily housing developments, was sentenced in U.S. District Court, Wilmington, DE, to 6 months

incarceration and 5 years supervised release and ordered to pay AMI \$60,000 in restitution for his earlier guilty plea to theft of Federal program funds. Williams created and submitted fabricated maintenance and landscaping invoices to embezzle approximately \$60,000 in HUD funds from AMI.



Charles Sitter, a former property manager at East Main Street Apartments, a HUD-funded elderly housing development, was sentenced in Seneca County Court, **Waterloo, NY**, to 6 months incarceration and 5 years probation and ordered to pay the victim \$50,000 in restitution for his earlier guilty plea to grand larceny. Sitter extorted \$60,000 from an elderly housing tenant after he threatened her with eviction.



Nina Donehue, a board member of and Section 8 tenant at Northridge Cooperative Homes (NCH), a HUD-funded multifamily housing development, was indicted in U.S. District Court, **San Francisco, CA**, for embezzlement. Donehue allegedly used a NCH bank card to obtain cash and purchase a vehicle and other items without authorization. HUD's loss is estimated at \$34,983.



Denise Toce, a former manager at Luther Ridge Apartments, a HUD-funded multifamily housing development, was arrested and charged in Connecticut Superior Court, **Middletown, CT**, with larceny. Toce allegedly embezzled about \$25,000 in tenant rents and security deposits from prospective tenants.

Ex-Official Charged With Stealing Rent Money

Theft Said To Be Nearly \$25,000

By JOSH KOMMER
COURANT STAFF WRITER

MIDDLETOWN — A former housing manager at the Luther Ridge assisted-living complex was arraigned Tuesday on charges that she stole nearly \$25,000 in rent money to support an apparent narcotics addiction, court records state.

Denise Toce, 54, of East Windsor, took at least several dozen rent payments in cash from some of the residents of the Luther Ridge facilities at 682 Congdon St. West, according to city

MIDDLETOWN

Det. Michael DeSena's arrest warrant affidavit.

She issued receipts but never deposited the money, the warrant states.

After Toce was fired in January 2006 for poor job performance, Luther Ridge's director, Susan Sokol, found evidence of missing money as she was going through financial records with the new housing manager. Sokol went to police.

Among dozens of checks that Toce allegedly wrote against misappropriated funds was a series of payments to a man named Eric A. Davis, who turned out to be a convicted drug dealer.

The memo line on many of the checks listed "painting," but Davis, 35, told DeSena he never did any home improvement work for Toce.

DeSena tracked down Davis through his driver's license number on some of the canceled checks. Davis told the detective that "he went way back" with Toce. He admitted receiving a large number of checks from Toce in 2004 and 2005. Although he wouldn't specify what he did for the money, he told DeSena "to check his criminal record and I would figure it out," the affidavit states.

Records show Davis was convicted at least three times of selling narcotics and twice of possession of narcotics between 1993 and 2005. He was last arrested in New Britain in July 2005 on charges of possession of 14.5 grams of crack cocaine, and possession with the intent to sell. Davis received a 28-month prison sentence in May 2006 and was transferred in April to the Drapelick Center, a community-based program in

PLEASE SEE THEFT, PAGE B4

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Brian Smallwood, a former property manager at Yorktown Senior Housing I & II, Inc. (YSH), HUD-funded elderly housing developments, pled guilty in U.S. District Court, **Louisville, KY**, to embezzlement. Smallwood embezzled more than \$5,000 in YSH funds for personal expenditures.

Rental Assistance Fraud

Five Section 8 tenants at Woodland Village Apartments (WVA), a HUD-funded multifamily housing development, were arrested and charged in Leavenworth District Court, **Leavenworth, KS**, with making false statements. The above defendants allegedly failed to report income on housing certifications and obtained approximately \$59,537 in housing assistance they were not entitled to receive. In addition, 20 WVA tenants were arrested on outstanding felony and misdemeanor warrants.



Jorge Hernandez Cruz, a former manager at Casa De Las Hermanitas Apartments (CDLH), a HUD-funded elderly and disabled housing development, was convicted in Los Angeles County Superior Court, **Los Angeles, CA**, of theft. Cruz obtained more than \$16,320 from nine elderly or disabled families for priority placement in CDLH subsidized units. In addition, Wan Shih Chen, a CDLH Section 8 tenant, was charged with grand theft and making false representations. Chen allegedly concealed assets on CDLH certifications and obtained more than \$38,043 in CDLH housing assistance he was not entitled to receive.



Maria Delgado, a former Section 8 tenant at Winn Residential Apartments, a HUD-funded multifamily housing development, entered into a civil settlement agreement with the U. S. Attorney's Office in **Providence, RI**, and agreed to pay HUD, the U.S. Department of Justice, and the Providence Housing Authority \$74,000 in restitution. Delgado failed to report income and assets on housing certifications and obtained \$34,000 in housing assistance she was not entitled to receive.



Tara Lycurgus, a former Section 8 tenant at Pear Tree Park Apartments, a HUD-funded multifamily housing development, was sentenced in U.S. District Court, **Norfolk, VA**, to 5 years probation and ordered to pay HUD \$25,505 in restitution for her earlier guilty plea to making false statements. Lycurgus failed to report income on housing certifications and obtained \$25,505 in housing assistance she was not entitled to receive.



Mary Brown, a former Section 8 tenant at Cedar Park Apartments, a HUD-funded multifamily housing development, and her husband, Michael Scalf, were each indicted in U.S. District Court, **Davenport, IA**, for conspiracy to defraud HUD and making false statements. Between 2001 and 2005, Brown allegedly failed to report the residency or income of Scalf on housing or State certifications and obtained \$19,036 in housing assistance and \$90,569 in State benefits she was not entitled to receive.



Rhoda Wright, a Section 8 tenant at Monte Vista Apartments, a HUD-funded multifamily housing development, pled guilty in U.S. District Court, Harrisburg, PA, to making false statements to HUD. From 2003 to 2006, Wright failed to report income on housing certifications and obtained approximately \$17,000 in housing assistance she was not entitled to receive.



Elsa Ondina Herrera-Martinez, a former Section 8 tenant at High Point Village, a HUD-funded multifamily housing development, was sentenced in U.S. District Court, Boston, MA, to 2 years incarceration and 3 years supervised release and ordered to pay High Point Village \$15,651 in restitution for her previous conviction of theft of government funds, aggravated identity theft, and illegally obtaining a Social Security number. Herrera-Martinez and previously indicted Rafael Rosario acquired and used the identity of another to obtain more than \$15,000 in housing assistance they were not entitled to receive.



Glendale Stevenson, a Section 8 tenant at Southwood Patio Homes, a HUD-funded multifamily housing development, was sentenced in U.S. District Court, New Orleans, LA, to 8 months home confinement and 5 years supervised release and ordered to pay HUD \$8,430 in restitution for her earlier guilty plea to making false statements. Stevenson failed to report income on housing certifications and obtained \$14,820 in housing assistance she was not entitled to receive.



Ellen Yoder, a Section 8 tenant at Hillside Village Apartments, a HUD-funded multifamily housing development, pled guilty in U.S. District Court, Harrisburg, PA, to making false statements to HUD. Yoder allegedly concealed her prior criminal history on housing applications and obtained more than \$8,000 in housing assistance she was not entitled to receive.



Fallon Tooley, a former Section 8 tenant at Walnut Grove Apartments, a HUD-funded multifamily housing development, was sentenced in Clay County Court, Liberty, MO, to 3 years probation and ordered to pay HUD \$7,307 in restitution for her earlier guilty plea to stealing. Tooley failed to report income on housing certifications and obtained \$7,307 in housing assistance she was not entitled to receive.

Woman sentenced to home confinement

HUD applicant lied about her income

By Gwen Filina
staff writer

A New Orleans woman will spend eight months confined to home detention for lying about her income on an application to the U.S. Department of Housing and Urban Development in order to keep her place in a federal housing voucher program.

Glendale Stevenson, 37, admitted in June that she doctored her Section 8 housing application by omitting that she was receiving monthly checks from Social Security and Supplemental Security Income, so she could keep receiving her rental voucher.

Stevenson has lived in HUD-subsidized housing since late 1993, when she applied for housing at Southwood Patio Homes in Algiers. The mother of four pleaded guilty to turning in a falsified report of her income, a federal offense that carries up to five years in prison.

At a hearing Wednesday at U.S. District Court, Judge A.J. "Buddy" McNamara spared Stevenson from prison but ordered her to pay \$8,430 in restitution to HUD and remain on probation for the next five years, in addition to the home detention.

HUD provides rental assistance to low-income families through its Section 8 program, which requires that tenants submit "truthful income."

On her original 1999 application, Stevenson indicated that she would live in the apartment with three of her children, a 12-year-old daughter and two sons, ages 10 and 1. She checked the "no" box beneath the question that asks if the applicant receives benefits such as Social Security.

But in 2002, Stevenson started receiving SSI payments — \$1,200 to start and then \$50 each month on behalf of her 10-year-old son, who the government agreed was disabled, according to court records. As she applied for Section 8 during the next four years, Stevenson kept checking the "no" box for whether she received SSI checks.

By 2004, Stevenson was receiving SSI income for both sons at a rate of \$6,700 per child each year from SSI. In July and August 2005, she was receiving SSI payments for her three sons, although Stevenson told HUD her son was living with his father.

In 2004, the rental payments amounted to \$2,233, according to HUD. For the first eight months of 2005, HUD granted her \$1,600 in rental assistance.

Under questioning in July 2006 by special agents from HUD, Stevenson admitted that she purposely kept her children's SSI checks off her Section 8 application.

In Orleans Parish, about 4,000 families receive federal housing vouchers that pay their rent, while an additional 10,000 families remain on a waiting list that has not been reopened since Hurricane Katrina. Section 8 tenants must reapply each year.

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Other Fraud/Crimes

Berne Watkins, the former owner of three FHA-insured multifamily properties sold to previously indicted Aaron Dare, pled guilty in U.S. District Court, **Albany, NY**, to wire fraud and making false statements to HUD. In 2000 and 2001, Watkins and Dare executed two promissory notes to create the appearance that Dare held equity worth \$2.5 million, and then Dare used the fraudulent promissory notes to obtain and later default on three FHA-insured mortgages. HUD realized losses of \$1.9 million after the mortgages defaulted.



Patrick Crislip, a former HUD multifamily construction analyst, was indicted in U.S. District Court, **Kansas City, KS**, for conspiracy to conceal a conflict of interest. Crislip allegedly obtained \$49,900 from Alpha Property Management, Inc., a HUD multifamily management agent for Sunflower Park and Silver City Apartments, after he conducted official HUD inspections of the buildings during their \$1.7 million rehabilitation.



Golam Mostafa, owner of Mostafa Contracting and T&MTT, was sentenced in U.S. District Court, **New York City, NY**, to 63 months incarceration and 3 years supervised release and ordered to pay the Internal Revenue Service more than \$2.9 million in restitution for his previous conviction of Federal income tax evasion and filing a false Federal income tax return. From 1997 through 2003, Mostafa Contracting and T&MTT obtained more than \$17.7 million in HUD funds to renovate HUD-owned multifamily buildings and units through ARCO, a former contractor overseeing HUD multifamily properties. Mostafa violated his HUD/ARCO contract when he subcontracted the building renovations to ARCO employees and evaded payment of Federal income tax when he remitted \$7 million to Bangladesh via a money remitter and claimed these funds as business expenses.



Kristie, Alethia, and Sierra Kilgore; Angela Garrett; Tracy Patton; and Lena Shaw, HUD multifamily Housing Choice Voucher program participants, were each indicted in U.S. District Court, **Cleveland, OH**, for conspiracy and uttering counterfeit obligations. From May 2006 through January 2007, the above defendants and others allegedly created and distributed more than \$68,890 in counterfeit securities from their HUD-subsidized housing units.



Edward Boppert, a former housing assistance recipient at Stony Crest Towers, a HUD-funded multifamily housing development, was sentenced in Middlesex Superior Court, **Middletown, CT**, to 8 years incarceration and 10 years probation for his earlier guilty plea to possession of child pornography. Boppert possessed 322 images of child pornography in his HUD-subsidized unit.



Chapter 4



HUD's 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 Office of Inspector General (OIG) has also conducted numerous outreach efforts. (see chapter 7, page 137)

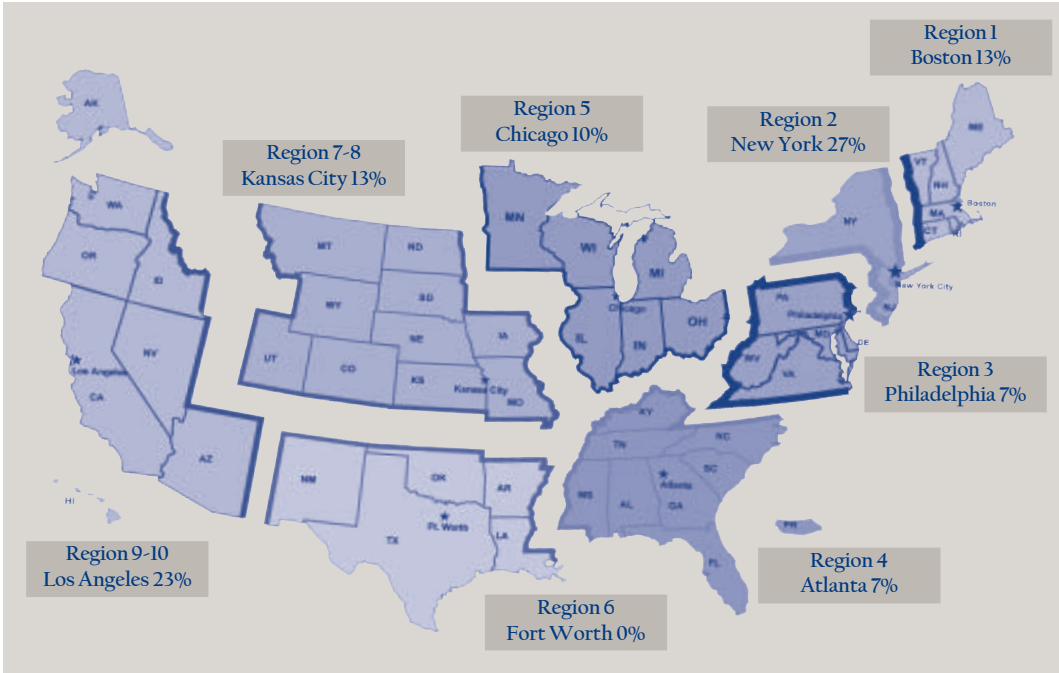
Audits

Strategic Initiative 3: Contribute to the Strengthening of Communities

Key program results		Questioned costs	Funds put to better use
Audit	20 Audits	\$18,569,481	\$8,297,119
Our focus	<ul style="list-style-type: none"> page 87 page 91 page 94 	<ul style="list-style-type: none"> - Community Development Block Grant Programs - HOME Investment Partnerships Program - Supportive Housing Program Grants 	

A Look Back for the Year

Chart 5.1: Percentage of OIG Community Planning and Development Audit Reports, Performed FY 07



OIG audits the Community Development Block Grant (CDBG) program, Supportive Housing Program grants, and the HOME Investment Partnerships Program (HOME). 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 they met program objectives. The following section illustrates the audits conducted in the CPD area.

Community Development Block Grant Programs

HUD OIG audited the City of Newark's, Newark, NJ, CDBG program. The City did not (1) maintain proper supporting documents for payments made on a bond obligation, (2) report and adequately account for program income, and (3) maintain adequate supporting documents for its drawdowns. As a result, more than \$10 million in bond and other payments is unsupported, more than \$261,000 in disbursements are ineligible, and the City cannot ensure that more than \$9.7 million in future bond payments will be an efficient use of funds. In addition, the City's financial management system did not ensure that (1) administrative costs were expended in proportion to delivery costs, (2) adequate time distribution records were used to allocate personnel expenses to various programs, (3) accounting records were accurate, and (4) key positions had adequate separation of duties. The City also did not implement proper program controls to adequately administer and monitor its CDBG programs.

OIG recommended that HUD instruct the City to (1) reimburse the CDBG program from nonfederal funds almost \$247,000 paid in excessive bond drawdowns and (2) provide supporting documentation for more than \$9.8 million in disbursements made related to bond payments or reimburse the CDBG program for any amounts not supported from nonfederal funds. (Audit Report: 2007-NY-1008)



HUD OIG audited the Municipality of Toa Baja's, Toa Baja, PR, CDBG program. The Municipality improperly used CDBG funds for ineligible new housing construction; did not ensure that units were adequate, safe, and sanitary; and lacked adequate documentation to support program accomplishments. Therefore, program expenditures of more than \$77,000 are ineligible, and more than \$1 million is considered unsupported pending an eligibility determination by HUD. In addition, the Municipality's financial management system did not properly allocate more than \$297,000 in administrative expenditures, did not support the allowability of more than \$107,000 in program disbursements, could not account for more than \$84,000 in CDBG receipts, and allowed the use of more than \$12,000 for ineligible expenditures. The Municipality also awarded six contracts, totaling more than \$231,000, without following HUD procurement requirements, did not support the reasonableness of more than \$167,000 in CDBG disbursements, and paid more than \$5,000 for excessive expenditures.

OIG recommended that HUD require the Municipality to (1) repay the program more than \$89,000 in ineligible expenditures and more than \$5,000 in excessive costs; (2) provide all supporting documentation showing the appropriateness and eligibility

of more than \$1.72 million in CDBG disbursements; (3) develop and implement an internal control plan to ensure that the CDBG program has controls and procedures which ensure that the housing rehabilitation activities meet the program objectives, a financial management system that complies with HUD requirements, and procurement procedures which ensure that goods and services are obtained at the most advantageous terms and in a manner providing full and open competition; and (4) ensure that CDBG expenditures are properly accounted for, reconciled with HUD's disbursement system, and in compliance with requirements. (Audit Report: 2007-AT-1007)



OIG audited the Office of Housing and Community Development, City of New Bedford's, **New Bedford, MA**, administration of its CDBG and HOME programs. The City generally administered its CDBG and HOME programs in accordance with HUD regulations. However, it failed to ensure that two of its subrecipients followed HUD requirements for full and open competition regarding procurements for construction work and did not ensure that another subrecipient attained its program objectives of issuing the required number of loans and creating the required number of new jobs. In addition, the City did not ensure that this subrecipient properly collateralized CDBG funds on deposit in the same bank or made loans that did not involve conflicts of interest. As a result, there is a lack of assurance that subrecipient procurements were fair and equitable and that the most favorable contract prices were obtained for \$750,000 in construction funding, more than \$1 million in CDBG funding for loans and job creation may not have been the best use of HUD funds, CDBG funds totaling more than \$188,000 were not adequately safeguarded against loss, and a subrecipient approved two loans that created apparent conflicts of interest.

OIG recommended that HUD require the City to (1) obtain a cost analysis for each subrecipient to support the funding provided for construction contracts, (2) ensure that the future use of CDBG funds creates the number of new jobs necessary to fulfill the requirements of past and current agreements to put current funding of \$285,000 to better use, (3) obtain and provide evidence that CDBG funds in excess of Federal Deposit Insurance Corporation (FDIC) limits for the subrecipient are fully collateralized, and (4) ensure that the subrecipient establishes adequate policies addressing conflicts of interest including requirements for providing full disclosure. (Audit Report: 2007-BO-1005)



HUD OIG audited the operations of the Town of Alexandria, **Alexandria, NY**, regarding its administration of a Small Cities Community Development Block Grant obtained in September 1999 under HUD's Canal Corridor Initiative.

The grantee disbursed CDBG funds for project costs that were necessary, reasonable, and in accordance with Federal regulations; however, it did not ensure that its use of the grant proceeds complied with program objectives. Specifically, its use of CDBG funds did not result in job creation, the program objective for which HUD provided the funds.

OIG recommended that HUD follow up on the grantee's progress toward meeting its job creation goal for the project and set a specified deadline for meeting the goal, use the \$50,000 per job standard to determine how much of the \$600,000 in CDBG funds are eligible costs, and require the grantee to reimburse the program from nonfederal funds for any amounts determined to be ineligible. (Audit Report: 2007-NY-1009)



HUD OIG audited the Lower Manhattan Development Corporation's (LMDC) administration of the CDBG Disaster Recovery Assistance funds provided to the State of New York as a result of the September 11, 2001, terrorist attacks on the World Trade Center in New York City, NY. LMDC disbursed approximately \$76.7 million of these funds from April 1 through September 30, 2006.

LMDC generally disbursed the funds in accordance with HUD-approved action plans, expended funds for eligible planning and administrative expenses in accordance with applicable laws and regulations, and maintained a financial management system that adequately safeguarded the funds. However, LMDC can strengthen its monitoring of Small Firm Attraction and Retention Grant program recipients' compliance with retention requirements and provide greater assurance that funds disbursed in the Cultural Enhancement Fund program further program objectives.

OIG recommended that HUD (1) ensure the recovery of \$6,000 in erroneous Small Firm Attraction and Retention Grant payments, (2) require LMDC to strengthen controls in the Small Firm Attraction and Retention Grant program to more effectively identify any grant recipients that do not remain at eligible business premises for the minimum 5-year term, and (3) monitor and evaluate the outcome-based performance measures established for the Cultural Enhancement Fund program to ensure that funded activity will have a positive impact upon the long-term revitalization of lower Manhattan. (Audit Report: 2007-NY-1005)



During the period, HUD OIG also reported on the Lower Manhattan Development Corporation's (LMDC), New York, NY, administration of the CDBG Disaster Recovery Assistance funds disbursed from October 1, 2006, through March 31, 2007. During this period, LMDC disbursed approximately \$98.7 million of the \$2.783 billion in funds appropriated. The audit objectives were to determine whether LMDC (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.

LMDC generally disbursed the \$98.7 million in Disaster Recovery Assistance funds in accordance with HUD-approved action plans, expended funds for eligible administration and planning expenses in accordance with applicable laws and regulations, and maintained a financial management system that adequately safeguarded funds and prevented misuse. However, the audit disclosed an internal control

weakness that resulted in the drawdown of more than \$1.2 million in Utility Restoration and Infrastructure Rebuilding program funds by a subrecipient without LMDC's written approval as required.

OIG recommended that HUD require LMDC to strengthen its drawdown controls over the Utility Restoration and Infrastructure Rebuilding program to ensure that its subrecipient complies with the subrecipient agreement. (Audit Report: 2007-NY-1013)



In addition to the above two audits of the Lower Manhattan Development Corporation (LMDC) in New York City, NY, HUD OIG audited the Utility Restoration and Infrastructure Rebuilding (URIR) program. The objectives were to determine whether certain activities, for which funds have been disbursed and additional funds are planned to be disbursed, represent an appropriate expense of the program.

An analysis is warranted to determine whether URIR category two costs, approved via an amendment of internal program guidelines, should have been approved via the action plan process. Further, when the amended action plan S-2 is submitted for approval, the proposed additional southern site costs warrant careful review to determine whether they are costs that were contemplated by the original program and whether some of those planned expenditures more appropriately should be charged to another program.

OIG recommended that HUD instruct LMDC to provide documentation so that HUD can determine whether the southern site activity added via program guidelines meets the criteria necessary to be included as part of the initial URIR program's objectives and whether the utility work outlined for the southern site should have gone through the same action plan procedures as other activities. If the southern site disbursements do not meet the criteria of the program, LMDC should be instructed to seek repayment of the funds already advanced and, when the amended partial action plan S-2 is submitted for HUD approval, provide additional specifics as to the activity to be funded via the proposed amendments to the partial action plan so that a determination can be made as to whether it is consistent with the congressional intent for the URIR program. (Audit Report: 2007-NY-0802)



HUD OIG reviewed the CDBG and HOME programs administered by the Community Development Agency, City of Fall River, MA. The City generally administered its CDBG and HOME programs in compliance with HUD requirements. The City's (1) internal controls over its management process, accounting, and data processing were adequate; (2) CDBG funds were used for national objectives; (3) CDBG and HOME program funds were used for eligible activities and were adequately supported; and (4) CDBG and HOME program income was properly accounted for. OIG made no formal recommendations, and no further action is necessary. (Audit Report: 2007-BO-1007)

HOME Investment Partnerships Program

HUD OIG audited the **State of Utah's** HOME program administered by the Utah Department of Community and Culture, Division of Housing and Community Development.

The Division incorrectly used more than \$1 million in HOME funds when program income funds were available for use. It generated so much program income that it did not effectively expend its entitlement funds and could lose more than \$4 million in entitlement funds because it did not establish and complete HOME projects within the required periods. It also did not conduct the required monitoring of the contract recipients' HOME activities. It used about \$300,000 in HOME funds to pay expenses for the Utah Capacity Building Collaborative without substantiating that the expenses were for HOME-related activities.

OIG recommended that HUD (1) require the Division's management to establish and implement written policies and procedures for the HOME functions and the Olene Walker Housing Loan Fund's board to bring its goal into agreement with its objective and HUD requirements, (2) determine whether the questionable costs were necessary and require the Division to repay any unnecessary costs, and (3) monitor the Division's HOME activities and provide technical assistance. (Audit Report: 2007-DE-1006)



HUD OIG audited the City of Passaic's, **Passaic, NJ,** HOME program. The City did not follow HUD and HOME regulations regarding the receipt and disbursement of program income. It also did not always document compliance with HUD and local program regulations regarding rehabilitation, acquisition, new construction, and monitoring activities. Further, it did not follow Federal procurement regulations regarding a professional service contract and a funding agreement to provide rehabilitation and acquisition services.

OIG recommended that HUD instruct the City to record almost \$529,000 in program income in HUD's Integrated Disbursement and Information System (IDIS), provide adequate support for more than \$53,000 in disbursements of program income, and expend the balance of almost \$476,000 in its two local accounts before making additional drawdowns from HOME funds. Also, the City should reimburse HOME from nonfederal funds almost \$98,000 related to the ineligible acquisition and new construction costs incurred, provide documentation for almost \$584,000 in unsupported activities, and ensure that annual monitoring reviews are performed so that more than \$790,000 will be put to better use. Finally, the City should provide contracts/written agreements for the unsupported disbursements of almost \$205,000, implement proper bidding procedures and obtain a current funding agreement with its community housing development organization to ensure that future expenditures of more than \$360,000 will be put to better use, and repay more than \$4,000 paid for rehabilitation services incurred in excess of contract limits. (Audit Report: 2007-NY-1012)



HUD OIG audited the City of Jersey City's, **Jersey City, NJ**, HOME program. The City failed to (1) enter into a contract for new construction and ensure that financing was available before disbursing funds, (2) ensure that funds disbursed were adequately secured, (3) repay funds related to two terminated projects, and (4) enter accurate information into IDIS.

OIG recommended that the HUD require the City to submit all supporting documentation to HUD regarding almost \$355,000 in HOME funds disbursed without a contract so that HUD can make an eligibility determination. Any amounts determined to be ineligible should be repaid from nonfederal funds. In addition, the City should repay almost \$268,000 plus interest for the two terminated rehabilitation projects and establish and implement controls to ensure that HOME funds are used in accordance with all program requirements and written agreements, periodic monitoring is performed on the activities so that appropriate action can be taken when performance problems arise, amounts disbursed are properly recorded on mortgage notes and agreements, and accurate information is entered into IDIS. (Audit Report: 2007-NY-1007)



HUD OIG audited the **Cook County, IL**, HOME program. The County did not effectively administer HOME and violated HUD's HOME requirements. It did not comply with HUD's regulations and/or its manual of administrative procedures for residential rehabilitation and/or policies and procedures for lead-based paint in housing programs in providing housing rehabilitation assistance for owner-occupied single-family rehabilitation projects and/or American Dream Downpayment Initiative activities' assistance with downpayments and closing costs. It inappropriately provided more than \$100,000 in HOME funds to assist two projects that did not qualify as affordable housing, using \$15,000 in HOME funds for excessive project delivery costs for two projects, and was unable to support its use of nearly \$828,000 in HOME and Initiative funds for projects and activities.

OIG recommended that HUD require the County to reimburse HOME from nonfederal funds for the improper use of funds, provide support or reimburse HOME from nonfederal funds for the unsupported payments, and implement adequate procedures and controls to address the issues identified. These procedures and controls should help ensure that nearly \$154,000 in HOME funds is used over the next year for projects that qualify as affordable housing. (Audit Report: 2007-CH-1015)



HUD OIG audited the Tacoma Consortium HOME program, in **Tacoma, WA**. The Consortium generally administered HOME in accordance with HUD requirements but violated HOME regulations when it drew down funds for a homeowner who was not low income, a homeowner whose income was not adequately documented, projects that were not completed to code, luxury improvements, and rehabilitation activities that were not compliant with HUD requirements or its own written rehabilitation standards. In addition, contrary to HUD procurement regulations, the Consortium

did not perform an independent estimate or cost analysis to determine whether contract change orders were reasonable.

OIG recommended that HUD require the Consortium to repay HOME from nonfederal funds more than \$187,000 in ineligible costs, provide supporting documentation or repay from nonfederal funds more than \$48,000 in unsupported costs, and implement policies and procedures so that its grant activities are carried out in accordance with applicable laws, regulations, and Consortium rehabilitation standards to put more than \$263,000 in homeowner rehabilitation funds to better use over the next year. (Audit Report: 2007-SE-1004)



HUD OIG audited the City of Milwaukee's, Milwaukee, WI, HOME program. The City did not ensure that its owner-occupied single-family rehabilitation projects and American Dream Downpayment Initiative activities met HUD's and/or the City's property standards and did not maintain an effective system of controls over its contracting processes for projects. It used more than \$300,000 in HUD funds for projects and activities that did not meet HUD's and/or the City's standards.

OIG recommended that HUD require the City to ensure that housing rehabilitation work and required repairs are completed or reimburse HOME and the Initiative from nonfederal funds for the projects and an activity that did not meet HUD's and/or the City's standards and implement adequate procedures and controls to address the issues identified. These procedures and controls should help to ensure that at least \$120,000 in HOME funds is appropriately used over the next year for projects that meet HUD's and the City's standards. (Audit Report: 2007-CH-1018)



HUD OIG audited the City of Cincinnati's, Cincinnati, OH, HOME program. The City did not effectively administer HOME and violated HUD's requirements. It did not comply with HUD's regulations in providing housing rehabilitation assistance for owner-occupied single-family rehabilitation projects and/or downpayments, closing costs, homebuyer counseling, and home inspections for American Dream Downpayment Initiative activities. It inappropriately provided more than \$225,000 in HOME funds to assist three projects that either did not qualify as affordable housing or in which the household was not income eligible, inappropriately provided \$41,000 in Initiative funds to assist five households that were not income eligible, and was unable to support its use of nearly \$1.4 million in HOME and Initiative funds for projects and activities.

Audit criticizes housing work

132 deficiencies discovered in 11 HUD-funded rehabs

By GEORGIA PABST
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An audit of the City of Milwaukee's federally funded HOME program, which rehabilitates houses for low- and moderate-income people, found the city used \$300,000 in federal funds for projects that did not meet the standards of the city or the U.S. Department of Housing and Urban Development.

The audit by HUD's inspector general's office said the city must improve existing controls over the administration of HOME program work and contracting.

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OIG recommended that HUD require the City to reimburse HOME and the Initiative from nonfederal funds for the improper use of funds, provide support or reimburse HOME and the Initiative from nonfederal funds for the unsupported payments, and implement adequate procedures and controls to address the issues identified. These procedures and controls should help to ensure that more than \$134,000 in HOME and Initiative funds is appropriately used over the next year. (Audit Report: 2007-CH-1017)



HUD OIG audited the State of Maryland's HOME program. The State did not always administer its HOME-assisted single-family homeownership assistance program in accordance with Federal regulations and written agreements. OIG found no violations of conflict-of-interest and modest home provisions, and the State adequately enforced the recapture provisions by securing liens against the assisted properties through deeds of trusts. However, the State did not have adequate internal controls to effectively monitor its subrecipients' administration of the program. It did not adequately monitor its subrecipients' performance to ensure that (1) records to support property standard compliance were maintained, (2) hazard insurance requirements were enforced, and (3) income eligibility was properly determined. As a result, it awarded \$73,000 in unsupported HOME funds.

OIG recommended that HUD require the State to submit all supporting documentation to HUD to support the HOME funds awarded. Any amounts determined to be ineligible should be repaid from nonfederal funds. Also, OIG recommended that the State establish and implement written monitoring policies to ensure adequate monitoring of its subrecipients' compliance with all Federal requirements and written agreements to include periodic in-house reviews and on-site monitoring of its subrecipients. (Audit Report: 2007-PH-1012)

Supportive Housing Program Grants

HUD OIG audited the Central City Lutheran Mission's, San Bernardino, CA, Supportive Housing Program grant funding. The Mission lacked the capacity to properly administer multiple Supportive Housing Program grants. In addition, it spent more than \$294,000 for unsupported and ineligible expenses and failed to fully support that it provided required matching funds for more than \$429,000 in grant funds. It also prematurely sold two apartment buildings purchased with \$280,000 in grant funds without HUD's written approval. Finally, while the Mission correctly verified the eligibility of its clients, it failed to collect more than \$13,000 in funds because the rents were not calculated correctly.

OIG recommended that HUD (1) not provide the Mission with any future funding until it has implemented adequate systems and controls and (2) require the Mission to reimburse the grants and/or repay HUD from nonfederal funds for more than \$699,000 in unsupported expenses and more than \$304,000 in ineligible expenses and to

implement effective procedures and controls to ensure that all income and expenses are properly considered so that rent calculations are correct. (Audit Report: 2007-LA-1012)



HUD OIG audited A Community of Friends', Los Angeles, CA, Supportive Housing Program cash match program. The Community did not always administer its Supportive Housing Program cash match in compliance with HUD requirements. It failed to meet its supportive services cash match requirements for 1 of 15 grants reviewed. The grant did not meet the 25 percent cash match requirements and included ineligible expenses as cash match. A second grant, while still active, was deficient in the amount of cash match provided during the first four months of the grant term. As a result, neither HUD nor the Community was assured that the Community maximized the effectiveness of the Supportive Housing Program's intent.

OIG recommended that HUD require the Authority to repay the \$71,318 balance of the grant funds expended. (Audit Report: 2007-LA-1016)



HUD OIG audited the Los Angeles Homeless Authority's, Los Angeles, CA, Supportive Housing Program grant funding. The Authority neglected to perform on-site fiscal monitoring of its project sponsors and failed to properly perform its 100 percent source documentation desk review for at least two of its project sponsors to ensure that cash match funding was eligible and supported. Of the two project sponsors reviewed, one had applied ineligible expenses as cash match, while the other was unable to support its cash match due to a poor financial management system.

OIG recommended that HUD require the Authority to comply with HUD's requirements regarding on-site fiscal monitoring of its project sponsors, reexamine its desk review procedures to ensure that reviews are performed to adequately monitor its project sponsors' cash match, reevaluate its current risk analysis matrix to better identify the more problematic project sponsors, and establish and implement written monitoring procedures. (Audit Report: 2007-LA-1013)



Investigations

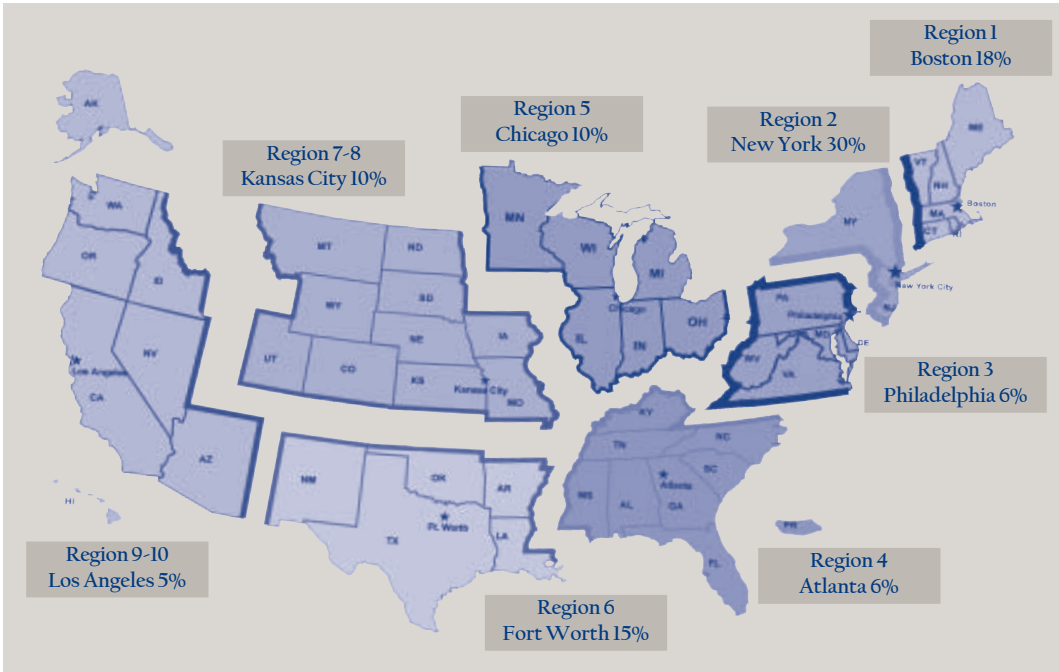
Some investigations discussed in this report were generated from leads provided by HUD CPD program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 3: Contribute to the Strengthening of Communities

Key program results	Cases closed	\$ Recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	38	\$2,072,741	36	22
Our focus	page 97 page 100	<ul style="list-style-type: none"> - Theft/Embezzlement - Other Fraud Crimes 		

A Look Back for the Year

Chart 5.2: Percentage of OIG Community Planning and Development Closed Investigation Cases, Performed FY 07*



*This does not include cases in which funds misused came from Congress for hurricane relief. (see chapter 5 for these cases)

Theft/Embezzlement

Frank DeSantis, president of Community Partnership Development Corporation (CPDC), a HUD-funded nonprofit administering a \$16.9 million Low Income Housing Preservation and Resident Homeownership Act grant, was indicted in U.S. District Court, Los Angeles, CA, for obstructing a Federal audit. DeSantis allegedly provided fabricated time sheets and certifications to justify nearly \$3.2 million in overstated and unapproved construction fees paid to CPDC employees during the rehabilitation of three multifamily housing projects.



Leroy Brown, a former financial manager for the Salvation Army sentenced in U.S. District Court, Newark, NJ, for his earlier guilty plea to conspiracy to steal from an organization receiving Federal funds and Federal income tax evasion, was debarred from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government for 3 years. Brown and others created fraudulent documents, issued bogus landlord payments, and embezzled \$385,760 from a Salvation Army bank account funded in part with HUD Housing Opportunities for Persons with Aids (HOPWA) funds.



Keough aide gets 10 months

The corruption defendant apologized in federal court yesterday.

By ANNE FLYNN
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SPRINGFIELD — A convicted armed robber and heroin addict who served as top aide for Francis G. Keough III at Friends of the Homeless Inc. was given a 10-month prison sentence yesterday for his role in fleeing the shelter.

Citing his extensive criminal record, Angel T. Guzman, 30, stood in U.S. District Court and promised his days as an outlaw are over.

"I promise you'll never, ever see me in this courtroom again, or hear my name," Guzman told U.S. District Judge Michael A. Puzan yesterday.

Under the sentence, Guzman must pay back \$40,000 to the homeless charity and take substance abuse and anger management classes.

Guzman pleaded guilty to conspiracy and fraud linked to a no-show job scam at the shelter, orchestrated by Keough.

Guzman has been jailed for nine months for violating his bail agreement by using drugs. Puzan gave him credit for time served and added one month to the sentence. He dodged a longer sentence by cooperating with federal investigators in making a case against Keough.

Assistant U.S. Attorney Steven H. Breslow asked for a 10-month sentence while defense lawyer Lori H. Levinson asked for one month less. He could have faced up to 20 months in prison under federal sentencing guidelines.

Guzman's past criminal exploits — including convictions for

PHOTO BY GUY LAWRENCE FOR THE SPRINGFIELD REPUBLICAN

Please see Section, Page B3

Angel Guzman, a former operations manager for Friends of the Homeless, Inc. (FOH), a HUD-funded nonprofit, and former FOH intake supervisor Michael Hallahan were each sentenced in U.S. District Court, Springfield, MA, for their earlier guilty pleas to mail fraud and conspiracy to commit mail fraud. Guzman was sentenced to 10 months incarceration and 36 months probation and ordered to pay FOH \$40,665 in restitution. Hallahan was sentenced to 2 years probation, ordered to perform 400 hours community service, and fined \$3,240. Guzman and previously convicted FOH executive director Francis Keough falsely certified FOH unit occupancy certifications and obtained about \$38,000 in FOH housing assistance for unqualified tenants. Hallahan, while employed at FOH and during FOH working hours, assisted Keough with the construction of his personal residence. HUD losses are estimated at \$145,000.



Phyllis Tate, the HOME grant administrator at Golden Triangle Planning and Development District (Golden), a HUD-funded organization; her daughter, Keina Tate; Josh Brown, a Golden building inspector; Jason Clark, owner of J-Max Construction; and Richard Ramsey, owner of RB&J Construction, were each indicted in U.S. District Court, Starkville, MS, for conspiracy, embezzlement,

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Republican - Springfield, MA.
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Five indicted on federal fraud charges

Former GTPDD officials, others arrested in fraud, money laundering scheme

By PAUL SIMS
Starkville Daily News

Five people — including three from Starkville — allegedly involved themselves in a scheme to defraud and launder approximately \$350,000 intended for low-income housing projects, federal court indictments show.

Phyllis Tate, the former home grant administrator for the Golden Triangle Planning and Development District; her daughter, Keina Tate, of Starkville; Jason Clark, of J-Max Construction and Starkville and Keina Tate's step-brother; Richard Ramsey, RB&J Construction of Jackson, and Josh Brown, a building inspector from

Jackson, were all named in the 41-count federal grand jury indictment handed down May 31.

State Auditor Phil Bryant and U.S. Attorney Jim Graves announced the arrests of Brown, Clark, Ramsey and the Tate sisters Wednesday afternoon.

Charges against Phyllis Tate, according to the release from Bryant and Graves, include:

- Unlawful conversion of federal program funds.
- Evading federal financial reporting requirements.

- Conspiracy to violate federal criminal law.
- Money laundering.

"The embezzlement of public money dedicated for housing assistance is particularly important to taxpayers. Such action will not be tolerated by this agency," Bryant said.

In the statement, Bryant thanked the Oktobeh County Sheriff's Office, Golden Triangle Planning and Development District, the Mississippi Development Authority, the Federal Bureau of Investigation, Housing and

Urban Development's Office of Inspector General and the U.S. Attorney's Office for their help on the case.

The following communities and counties were allegedly defrauded of funds, according to initial calculations from amounts listed in the indictment: Epanox, \$34,902; Chickasaw County, \$12,808; Wata, \$21,684; Winston County, \$28,608; Webster County, \$17,580; Neshoba County, 11,750 and

See 'Indicted' page 26

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money laundering, structuring financial transactions, and aiding and abetting. Ramsey and Brown each pled guilty to embezzlement, money laundering, or conspiracy. Phyllis and Keina Tate and Clark allegedly and Ramsey and Brown admittedly created fictitious invoices and building inspections for nonexistent homes, deposited Golden payments into bank accounts controlled by J-Max Construction or RB&J Construction, and used about \$120,000 in HUD HOME funds for personal gain.



Elischa Campbell, the former director of Just-a-Sister-Away (JASA) House of Texas, Inc., a HUD-funded Supportive Housing Program nonprofit, pled guilty in State District Court, Houston, TX, to misappropriation of fiduciary property or property of a financial institution. Campbell was sentenced to 4 years probation and ordered to perform 240 hours of community service and pay HUD \$47,500 in restitution. Campbell submitted false documents to support the use of \$47,500 in JASA funds to purchase property, but no property was acquired.



Ebony Davis, a former HOPWA case manager for Volusia and Flagler Counties AIDS Coalition, a HUD-funded organization, pled guilty in U.S. District Court, Orlando, FL, to embezzlement. Davis falsified HOPWA recipient lease agreements, generated payments to fabricated landlords, and embezzled more than \$11,036 in HOPWA funds.



George Crawford, Derrick Ward, and Abdullah Aziz, also known as Marion Gaillard, were each indicted in U.S. District Court, New York City, NY, for conspiracy to defraud HUD and theft of government funds. Crawford, Ward, and Aziz allegedly submitted false applications and obtained more than \$8,800 in Business Recovery Grant funds from Empire State Development Corporation, a

Ex-AIDS worker charged in theft of \$2,182

By ANNE GOGGINS
STAFF WRITER

A fired employee of a non-profit AIDS agency was arrested Thursday on federal charges that she embezzled government money meant to pay for the housing of AIDS patients.

Ebony Davis, 29, of Daytona Beach is accused of stealing at least \$2,182 while she was an employee for the AIDS Coalition of Volusia/Flagler, according to court papers. She pleaded not guilty to the charges and was released.

That agency closed its doors last July when it ran out of funding. The former chairwoman of the coalition's board couldn't be reached for comment on what role the alleged embezzlement played in the agency's demise.

Davis' arrest marks the beginning of federal charges against former AIDS Coalition workers, according to Michelle Egan-Hyron, a secret case manager at the coalition who went to authorities when she found financial irregularities.

Egan-Hyron, now living in Palm Beach County, said she discovered missing money at the agency when she sought federal funds that provide housing and living expenses for AIDS patients. She was told they had already been accessed, their funds —

and there was no more money — even though her clients told her they hadn't used it.

She said Davis sent vouchers for AIDS patients and arranged for her father to receive those funds as the patients' landlord. "The landlord gets paid the money directly," Egan-Hyron said.

Davis, who didn't return a phone call Thursday, was fired from the AIDS Coalition in late 2002 — but charges were never pressed. Davis later went to work as a senior health advisor at Shostet-Marchant Center for Chemical Independence, where she worked from February 2004 until last March.

AIDS Coalition's departure from the AIDS Coalition, however, money continued to go missing from the same fund, Egan-Hyron said. Soon after that, Egan-Hyron said she began having trouble at work and she was fired in December 2002.

After that firing, Egan-Hyron's ex-husband got temporary custody of her son after a former AIDS Coalition colleague testified that she was "distressed" in respecting the going-on at the coalition, court papers show.

The investigation is continuing.

U.S. Magistrate Judge David Baker agreed in U.S. District Court in Orlando Thursday with a request from Assistant U.S. Attorney Cynthia Snowman that Davis be monitored for drugs because of evidence that she is abusing them.

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HUD-funded nonprofit established to provide assistance to businesses in lower Manhattan after the September 11, 2001, terrorist attacks.



William Walker, the former director of New Brunswick's Neighborhood Preservation and Housing Rehabilitation Programs (BNP/BHR), HUD-funded organizations, was arrested after his indictment in U.S. District Court, Newark, NJ, for extortion under color of official right and soliciting and accepting corrupt payments. Walker allegedly accepted \$112,500 in bribes from Friendly Maintenance Group and TAJ Maintenance, construction and maintenance companies under contract with BNP/BHR. In addition, Richard Kaplan, the former director of New Brunswick Department of Community Planning and Economic Development (BCPED); Linda Carol Roach, a former supervisory clerk at BCPED; and Prakash George Karot, a City of Perth Amboy housing inspector and maintenance manager at TAJ, each pled guilty to bribery, aiding and abetting, or receiving corrupt payments. Kaplan received kickbacks from contractors in exchange for monthly rehabilitation contracts, expedited and lenient inspections, and accelerated contract payments. Roach accepted cash payments from BCPED contractors in exchange for expedited contract payments. Karot, while under contract with BCPED, provided kickbacks to BCPED employees. HUD losses are not yet determined.



Sharpe James, the former mayor of Newark, NJ, and Tamika Riley, a former New Jersey Department of Community Affairs (NJDCA) housing assistance recipient, were each indicted in U.S. District Court, Newark, NJ, for misuse of government credit cards, fraudulent sales of government property, fraud involving a local government receiving Federal funds, and wire and mail fraud. James allegedly arranged the sale of discounted municipal real estate to Riley, who then allegedly resold the properties to developers and shared the gains with James. James also allegedly used city-issued credit cards for personal expenses, and from December 2001 until September of 2005, Riley allegedly submitted false information on NJDCA certifications and obtained NJDCA housing assistance she was not entitled to receive. HUD losses are not yet determined.



Richard A. Goyette, the former mayor of Chicopee, MA, pled guilty in U.S. District Court, Springfield, MA, to extortion. Goyette extorted \$5,000 as a campaign



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contribution from a developer under contract with Chicopee's Office of Economic Development (CED), a HUD-funded entity, and in return, Goyette promised to approve and then modify and extend the CED contract to benefit the developer.



Anthony Ardolino, the former chief of staff for the mayor of Springfield, MA; his brother and former Springfield police officer Chester Ardolino; and Matthew Campagnari were each sentenced in U.S. District Court, **Springfield, MA**, for their earlier guilty pleas to conspiracy, filing false Federal income tax returns, and witness intimidation. Anthony and Chester Ardolino were each sentenced to 12 months plus one day incarceration and 2 years supervised release and fined \$10,000. Campagnari was sentenced to 18 months incarceration and 2 years probation, fined \$20,000, and ordered to perform 200 hours of community service. The above defendants conspired to influence the awarding of HUD CDBG funds available through the City of Springfield's Façade program to businesses owned by Campagnari, Chester Ardolino, and other Ardolino family members.

Ex-police union chief sentenced

Gets 1 year, co-defendant 18 months



By **BUFFY SPENCER**
bspencer@springfield.com

Chester I. Ardolino **Matthew B. Campagnari**

SPRINGFIELD — Chester J. Ardolino, a former president of the Springfield patrolmen's union, was sentenced to a year in federal prison yesterday for his involvement in a tax fraud case involving two downtown bars he once owned.

In a case that was spawned in the midst of the city's long-running public corruption probe, co-defendant and fellow bar owner, Matthew B. Campagnari, also was sentenced yesterday to 18 months in federal prison.

The prison terms for each will be followed by two years of supervised release. In addition, Ardolino was fined \$10,000 and Campagnari \$20,000, and both will have to pay taxes due to the Internal Revenue Service.

Ardolino, 48, of Springfield, had pleaded guilty on March 22 to one count of conspiracy and four counts of failing to

Please see Prison, Page A7

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Other Fraud/Crimes

James Middleton, the former executive director of Southside Community Development and Housing Corporation, a HUD-funded nonprofit, pled guilty in U.S. District Court, **Richmond, VA**, to mail fraud. Middleton provided fraudulent applications to private corporations and obtained \$300,000 in grants and loans to pay cost overruns on Southside building projects.



Timothy Giggey and Douglas Hersom were each sentenced in U.S. District Court, **Portland, ME**, for their earlier guilty pleas to maliciously damaging or destroying a building by means of fire. Giggey was sentenced to 95 months incarceration and 3 years supervised release and ordered to pay Peerless Insurance Company \$351,333 in restitution. Hersom was sentenced to 151 months incarceration and 3 years supervised release and ordered to pay Peerless Insurance Company \$351,333 in restitution, jointly and severally with Giggey. Giggey, Hersom, and others set a fire and destroyed a building under renovation and owned by Greeley Capital, LLC, the recipient of a \$50,000 HUD CDBG loan through the City of Lewiston Economic and Community Development Office.



Wendell France, a former Baltimore County Housing Authority (BCHA) HOPWA Section 8 tenant and BCHA landlord, was arrested and charged in Baltimore County Circuit Court, **Baltimore, MD**, with theft. France allegedly failed to report employment, business income, assets, or his receipt of BCHA landlord payments on BCHA HOPWA certifications and obtained \$18,659 in BCHA HOPWA housing assistance he was not entitled to receive.



Jeffrey T. Mallinson, an unauthorized resident in a subsidized housing unit provided by Virginia Supportive Housing (VSH), a HUD-funded organization, pled guilty in Chesterfield District Court, **Chesterfield County, VA**, to obtaining money by false pretenses and failing to appear. Mallinson was sentenced to 12 years incarceration (suspended) and indeterminate probation and ordered to pay VSH \$1,076 and two financial institutions \$1,731 in restitution. Mallinson accessed a VSH bank account and used \$1,076 in VSH funds for personal Internet purchases. VSH terminated the subsidized housing recipient with whom Mallinson resided.

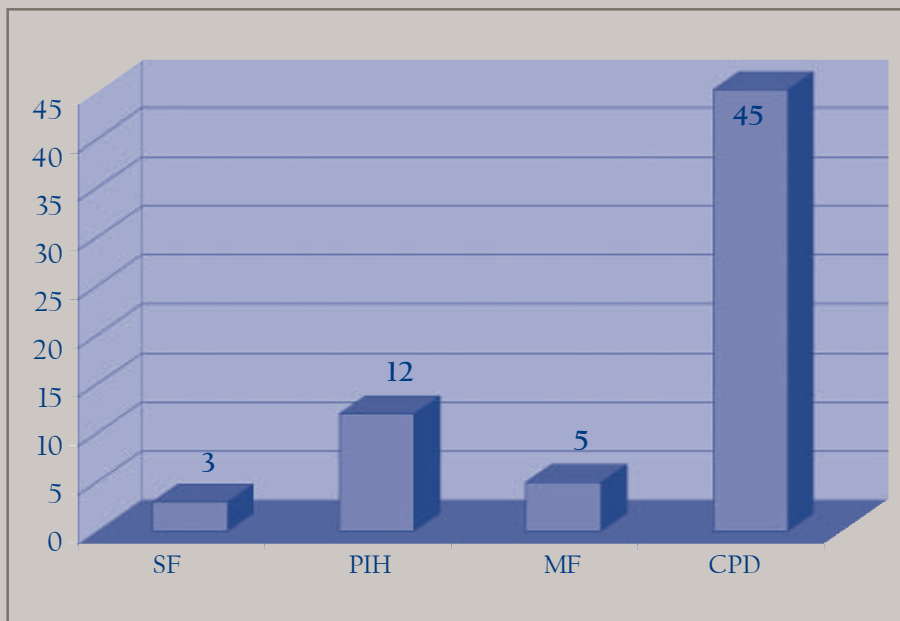


Chapter 5



Hurricane Relief Oversight

Cases Closed by Program Area, Performed FY 07*



*Total number of hurricane-related cases, some of which may have been worked in different States due to relocation of evacuees.

Introduction and Background

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), successfully established the Gulf Coast regional Offices of Audit and Investigation in the Gulf Coast disaster areas to prevent, detect, and combat fraud, waste, and abuse of HUD program disaster funds. HUD received supplemental appropriations of approximately \$17 billion. HUD has approved numerous State action plans and distributed billions of dollars in the form of HUD Community Development Block Grants (CDBG) for housing and other needs. In addition, HUD has been preparing to provide temporary housing assistance for Federal Emergency Management Agency (FEMA) households from the declared disaster areas, under a FEMA interagency agreement, using FEMA funds. HUD has also provided a variety of public housing program funds for repair and reconstruction of severely damaged public housing properties.



The HUD OIG Office of Audit continues to be diligent in its efforts to pursue fraud, waste, and abuse in the audits of the \$17 billion in HUD's emergency supplemental funding provided to the Gulf Coast States. The HUD OIG Office of Audit Gulf Coast Region now has completed five audits of disaster recovery efforts including an internal audit of HUD's emergency contracting process. Currently, auditors are evaluating the control processes for the two largest contractors of the homeowner grant programs for the States of Louisiana and Mississippi. Funding for Louisiana's Road Home Program (RHP) exceeds \$6.25 billion, and the amount obligated for Mississippi's homeowner program totals \$3.25 billion.

The Office of Investigation has concentrated on hurricane fraud in the Gulf Coast by focusing its resources in the recently established Gulf Coast Region headquartered in New Orleans, LA, and the Disaster Relief Oversight Division in Washington, DC. The Gulf Coast Region consists of 10 special agents (including a special agent in charge), five forensic auditors (including a supervisory forensic auditor), and one administrative officer. The Gulf Coast Region conducted the majority of our investigations, although it should be noted that there have been criminal investigations related to Hurricane Katrina fraud throughout the country.

The Office of Investigation has provided training, presentations, and outreach on HUD disaster recovery funding and investigative matters to prosecutors, law enforcement, and State agencies. In the Gulf Coast Region, we have been working with the State agencies and grantees to implement antifraud measures, which they have utilized in their disbursement of disaster funds. For example, the State agencies in Louisiana, Mississippi, and Texas have established fraud controls recommended by HUD OIG for their homeowner assistance grant programs. The Gulf Coast Region is also

actively participating in the U.S. Department of Justice (DOJ) Hurricane Katrina Fraud Task Force in Baton Rouge, LA, which receives approximately 1,000 hotline calls monthly related to hurricane fraud.

The Disaster Relief Oversight Division (DROD) consists of two supervisory special agents (including a special agent in charge) that monitor and assist with all disaster investigations nationwide. DROD supports the Gulf Region and conducts a variety of important activities for the HUD OIG Office of Investigation, including the coordination of public corruption and contract fraud matters with DOJ. DROD works closely with the Office of Audit to monitor and conduct research on all HUD disaster program funds. DROD continues to implement fraud prevention measures within HUD and in the affected States of the Gulf Coast Region.

Hurricane Financial Profiles of HUD Community Development Block Grant Funds

The following provides the status as of September 30, 2007, of the HUD CDBG disaster funds appropriated to the five Gulf States and a summary of the homeowners programs for Mississippi and Louisiana. HUD's distribution of the funds and the receipt and use of the funds by State agencies, contractors, consultants, homeowners, and evacuees are being tracked and monitored for waste, fraud, and abuse by the HUD OIG Office of Audit and Office of Investigation.

Disaster Community Development Block Grant

States	Allocation	Disbursement	Balance
Alabama			
Ist & 2nd Supplemental Total	\$95,613,574	\$8,342,871	\$87,270,703
Florida			
Ist & 2nd Supplemental Total	\$182,970,518	\$441,936	\$182,528,582
Louisiana			
Ist & 2nd Supplemental Total	\$10,410,000,000	\$4,521,777,327	\$5,888,222,673
Mississippi			
Ist & 2nd Supplemental Total	\$5,481,221,059	\$1,628,702,618	\$3,852,518,441
Texas			
Ist & 2nd Supplemental Total	\$503,194,849	\$8,195,457	\$494,999,392
Totals	\$16,673,000,000	\$6,167,460,209	\$10,505,539,791

State of Louisiana

The Road Home Program (Authorized \$6.25 Billion; Disbursed \$4.16 Billion)

The Road Home program is the major program set up to rebuild Louisiana's impacted communities. Devastated communities will be subjected to abandoned homes, clouded land titles, and disinvestments if a large portion of the financial assistance is not provided to homeowners. However, some owner-occupants may choose none of the basic options to repair, rebuild, or relocate in Louisiana. In these instances, the State will compensate the homeowner for 60 percent of the home's prestorm value, less insurance and FEMA repair funds. The status of the Road Home program is stated below.

State of Louisiana Homeowner Program Status

Community Planning and Development Community Development Fund The Road Home Snapshot Analysis of the Homeowner Applications State of Louisiana Status as September 30, 2007	
Line items	Totals
Total applications received and recorded to date	184,667
Closings held	54,088
Average award	\$66.5 thousand

Source of funds: Emergency Supplemental Appropriations I & II (P.L. 109-148 and P.L. 109-234)

State of Mississippi

Homeowner Grant Assistance Program (Authorized \$3.25 Billion; Disbursed \$1.2 Billion)

The purpose of the Homeowner Grant Assistance program is to provide a one-time grant payment (maximum \$150,000) to eligible homeowners who had suffered flood damage to their primary residence as of August 29, 2005, from Hurricane Katrina. The Homeowner Grant Assistance program is designed to provide compensation to those impacted by the hurricane.

There is no requirement that the homeowner occupy the property after replacement/rehabilitation work is completed. After certain deductions, the homeowners have complete discretion of the use of grant funds, as allowable by State and Federal law, as they work through their personal disaster recovery situation. The status of the Mississippi homeowner program is reflected in the table below.

State of Mississippi Homeowner Program Status

Homeowner Program Snapshot Analysis of the Homeowner Applications State of Mississippi Status as September 26, 2007	
Line items	Totals
Applications received	19,794
Grants paid	13,938
Dollar value of grants paid	\$1.008 billion
Average grant paid	\$72.3 thousand

Source of funds: Emergency Supplemental Appropriations I & II (P.L. 109-148 and P.L. 109-234)



Audit

During this period, OIG issued one new audit report on Mississippi's Homeowner Grant Assistance program. To date, HUD OIG has completed five hurricane-related audits, which have resulted in management recommendations and questioned costs. There are four ongoing audits that are close to completion with other audits being planned.

Emerging Oversight Trends

The Office of Audit is continuing to pursue audits of Louisiana's largest disaster grant program, the Road Home program. There are also four ongoing audits close to completion that address other areas such as the disaster voucher program, contract compliance, cost reviews, and Mississippi's homeowner assistance program. More audits of the Road Home Program, however, are currently being planned to determine

- Whether the State has a process in place that has been implemented to offset and/or recapture Road Home grant funds due to homeowners' insurance settlements (e.g., subrogation).
- The impact of the Additional Compensation Grant and the eligibility of its recipients.
- Whether grant recipients received duplicate benefits from various Federal agencies (e.g., HUD, FEMA, Small Business Administration (SBA), the U.S. Department of Agriculture).
- The process used to assess the amount of property damage used as a basis for determining the compensation award amount.

Final Audit Products

Audit Report No.: 2007-AO-1001 (Issue Date: May 7, 2007)

Title: The State of Mississippi's Homeowner Grant Assistance Program, Jackson, Mississippi

HUD OIG audited the State of Mississippi's calculation of homeowners' grant amounts and monitoring of the implementation of its Homeowner Grant Assistance program. The objectives were to determine whether the State appropriately calculated the homeowners' grant amounts and monitored the implementation of its program.

The State did not appropriately calculate the homeowners' grant amounts when it allowed its contractor, Reznick Group, to deduct unnecessary costs such as unpaid State income taxes, State unemployment taxes, and local ad valorem or property taxes from the homeowners' grant amounts. The State also did not monitor Reznick Group's implementation of its Homeowner Grant Assistance program.

OIG recommended that HUD require the State to immediately (1) cease withholding or deducting unnecessary tax debts from homeowners' grant amounts,

(2) recalculate the grant amounts for those homeowners who have already received assistance and refund such homeowners a total of more than \$159,000 in State and/or local taxes inappropriately withheld or deducted from their grants, and (3) confirm with State and local tax agencies the delinquent taxes the homeowners owed such agencies.

HUD officials concur with all proposed management decisions and target dates for the four recommendations.



Investigations

During this reporting period, OIG opened 92 and closed 52 investigations in the Gulf Region disaster relief program areas. Judicial action taken on these cases included \$78,339 in investigative recoveries; more than \$2.3 million in funds put to better use; 41 indictments or informations; 39 convictions, pleas, or pretrial diversions; 24 administrative actions; and 43 arrests.



The Office of Investigation continued to work with the U.S. Department of Homeland Security (DHS) OIG in conducting FEMA fraud investigations involving residents of HUD-funded developments. The Office of Investigation has increased the number of homeowner grant fraud investigations involving both the Louisiana Road Home and Mississippi Housing Assistance Grant programs. These grant programs offer grants of up to \$150,000 to homeowners affected by hurricane disasters. As these funds have been disbursed to homeowners, we have identified an increase in fraud regarding the grants.

In addition to proactive investigations of homeowner grant fraud and reactive investigations involving FEMA fraud by residents of HUD-funded developments, HUD OIG investigates allegations of wrongdoing involving businesses and others receiving HUD disaster funds through contracts and procurements or as a result of public corruption. With approximately \$2.7 billion in HUD CDBG funds designated for the repair and restoration of infrastructure and businesses or government agencies in Louisiana and Mississippi, the Office of Investigation is developing a "contractor intelligence database" for the Hurricane Katrina Fraud Task Force (Task Force) members and evaluating computer-matching agreements with other Federal agencies.

HUD OIG plays an integral role in the Task Force, which is comprised of traditional Federal, State, and local enforcement agencies, along with personnel from the Inspector General community. Created to promote cooperation among agencies, the Task Force coordinates investigations to prevent duplication of law enforcement efforts, identifies fraud through the use of computer databases, and coordinates fraud referrals from hotlines. The Task Force has screened and referred more than 14,000 fraud-related complaints or allegations of disaster fraud. HUD OIG and the Task Force coordinate fraud matters with ICF International, KPMG, and other disaster contractors and the Louisiana Legislative Auditor and personnel from the Offices of Community and Economic Development.

Some of the investigations discussed in this report were conducted jointly with Federal, State, and local law enforcement agencies including the Task Force. Following the Attorney General's policy of "zero tolerance" in relation to Hurricane Katrina fraud,

OIG pursues all allegations of waste, fraud, and abuse in HUD's Hurricanes Katrina, Rita, and Wilma benefit programs. The results of various significant investigations are described below:

Homeowner Grant Fraud

Christina Moses pled guilty in U.S. District Court, **Jackson, MS**, to making false statements and claims. Moses applied for and attempted to obtain \$150,000 in CDBG disaster recovery funds through the Mississippi Development Authority (MDA) for hurricane-damaged residential property, but the property damaged was not her primary residence. In addition, Moses fraudulently applied for and received \$24,937 in FEMA assistance.



Vincent Pempeit pled guilty in U.S. District Court, **Gulfport, MS**, to making false statements and filing a false claim. Pempeit applied for and attempted to obtain \$150,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not his primary residence.



Joseph Pugh pled guilty in U.S. District Court, **Gulfport, MS**, to theft of government funds and making false statements; charges against his wife Debbie Pugh were dismissed. Pugh applied for and attempted to obtain \$150,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not his primary residence. In addition, Pugh fraudulently applied for and received \$12,107 in FEMA assistance.



Disera Desselles was indicted in U.S. District Court, **Jackson, MS**, for making false statements and claims, theft of government funds, and wire and mail fraud. Desselles allegedly applied for and attempted to obtain \$144,800 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not her primary residence. In addition, Desselles allegedly applied for and fraudulently received more than \$23,000 in FEMA assistance.



Jerry Wiegand was convicted in U.S. District Court, **Gulfport, MS**, of theft of government funds. Wiegand applied for and attempted to obtain about \$108,136 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not his primary residence.



Pamelia Conroy pled guilty in U.S. District Court, **Gulfport, MS**, to making false statements, filing false claims, and theft of government funds. Conroy applied for and attempted to obtain \$100,000 in CDBG disaster recovery funds through MDA for

hurricane-damaged residential property, but the property damaged was not her primary residence. In addition, Conroy fraudulently applied for and received \$5,200 in FEMA assistance.



William and Deane Palmer each pled guilty in U.S. District Court, **Gulfport, MS**, to making false statements and filing false claims. William and Deane Palmer applied for and attempted to obtain \$68,780 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not their primary residence. In addition, William and Deane Palmer fraudulently applied for and received \$56,706 in FEMA and SBA assistance.



Debra Savage pled guilty in U.S. District Court, **Gulfport, MS**, to making false statements and filing a false claim. Savage applied for and attempted to obtain \$39,616 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not her primary residence.



Mario LeLeaux pled guilty in U.S. District Court, **Gulfport, MS**, to theft of government funds, making false statements, filing a false claim, and unauthorized acquisition of food stamps. LeLeaux agreed to forfeit \$52,918. LeLeaux applied for and received \$35,413 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not his primary residence. In addition, LeLeaux fraudulently applied for and received \$17,505 in FEMA, SBA, and food stamp assistance.

FEMA Fraud by HUD Tenants

HUD OIG partnered with DHS OIG and identified individuals who resided in HUD-subsidized housing who fraudulently applied for FEMA disaster relief assistance.



Erica Prince, a Houston Housing Authority (HHA) Section 8 tenant; Daniel Ellis; and eight additional conspirators were each indicted in U.S. District Court, **Houston, TX**, for conspiracy to submit false, fictitious, or fraudulent claims; embezzlement or theft of public money, property, or records; and mail fraud. Ellis pled guilty to conspiracy to file false, fictitious, or fraudulent claims. Prince and the remaining defendants allegedly and Ellis admittedly conspired with others and filed 77 fraudulent FEMA disaster assistance applications for individuals who obtained \$92,958 in FEMA assistance they were not entitled to receive.



Willie C. Blackmon, a former unauthorized Mississippi Regional Housing Authority (MRHA) Section 8 tenant, pled guilty in U.S. District Court, **Jackson, MS**,

to making false statements, theft of government funds, mail fraud, and aiding and abetting. In addition, Ernestine Lewis, a former MRHA Section 8 tenant, and Willie Lewis, an unauthorized resident in a MRHA subsidized unit, each pled guilty to making false statements. Ernestine and Willie Lewis were each sentenced to 36 months probation and ordered to perform 40 hours of community service and collectively pay FEMA \$4,715 in restitution. Blackmon and Ernestine and Willie Lewis applied for and received \$31,302 in FEMA disaster assistance after they claimed residency in Biloxi Housing Authority (BHA) subsidized units during Hurricane Katrina, but none of the above defendants was a BHA tenant before the storm.



Antoinette Perea, a San Francisco Housing Authority (SFHA) Section 8 tenant, pled guilty in U.S. District Court, San Francisco, CA, to theft of government funds. In addition, Kaneshaeia Boyd and Michael Haney, SFHA public housing tenants; Lawana Wyatt, an Alameda County Housing Authority (ACHA) public housing tenant; and Merolyn Wilson, a Section 8 tenant at All Hallows Garden Apartments, a HUD-funded multifamily housing development, were each sentenced for their earlier guilty pleas to theft of government funds or property. Boyd was sentenced to one year probation and ordered to pay FEMA \$2,000 in restitution, Haney and Wilson were each sentenced to 2 years probation and ordered to pay FEMA \$2,000 in restitution, and Wyatt was sentenced to 2 years probation and ordered to perform 138 hours of community service and pay FEMA and the Red Cross \$13,714 in restitution. The above defendants applied for and received FEMA disaster assistance after they claimed to be displaced victims of Hurricane Katrina, but each defendant resided in SFHA, ACHA, or other subsidized housing units in the San Francisco area during the storm.



4 Baton Rougeans indicted in FEMA fraud

Advocate staff report

Four Baton Rouge residents were indicted in federal court this week on fraud charges related to a hurricane disaster relief program.

According to the U.S. Attorney's Office, Tammy T. Dabney, 35, Mark A. Johnson, 32, Latasha Maloid, 26, and Loretta J. Russell, 48, were each charged Wednesday in a two-count indictment with making a false and fraudulent claim for disaster benefits and with making false and fraudulent statements to the Federal Emergency Management Agency.

According to the indictments, the four applied for disaster relief benefits from FEMA falsely claiming that their residences were damaged by Hurricane Katrina. In their applications, the four made false material statements to FEMA about damage to their homes, the indictments say.

As a result, they received

\$2,000 in expedited assistance that FEMA provided for food, shelter, clothing and other immediate needs intended to help Katrina evacuees.

According to the U.S. Attorney's Office, these indictments bring the total number of people charged in the Middle District of Louisiana with violations related to hurricane-disaster relief funds to 107.

Loretta Russell, Tammy Dabney, and Mark Johnson, former Baton Rouge Housing Authority (BRHA) Section 8 or public housing tenants, each pled guilty in U.S. District Court, Baton Rouge, LA, to making false claims. The above defendants applied for and received \$12,016 in FEMA disaster assistance after they claimed hurricane damage to personal property or Hurricane Katrina evacuee status, but BRHA suffered no storm damage, nor were tenants evacuated.



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Naisha Davis, a Sacramento Housing and Redevelopment Agency (SHRA) Housing Choice Voucher program participant, pled guilty in U.S. District Court, **Sacramento, CA**, to theft of government property, submitting false claims, and making false statements. In addition, SHRA Housing Choice Voucher program participants Jerry Davis, Trudy Davis, and Lawrence Williams were each sentenced for their earlier guilty pleas to theft of government property, submitting false claims, or making false statements. Jerry Davis was sentence to 4 years probation, and Trudy Davis and Williams were each sentenced to 4 months incarceration and 3 years supervised release. The above defendants applied for and received FEMA disaster assistance after they claimed residency in a Louisiana declared disaster area, but each defendant resided in California during Hurricane Katrina.



Ashley Clark and Shannon Sylvester, former Morgan City Housing Authority (MCHA) public housing tenants, were each sentenced in U.S. District Court, **Morgan City, LA**, for their earlier guilty pleas to theft of public monies. Clark was sentenced to 4 months home detention and 5 years probation and ordered to pay FEMA \$6,665 in restitution. Sylvester was sentenced to 3 years probation and ordered to pay FEMA \$2,000 in restitution. Clark and Sylvester applied for and received FEMA disaster assistance, but MCHA sustained no hurricane damage, nor were residents evacuated during the storm.



Aretha Morris and Lawanda Clark, Section 8 tenants at Scotland Square Apartments (Scotland), a HUD-funded multifamily housing development, were each indicted in U.S. District Court, **Baton Rouge, LA**, for making false statements, submitting false claims, or mail fraud. Morris and Clark allegedly applied for and received \$3,749 in FEMA disaster assistance after they claimed personal property damage from Hurricane Katrina, but Scotland suffered no storm damage, nor were tenants evacuated. In addition, Latoya Dunn, a former Scotland Section 8 tenant, was sentenced to 3 years probation and ordered to pay FEMA \$2,100 in restitution for her earlier guilty plea to submitting false claims. Dunn applied for and received FEMA disaster assistance after she fraudulently claimed personal property damage from Hurricane Katrina.



Linda Southall, a Thibodaux Housing Authority (THA) public housing tenant, was indicted in U.S. District Court, **New Orleans, LA**, for theft of government funds. Southall allegedly applied for and received \$2,377 in FEMA disaster assistance after she claimed personal property damage from Hurricane Katrina, but THA suffered no storm damage, nor were tenants evacuated. In addition, Pamela Courtney, a THA public housing tenant, pled guilty to theft of government funds. Courtney applied for and received \$500 in FEMA disaster assistance after she fraudulently claimed personal property damage from Hurricane Katrina.



Leslie Smith, a Renton Housing Authority (RHA) Section 8 tenant, pled guilty in U.S. District Court, **Seattle, WA**, to making false statements. Smith applied for and received \$4,000 in FEMA disaster assistance after she claimed residency in a Louisiana declared disaster area during Hurricane Katrina, but Smith resided in Renton, WA, during the storm.



Shantelle Griffin, a Section 8 tenant at Himbola Manor Apartments (Himbola), a HUD-funded multifamily housing development, pled guilty in U.S. District Court, **Lafayette, LA**, to submitting a false claim. Griffin applied for and received \$2,000 in FEMA disaster assistance after she claimed personal property damage from Hurricane Katrina, but Himbola suffered no storm damage, nor were tenants evacuated.



Travis Frank and Regina Dewey each pled guilty in U.S. District Court, **Houston, TX**, to conspiracy. Frank applied for and received FEMA disaster assistance after he claimed residency in a Housing Authority of New Orleans (HANO) subsidized housing unit during Hurricane Katrina, but Frank never resided in HANO assisted housing. Dewey provided fraudulent documents and falsely verified Frank's residency in a HANO subsidized unit.



Latasha Maloid pled guilty in U.S. District Court, **Baton Rouge, LA**, to submitting a false claim. Maloid applied for and received \$2,000 in FEMA disaster assistance after she claimed to be a Housing Authority of New Orleans evacuee, but Maloid resided in Baton Rouge, LA, during Hurricane Katrina.



Sharon Dailey, a Fairfield Housing Authority (Fairfield) Section 8 applicant, was indicted in U.S. District Court, **Sacramento, CA**, for submitting or making false claims, statements, and representation of a Social Security number (SSN); aggravated identity theft; and bank, mail, and credit application fraud. Dailey allegedly claimed she was a Hurricane Katrina victim and applied for and received FEMA disaster assistance, but Dailey resided in California during the storm. Daily also allegedly used a false SSN to apply for Fairfield housing assistance, obtain a bank loan, and cash fraudulent checks.



Joy Carter was indicted in U.S. District Court, **Meridian, MS**, for making false statements, filing false claims, and embezzlement. Carter allegedly applied for and received \$2,000 in FEMA disaster assistance after she fraudulently claimed property damage from Hurricane Katrina.

Hurricane-Related Outreach

Louisiana Outreach:

Special Agent in Charge (SAC) Larry Amaker, SAC Thomas Luke, and Special Agent (SA) Dan Min provided presentations on Louisiana and Mississippi CDBG programs and disaster recovery investigations at a Public Corruption and Disaster Fraud conference hosted by the Federal Bureau of Investigation (FBI) in **New Orleans, LA**. Special agents, analysts, and forensic auditors representing Federal, State, and local law enforcement agencies attended.



SAC Thomas Luke provided an overview of HUD OIG single-family investigations at a meeting of Louisiana and Mississippi U.S. Bankruptcy Court Trustees in **New Orleans, LA**. In addition, SAC Luke described CDBG disaster recovery funding and homeowner reporting requirements for the Louisiana Road Home and Mississippi homeowner assistance programs.



SAC Thomas Luke and Senior Forensic Auditor Windell Durant provided information on current Federal Housing Administration (FHA) foreclosures, grant closings within the Louisiana Road Home program, efforts to identify fraudulent claims and bankruptcy filings, and law enforcement coordinated efforts at a meeting of U.S. Bankruptcy Court Trustees from the Eastern and Middle Districts of Louisiana in **New Orleans, LA**. Approximately 12 U.S. Bankruptcy Court Trustees attended.

Mississippi Outreach:

SAC Thomas Luke met with officials from Camp, Dresser, and McKee (CDM), the contractor overseeing \$100 million for the rebuilding of Mississippi public housing developments affected by Hurricane Katrina in **Gulfport, MS**. SAC Luke provided information on typical fraud schemes and pitfalls during the contracting process, and CDM officials agreed to work closely with HUD OIG throughout the rebuilding efforts.



HUD OIG continues to be an active member and participates in the Mississippi Fraud Working Group in **Gulfport, MS**. The Mississippi Fraud Working Group, comprised of personnel from the United States Attorney's Office; Mississippi Attorney General's Office; and various Federal, State, and local law enforcement agencies, coordinates and synchronizes disaster fraud investigations in the State of Mississippi.

Texas Outreach:

SAC Daniel Salas, Assistant Special Agent in Charge (ASAC) Juan Juarez, and SA Gail Keller provided a fraud prevention seminar for members of the Deep East Texas and Houston-Galveston Area Councils of Government, South East Texas Regional Planning Commission, and Texas Department of Housing and Community Affairs in **Houston, TX**. The colloquium described avenues to prevent fraud in CDBG disaster recovery funding awarded to 29 Texas counties after Hurricanes Katrina and Rita. Approximately 13 Councils of Governments representatives attended.



SAC Daniel Salas; ASACs Juan Juarez, Michael Wilson, and Kevin Whalen; and SAs Gail Keller and Alisha Mahabir provided an overview of Hurricanes Katrina and Rita CDBG disaster recovery funding for representatives of the Southern and Eastern Districts of Texas U.S. Attorney's Office, Texas Department of Housing and Community Affairs, Texas Office of Rural and Community Affairs, FBI, U.S. Postal Inspection Service, and OIG personnel from the Departments of Homeland Security and Labor and the Small Business and Social Security Administrations in **Houston, TX**. Approximately 29 individuals attended the presentation.



SAC Daniel Salas, ASAC Juan Juarez, and SA Gail Keller provided a hurricane fraud prevention briefing to Candye Anderson, disaster field representative for Texas Department of Housing and Community Affairs, in **Beaumont, TX**. After the briefing, Anderson provided a tour of local areas suffering from hurricane damage, including Magnolia Gardens, a Beaumont Housing Authority public housing development.



ASAC Juan Juarez and SA Gail Keller provided disaster recovery fraud prevention briefings to staff members of the Texas Department of Housing and Community Affairs; Texas Office of Rural and Community Affairs; East Texas, Deep East Texas, and Houston-Galveston Councils of Government; Southeast Texas Rural Planning Commission; city and county elected officials and consultants; representatives of multifamily organizations; and law enforcement personnel in **Austin, Beaumont, Houston, Jasper, Kilgore, and Onalaska, TX**. ASAC Juarez and SA Keller presented proactive concepts to prevent contractor fraud and other illegal activity involving disaster recovery funding awarded to 29 Texas counties after Hurricanes Katrina and Rita. Approximately 135 representatives from the above organizations attended the briefings.

Hurricane-Related OIG Hotline

During this reporting period, the Hotline received and processed 74 complaints related to Hurricanes Katrina, Rita, and Wilma.



Chapter 6



*Other Significant HUD
Audits and Investigations/
OIG Hotline*

In addition to the audits and investigations described in this chapter, OIG has also conducted numerous outreach efforts. (see chapter 7, pages 138, 140, and 141)

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

Key program results		Questioned costs	Funds put to better use
Audit	7 Audits	--	\$368,283
Our focus	page 120	- Review of HUD's Contract Administration	
	page 121	- Review of HUD's Succession Planning	
	page 121	- Review of HUD's Information Technology Security Program	
	page 122	- Review of HUD's Personal Identification Verification and Privacy Program	
	page 123	- Network Vulnerability Assessment	
	page 123	- OIG Response to Questions from the Office of Management and Budget under the Federal Information Security Management Act of 2002	

Review of HUD's Contract Administration

HUD OIG, Washington, DC, audited HUD's contract administration process to determine whether HUD had adequate controls to ensure that it effectively and efficiently administered its contracts and followed requirements.

While HUD has implemented or is in the process of implementing several improvements, additional improvements are needed. Because HUD did not have adequate controls over some processes, (1) contract statements of work were sometimes poorly written, (2) it did not adequately assess whether there was a continuing need for goods and services, (3) it paid contractors for questionable costs, and (4) it did not properly evaluate or report contractor performance. As a result, for the 17 contracts OIG reviewed, HUD paid about \$8 million for services without obtaining the desired outcome and will spend \$900,000 more than necessary by September 30, 2007, for other services that are not needed. In addition, HUD unnecessarily paid about \$197,000 for a contract that had an overstated estimated need and then exercised an unnecessary option year for which it will pay the contractor another \$250,000.

OIG recommended that HUD implement initiatives currently planned, which include but are not limited to an acquisition planning policy and the "HUD Procurement Transformation" initiative, including developing a HUD Integrated Acquisition Management System. OIG also recommended that HUD implement additional policies and procedures to (1) improve HUD's ability to adequately express its needs, provide guidance to contractors, and employ appropriate contracting strategies in its contract statements of work; (2) ensure that the required analyses of contracts are performed to assess continued need and cost appropriateness before exercising option periods; (3) provide for the formal review of government technical representatives and government technical monitors; and (4) ensure that staff comply with contractor performance reporting requirements by implementing systems such as automated alerts that notify staff when evaluations are due. Further, HUD should not exercise the final option year for contract C FTW 00398. (Audit Report: 2007-AT-0001)

Review of HUD's Succession Planning

HUD OIG, Washington, DC, reviewed HUD's management of human resources to determine whether HUD had initiated adequate succession planning to address future staff concerns.

HUD had not fully initiated adequate succession planning to address future staff concerns. Although three of the five program offices reviewed had initiated adequate succession planning, two of the offices had failed to identify and/or support the actions taken to fully implement HUD's succession plan. As a result, HUD cannot be assured that, when key members of its workforce retire over the next several years, they will be succeeded by qualified employees with the skills, knowledge, and abilities needed to continue its mission.

OIG recommended that HUD implement adequate procedures and controls to ensure that its program offices initiate succession planning to comply with its succession plan. (Audit Report: 2007-CH-0001)

Review of HUD's Information Technology Security Program

HUD OIG audited HUD's information security program's compliance with Federal requirements.

HUD has continued its progress in implementing a comprehensive, entity-wide set of information system security program policies and procedures. However, (1) HUD's program offices and system owners are not performing their Federal Information Security Management Act (FISMA) roles and responsibilities related to the updating of security documentation, obtaining role-based training, and testing their applications' technical security controls; and (2) HUD has not fully implemented an effective, entity-wide information security program.

OIG recommended that HUD properly meet its information security responsibilities by (1) updating security documents to comply with Federal requirements, (2) obtaining training in line with its information security roles and responsibilities, (3) continuing the effort to properly categorize systems it manages and oversees, and (4) developing office-specific guidance and procedures as necessary. OIG also recommended that HUD fully implement an effective information security program by (1) completing the role-based training program for staff with significant security information technology responsibilities, (2) completing the resolution of the current open security vulnerabilities on the general support systems, and (3) providing resources and guidance needed for program offices and system owners to perform technical security control testing on their high-impact applications. (Audit Report: 2007-DP-0005)

Review of HUD's Personal Identification Verification and Privacy Program

HUD OIG audited HUD's efforts to implement the common identification standards for contractors and Federal employees specified in Homeland Security Presidential Directive 12 (HSPD 12) and assessed whether those efforts complied with Federal laws and guidelines governing privacy, personnel security, and information technology security.

While HUD has made progress in implementing the personal identity verification requirements of HSPD 12, several matters require management attention to ensure the successful implementation and long-term security of HUD's personal identity verification and privacy program. Specifically, (1) HUD did not meet all deadlines for establishing its personal identity verification process as mandated by the Office of Management and Budget (OMB); (2) HUD did not follow the personal identity proofing, registration, and issuance process required by OMB; and (3) HUD did not take appropriate steps to ensure adequate security over the systems supporting its personal identity verification and privacy program.

OIG recommended that HUD (1) ensure that HSPD 12 requirements are fully implemented by establishing formal agreements among its offices to confirm understanding of their responsibilities under HSPD 12 and (2) ensure that the personal identity verification process and supporting information systems, including all components, are properly certified and accredited in accordance with National Institute of Standards and Technology (NIST) requirements before being placed into full-scale production. OIG also recommended that HUD ensure that (1) systems with personally identifiable information are categorized properly by program offices and (2) all HUD systems comply with backup requirements stated in NIST Special Publication 800-53, especially systems with moderate and high impact levels. In addition, OIG recommended that HUD develop a process to ensure that contracting officers include language to implement HSPD 12 standards for all applicable new and existing contracts. (Audit Report: 2007-DP-0006)

Network Vulnerability Assessment

HUDOIG, Washington, DC, conducted a network vulnerability assessment of HUD to evaluate whether HUD's network security systems, including security controls and practices, adequately protect the integrity, confidentiality, and availability of data and information from unauthorized access to HUD's systems through the performance of penetration testing.

Although HUD has implemented controls to protect its network from external intruders, internal testing identified security configuration and technical control deficiencies.

OIG determined that the results of the assessment would not be appropriate for public disclosure and, therefore, has limited their distribution to selected HUD officials. (Audit Report: 2007-DP-0007)

OIG Response to Questions from the Office of Management and Budget under the Federal Information Security Management Act of 2002

In accordance with the FISMA, HUDOIG, Washington, DC, performed an annual independent evaluation of HUD's information security program and practices.

OIG determined that the results of the evaluation would not be appropriate for public disclosure and has, therefore, limited their distribution to selected officials. (Audit Report: 2007-DP-0801)



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

Key program results	Cases closed	\$ Recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	39	\$4,444,077	3	9

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

United States Attorney Gretchen Shappert, along with Special Agent in Charge Michael Powell and Special Agent Mark Heinbach, presented a \$4,423,966.40 check to Government National Mortgage Association (GNMA) representatives in Charlotte, NC. The check represents the liquidated value of more than \$12 million in assets recovered through the Federal Asset Forfeiture Program after the Fourth Circuit Court of Appeals affirmed the 2002 convictions of James and Macy McLean, former owners of now-defunct First Beneficial Homes and First Beneficial Mortgage Corporation, and others. James and Macy McLean and others, previously convicted of conspiracy, wire and bank fraud, making false statements or entries, and money laundering, were sentenced to more than 50 years incarceration and ordered to pay GNMA more than \$23 million in restitution for their roles in a mortgage fraud scheme involving more than 200 victims including GNMA.



2 COUPLES CONVICTED IN 2002

Final restitution made in massive mortgage fraud case

Scheme to bilk Ginnie Mae cost taxpayers \$35 million

BY NICHOLE MONROE BELL
nbell@charlotteobserver.com

The federal program popularly known as Ginnie Mae received a \$44 million check Friday as restitution for a mortgage fraud scheme in which a former Charlotte company swindled millions from the government. The payment to the Government National Mortgage Association, U.S. Attorney Gretchen Shappert, is the final restitution payment in a case that involved more than 200 Charlotte-area victims who did business with First Beneficial Mortgage Corp. Some people were left without homes or in financial ruin when the company stole insurance and escrow payments that buyers thought were going into trust accounts, according to prosecutors.

Ginnie Mae was hurt when First Beneficial recruited family members, friends and neighbors to sign for mortgages on homes that didn't exist. Ginnie Mae is a government-owned corporation created to provide capital to the mortgage market, enabling banks and other institutions to make more loans.

SEE GINNIE MAE 1 2B

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Isaac Lee and Regina Bailey Woods, owners and officers of Woodbai, Inc., a mortgage lender doing business as Unlimited Financial Resources, and Timothy Benjamin were each sentenced in U.S. District Court, Greenville, NC, for their earlier convictions of or guilty pleas to conspiracy, wire fraud, false statements, money laundering, attempted witness tampering, or aiding and abetting. Isaac Wood was sentenced to 84 months incarceration and 5 years supervised release and ordered to pay HUD more than \$1.2 million in restitution, Regina Woods was sentenced to 24 months incarceration and 5 years supervised release and ordered to pay the above restitution jointly and severally with her husband. and Benjamin was sentenced to 8 months incarceration and 3 years supervised release. Isaac and Regina Woods created phony mortgages and then electronically submitted the bogus mortgages to the secondary mortgage market and caused GNMA to guarantee \$1.4 million in counterfeit investments. Benjamin, a defense witness in the Woods' trial, uttered materially false declarations while under oath and attempted to influence or prevent a government witness from testifying.



Former HUD employee Tracyee Martan pled guilty in Prince George's County Circuit Court, Upper Marlboro, MD, to forgery of private documents, uttering false documents, and theft over \$500. Martan cashed a \$5,000 counterfeit cashiers check and was arrested as she attempted to negotiate another \$5,000 counterfeit cashiers check at Bank of America. Martan was removed from Federal service.



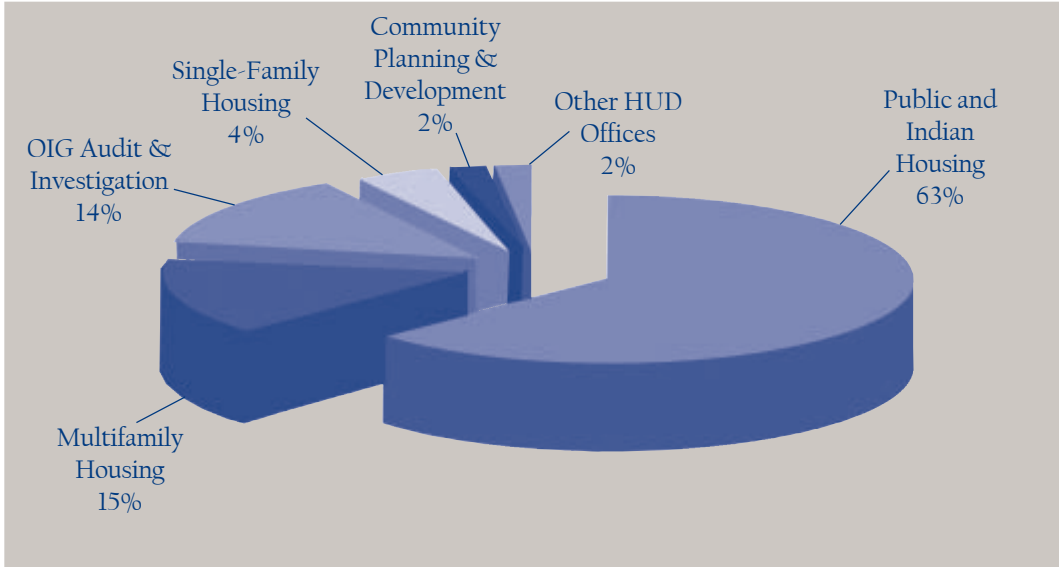
OIG Hotline

The HUD Office of Inspector General (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 and coordinate reviews with internal audit and investigative units or with HUD program offices.

During this reporting period, the Hotline received and processed 12,586 complaints -- 80 percent received by telephone, 14 percent by mail, and 6 percent by e-mail. Every allegation received by the Hotline is logged into a database and tracked.

Of the complaints received, 1,634 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 6.1: Hotline Cases Opened by Program Area



The Hotline closed 2,462 cases this reporting period. The closed Hotline cases included 160 substantiated allegations. The substantiated allegations resulted in six administrative sanctions against investors for improprieties involved in the purchase of a home. The Department also took 154 corrective actions that resulted in \$258,341 in recoveries of losses and more than \$2.6 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 in order to qualify for rental assistance.

Chart 6.2: Hotline Dollar Impact from Program Offices

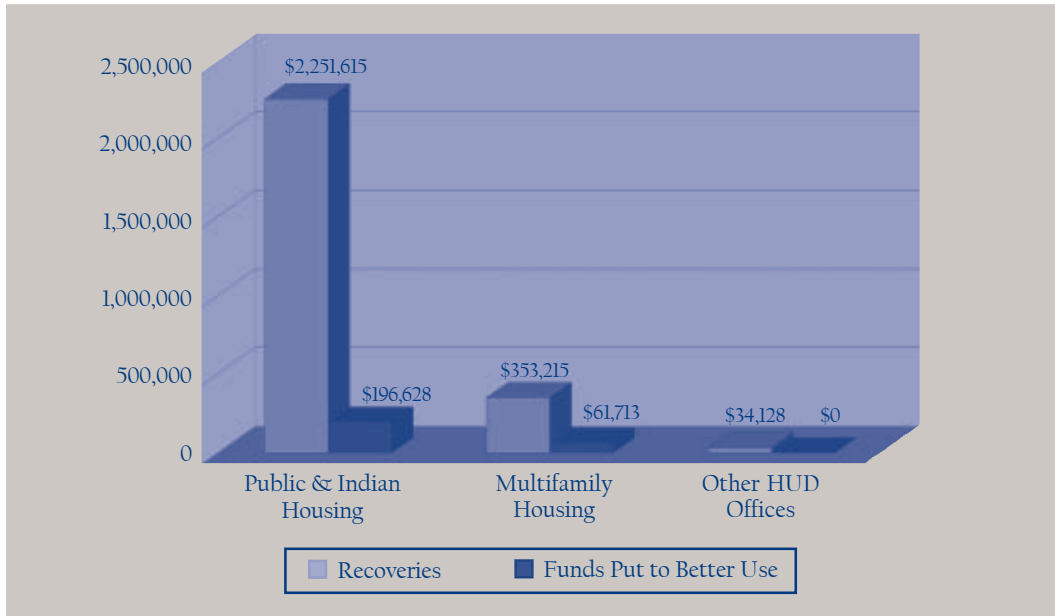
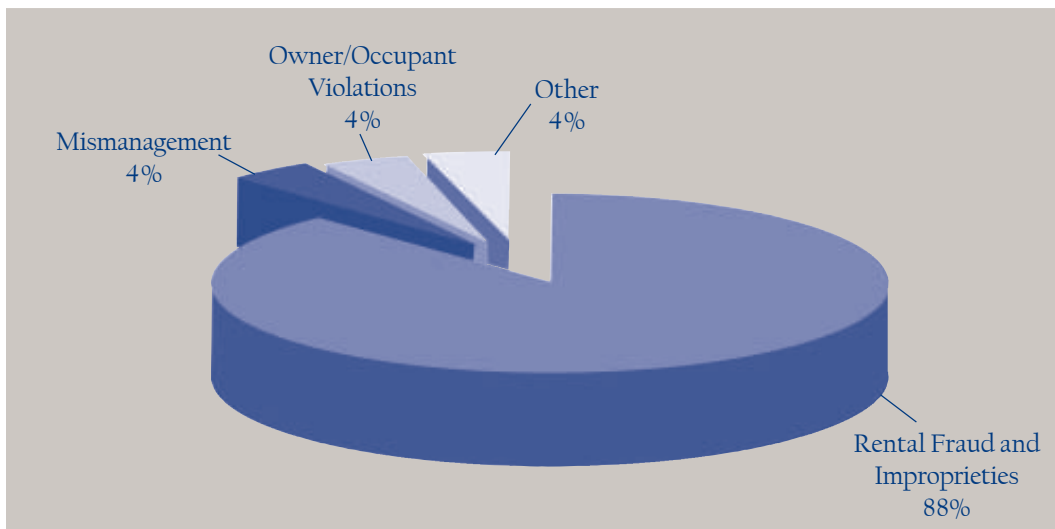


Chart 6.3: Substantiated Cases by Type of Complaint Received by Hotline



Chapter 7



Outreach

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) Daniel Salas and Assistant Special Agent in Charge (ASAC) Michael Wilson described loan origination fraud and the effects of predatory lending and identity theft at a HUD-sponsored Federal Housing Administration (FHA) roundtable conference held in **Fort Worth, TX**. Approximately 30 mortgage industry officials and HUD program directors attended.



SAC Barry McLaughlin presented an overview of HUD OIG's mission and role at the Illinois Association of Mortgage Brokers annual conference in **Rosemont, IL**. SAC McLaughlin, together with Assistant U.S. Attorney Brian Netols, Assistant U.S. Trustee Sandra Rasnak, and Federal Bureau of Investigation (FBI) Special Agent (SA) Ron Carver, also described mortgage fraud investigations and "red flag" fraud indicators to more than 70 mortgage brokers in attendance.



Acting SAC Brad Geary and ASAC Nadine Gurley provided "Rescue and Foreclosure" fraud training for U.S. Trustee Office personnel from the Middle and Northern Districts of Georgia in **Macon and Atlanta, GA**. The training described current fraud schemes and their effects on the mortgage industry, FHA insurance fund, and bankruptcy courts. More than 130 bankruptcy court and law enforcement personnel from various Federal agencies attended.



SAC Barry McLaughlin hosted the quarterly meeting of the Illinois Mortgage Fraud Working Group in **Chicago, IL**. Allison Massey, a TransUnion Credit Services investigator, provided a presentation on credit scams and identity theft. More than 40 representatives of the Illinois Department of Professional Regulation, U.S. Trustees Office, Illinois Attorney General's Office, and Federal and State law enforcement agencies attended.



SAC Anthony Medici participated as a panelist on the radio program, "Mortgage Radio: Detecting Fraud," in **Washington, DC**. Targeting an audience consisting of

mortgage industry professionals, the radio program illustrated mortgage fraud schemes, identified areas of risk and internal controls, described tools and technology to detect fraud, and provided organizational strategies for uncovering identity theft and fraud in the mortgage loan closing process.



SAC Barry McLaughlin and ASAC Brad Geary described bankruptcy and mortgage fraud schemes at an Association of Insolvency and Restructuring Advisors meeting in **Chicago, IL**. Approximately 40 members representing attorneys, certified public accountants, and bankruptcy restructuring consultants attended.



ASAC Nadine Gurley and Assistant United States Attorney Gale Mckenzie provided an overview of mortgage fraud schemes and described recent mortgage and bankruptcy fraud investigations for approximately 50 realtors, appraisers, and lenders attending a mortgage fraud seminar sponsored by Southlake Mortgage Corporation in **Atlanta, GA**.



ASAC Brad Geary and representatives from the U.S. Attorney's Office, FBI, and U.S. Secret Service presented an overview of real estate, mortgage, bank, and identity fraud schemes; explained requirements for preserving closing files; and described investigative testimonials at a Chicago Title & Trust meeting in **Chicago, IL**. Approximately 50 employees attended the presentation.



Assistant Regional Inspector General for Audit (ARIGA) Helen Sparks and Senior Auditor James Brady of the San Francisco Office of Audit made a presentation to the Bay Area Escrow Association in **San Francisco, CA**. ARIGA Sparks and Auditor Brady provided background information on HUD OIG and FHA, "red flag" indicators of single-family mortgage fraud, and several examples of types of fraud found at escrow companies. The presentation was attended by more than 60 escrow officers from Marin, San Francisco, and San Mateo Counties.



ASACs Ray Espinosa and Brad Geary provided a presentation, entitled "The Latest Trends in Mortgage and Real Estate Fraud," and discussed mortgage fraud "red flag" indicators and current schemes at a meeting sponsored by Lorman Education Services in **Chicago, IL**. Approximately 15 loan officers, attorneys, and banking officials attended.



SA James Carrieres described FHA mortgage fraud and recent real estate schemes in a presentation, entitled "Arizona Real Estate Fraud," at an Arizona Bankers

Association meeting in **Phoenix, AZ**. Approximately 100 financial institution representatives and law enforcement personnel attended.



SA Robert Jones presented an overview of FHA and conventional mortgage fraud to Cedar Hill Mayor's Office staff in **Cedar Hill, TX**. SA Jones described current FHA-insured mortgage fraud schemes to include property flipping, the role of straw buyers, and the use of false Social Security numbers by undocumented immigrants. City Manager Alan Simms and Assistant City Manager Greg Porter also attended.



SA Heather Yannello provided HUD OIG's mission, role, and function and described single-family mortgage fraud investigations at a Halt Abusive Lending Transactions (HALT) summit in **Buffalo, NY**. Initiated by Governor Spitzer as a cooperative effort between the New York Banking Department and the Attorney General's Office, HALT was created to combine numerous resources and combat predatory lending and mortgage fraud. More than 150 mortgage brokers, bankers, State and local officials, and community advocacy group members participated in the conference.



SA Michael Wagenhauser provided an overview of HUD OIG's mission and described document and appraisal fraud, property flipping and equity skimming, identity theft, and Real Estate Settlement Procedures Act violations at a Richmond Association of Realtors seminar held in **Richmond, VA**. Approximately 75 members attended.



SA James Carrieres participated in a panel discussion, entitled "Fraud and Foreclosure Rescue Schemes," at a "Preserving Homeownership" meeting hosted by the Federal Reserve and Wells Fargo Banks in **Phoenix, AZ**. SA Carrieres provided an overview of a recent FHA preforeclosure investigation and current rescue fraud schemes within Arizona. More than 100 mortgage industry and government and nonprofit agency representatives attended.



SA Linda Cisco presented an overview of HUD OIG's mission and described single-family fraud schemes at a mortgage fraud conference sponsored by the Maryland Mortgage Bankers Association in **Towson, MD**. SA Cisco also hosted a question and answer forum for approximately 50 mortgage brokers, appraisers, bankers, and loan officers and processors in attendance.



SA Kedric McKnight presented an overview of HUD OIG's mission and role and described HUD program investigations at the fourth annual Housing Summit hosted

by HUD in **Fort Worth, TX**. Approximately 150 representatives from financial institutions, real estate agencies, and title companies attended.



SA Jim Siwek provided a presentation on current trends in mortgage fraud schemes, along with foreclosures and the bankruptcy system, to Eastern District of Wisconsin U.S. Trustee personnel in **Milwaukee, WI**. In addition, SA Siwek described bankruptcy fraud statutes and fraud involving the bankruptcy process and provided examples of bankruptcy prosecutions. Approximately 15 U.S. Trustees and office staff attended.



SA Robert Jones provided an overview of mortgage fraud and identity theft schemes at a National Association of Hispanic Real Estate Professionals conference held in **Dallas, TX**. After the presentation, SA Jones hosted a question and answer forum and provided avenues available for reporting FHA, U.S. Department of Veterans Affairs (VA) and conventional mortgage fraud. Approximately 50 mortgage and realty professionals attended.



SAs Jim Siwek and Manny Colin provided an overview of mortgage fraud trends and current schemes to Citimortgage employees and supervisors in **Chicago, IL**. SAs Siwek and Colin also explained mortgage fraud "red flag" indicators, provided examples of documents used in current fraud schemes, and supplied contacts for reporting suspected mortgage fraud. Approximately 25 Citimortgage employees attended the presentation.



SA Robert Jones provided an overview of FHA mortgage fraud at a Trinity Real Estate Solutions' roundtable forum held in **Dallas, TX**. More than 20 representatives of the mortgage and home building industry attended.

Public Housing and Rental Assistance Programs

Inspector General (IG) Kenneth Donohue was a guest speaker at a Public Housing Safety Initiative (PHSI) conference sponsored by the U.S. Department of Justice in **New Orleans, LA**. IG Donohue described the importance of the PHSI program and the need for both law enforcement and community development efforts, emphasized HUD OIG's commitment to PHSI in 10 major metropolitan areas, and highlighted the successful Armory Project in New York City. Other presenters included participating U.S. Attorney's Offices and State and local law enforcement and community development agencies.



SAC Barry McLaughlin and Regional Inspector General for Audit (RIGA) Heath Wolfe presented HUD OIG Section 8 and nonprofit audit findings and internal controls for public housing authorities at the Indiana National Association of Housing and Redevelopment Officials (NAHRO) annual conference in **South Bend, IN**. Approximately 35 public housing officials attended.



SAC Rene Febles and SA Miguel Collazo presented an overview of HUD OIG's Fugitive Felon, Sex Offender, and Section 8 fraud initiatives at a Westchester County Section 8 Administrators Association meeting in **White Plains, NY**. Approximately 18 housing association members attended.



SAC James Todak and ASAC Lori Chan presented an overview of HUD OIG and described current Indian housing authority investigations and initiatives at a Nevada/California Indian Housing Association training session in **Crystal Bay, NV**. Following their presentation, SAC Todak and ASAC Chan hosted a questions and answer forum for approximately 30 Indian housing authority representatives in attendance.



SAC Barry McLaughlin and RIGA Heath Wolfe presented an overview of necessary internal controls and common audit findings in Section 8 and nonprofit development audits at the Illinois Association of Housing Authorities annual conference in **Springfield, IL**. Approximately 60 association members attended.



SAC Anthony Medici provided a presentation, entitled "Procurement Fraud in Public Housing," at the Mississippi Association of Housing and Redevelopment Officials meeting in **Jackson, MS**. SAC Medici described HUD OIG's involvement with the U.S. Department of Justice Procurement Fraud Task Force, best practices in the procurement process, and ethical considerations in procurement actions and provided examples of public housing authority corruption investigations involving procurement fraud. ASAC Fernando Ramos assisted in the procurement fraud presentation, and ARIGA Warren Wood discussed internal controls in the procurement process. Approximately 200 individuals attended the presentation.



SAC Barry McLaughlin and RIGA Heath Wolfe presented an overview of necessary internal controls and common audit findings in Section 8 and nonprofit development audits at a Minnesota NAHRO conference in **St. Cloud, MN**. Approximately 35 housing and redevelopment officials attended.



RIGA Frank Baca and Auditor Danita Wade gave a presentation at the New Mexico NAHRO Conference in Ruidoso, NM. RIGA Baca and Auditor Wade explained the organization and function of HUD OIG and discussed issues arising from recent Section 8 audits.



ASAC Diane DeChellis and SA Alexander Rosania provided an overview of HUD OIG's mission and priorities at a Section 8 Administrators Association training seminar held at Holy Cross College in Worcester, MA. ASAC DeChellis and SA Rosania also described successful public and multifamily housing investigations.



ASAC Suzanne Steigerwald provided an overview of HUD OIG's mission and authority and described fraud detection and enforcement methods used to successfully prosecute investigations at a NAHRO conference held in Colorado Springs, CO. More than 50 members attended.



ASAC Michael Powell provided an overview of HUD OIG's mission and authority and described fraud detection and enforcement methods used to successfully prosecute investigations at a NAHRO conference held in Osage Beach, MO. More than 50 members attended.



AASAC Kathleen Hatcher and SA Lori DiCriscio provided an overview of HUD OIG's mission and priorities at a joint Maryland Association of Housing and Redevelopment Agencies and NAHRO regional conference held in Ocean City, MD. ASAC Hatcher and SA DiCriscio also described tenant and landlord "red flag" fraud indicators and hosted a question and answer forum for approximately 300 housing representatives in attendance.



ARIGA Charles Johnson gave a presentation to the Western Intergovernmental Audit Forum in Los Angeles, CA, on Native American housing programs and the significant problems found in a recent audit of the Navajo Housing Authority's use of nonprofit organizations to develop new housing under the Native American Housing Assistance and Self Determination Act. Additionally, he provided a brief overview of the OIG Office of Audit and the entities and programs it audits. There were approximately 100 local, State, and Federal governmental audit and accountability professionals at the conference from throughout the Western United States.



SA Brian Gosselin provided an overview of HUD OIG's mission and described public housing waste, fraud, and abuse at a Maine Occupancy Association meeting in Bath, ME. Approximately 28 housing occupancy specialists attended.



SA Alisha Mahabir presented an overview of HUD OIG's mission and described HUD program investigations at the first annual Houston HUD Partners' Housing Symposium in Houston, TX. Approximately 90 public housing authority employees and representatives of multifamily management companies and nonprofit agencies attended.



SA Joshua Stockman provided an overview of HUD OIG and described rental assistance fraud investigations at an Arizona NAHRO training conference in Tucson, AZ. Approximately 30 housing and redevelopment officials attended.



SA Malinda Antonik provided an overview of tenant eviction issues and described HUD OIG investigations at the Florida Association of Housing and Redevelopment Officials annual convention on Captiva Island, FL. Approximately 40 housing and redevelopment officials attended.



SAs Timothy Lishner and Nelson Sanchez provided an overview of HUD OIG's mission and authority and described fraud detection and enforcement methods at a fraud symposium sponsored by the Grand Junction Housing Authority, Mesa County Department of Human Services, and Colorado's 21st Judicial District Attorney's Office in Grand Junction, CO. More than 50 assisted housing, community social services, or law enforcement personnel attended.



An article on OIG's data mining initiatives by Computer Audit Specialist Cliff Cole was published in the Fall/Winter 2006/2007 issue of the The Journal of Public Inquiry. Entitled, "Digging for the Gold," the article discussed the evolution of data mining activities within HUD OIG and joint efforts with the Office of Investigation and other government organizations. The results of these efforts led to the location and arrest of about 5,600 fugitives and the identification of approximately 3,500 Federal and U.S. Postal Service employees who may have falsely reported their incomes to obtain HUD housing assistance. Also in fiscal year (FY) 2006, OIG reported monetary benefits of \$432.6 million from audits in which data mining techniques were used. The article can be found at <http://www.ignet.gov/randp/fw06jpi.pdf>.



SAC Anthony Medici and ARIGA Warren Wood took part in the Procurement Workshop held in Jackson, MS. SAC Medici made a presentation on procurement fraud. ARIGA Wood made a presentation entitled "Who We Are, What We Do, and Why."

Community Planning and Development

SAC Barry McLaughlin and RIGA Heath Wolfe provided an overview of HUD OIG's mission, role, "red flag" fraud indicators, and common audit findings at a HUD CPD grantee entitlement conference in Springfield, IL. Approximately 50 HUD CPD grantees attended.



RIGA Ron Hosking and ARIGA Carrie Gray met with Auditor of State David Vaudt and Deputy Auditor of State Tami Kusian at the State Capitol in Des Moines, IA. RIGA Hosking and ARIGA Gray explained the OIG mission and staffing; audit planning, selection, and reporting; and the success of OIG's prior joint efforts with the City Auditor of Kansas City, MO. They discussed the possibility for joint efforts in the future regarding Community Development Block Grant and HOME Investment Partnerships Program funds and cooperation between the two offices in referring audit leads to each other and agreed to consult periodically to evaluate joint audit subjects.



ASAC Lori Chan presented an overview of HUD OIG and provided information on detecting and reporting fraud at a HUD CPD training session, entitled "Fund Accounting," held in Oakland and San Francisco, CA. Approximately 95 individuals representing nonprofit organizations and local governmental agencies attended.



SA James Luu presented an overview of HUD OIG; described housing fraud detection, prevention, and investigative challenges; and provided a brief discussion on CPD investigations to Mendocino County's Community Development Commission members and deputy district attorneys in Ukiah, CA.



SA Richard Salom presented an overview of HUD OIG and provided information on detecting and reporting fraud at a HUD CPD training session, entitled "Fund Accounting," in San Jose, CA. Approximately 35 individuals representing nonprofit and local governmental agencies attended.



SA Dan Ronski provided an overview of HUD OIG's role and mission, described HUD's CPD Supportive Housing Program, and hosted a question and answer forum for approximately 78 HUD CPD grantees meeting in **Chicago, IL**.



RIGA Rose Capalungan and Auditor Kimberly Sandifer made a presentation during HUD's Center for Faith Based and Community Initiatives training held in **Baton Rouge, LA**. The event was attended by officials/staff of HUD, the U.S. Department of Agriculture, nonprofit organizations, banks, and other business entities.

Law Enforcement Outreach

Deputy Inspector General Michael Stephens was an invited guest at the annual "National Missing Children's Day" award ceremony sponsored by the U.S. Department of Justice in **Washington, DC**. Former Attorney General Alberto Gonzales provided the keynote address, which focused on the vital importance of Federal, State, and local programs to deter and capture child predators and recover missing and exploited children. The annual awards ceremony recognized the outstanding accomplishments of individuals supporting these efforts.



ASAC Maureen Nelting and SAs Gene Westerlind and Jessica Piecuch participated in a Federal Law Enforcement Officers Association (FLEOA)-sponsored "National Missing Children's Day" event in support of the National Center for Missing and Exploited Children in **Boston, MA**. Approximately 50 children at JFK and O'Neill Federal Building childcare centers were fingerprinted and photographed.



ASAC Lori Chan and SAs James Luu, Richard Salom, Eric Huhtala, and Jesse Barragan participated in a FLEOA- sponsored "National Missing Children's Day" event in support of the National Center for Missing and Exploited Children. Approximately 600 children at the Presidio in **San Francisco, CA**, were fingerprinted and photographed.



Senior SA Kevin McBride participated in the National Organization of Black Law Enforcement Executives-sponsored "National Missing Children's Day" event in support

of the National Center for Missing and Exploited Children in **Washington, DC**. Approximately 40 children at Plummer Elementary School were fingerprinted and photographed.



SAs Marco Ponce and Joshua Stockman participated in a FLEOA-sponsored "National Missing Children's Day" event in support of the National Center for Missing and Exploited Children in **Phoenix, AZ**. Approximately 400 children from the Thomas J. Pappas Elementary School, a school for homeless children in central Phoenix, were fingerprinted and photographed.



SA Louis Mancini, Jr., participated in the Arthur Ashe Tennis Association- and Philadelphia Youth Cultural PTA-sponsored "National Missing Children's Day" event in support of the National Center for Missing and Exploited Children. Approximately 100 children attending a child safety event at Conestoga Recreation Field in **Philadelphia, PA**, were fingerprinted and photographed.



SAs Edward Redmond and Stephen Tufts participated in a FLEOA-sponsored "National Missing Children's Day" event in support of the National Center for Missing and Exploited Children in **Manchester, NH**. Children attending the New Hampshire Fisher Cats minor league baseball game were fingerprinted and photographed.



SAs Jennifer Landon and Leonard de Vera participated in a FLEOA-sponsored "National Missing Children's Day" event in support of the National Center for Missing and Exploited Children in **Commerce, CA**. Several hundred children from the greater Los Angeles area were fingerprinted and photographed.



SAs Mark Heinbach, Anthony Troeger, and Brian Rymill participated in a FLEOA-sponsored "National Missing Children's Day" event in support of the National Center for Missing and Exploited Children in **Greensboro, NC**. Approximately 125 children from Kiser Middle School were fingerprinted and photographed.



SA Charles Grace participated in a FLEOA-sponsored "National Missing Children's Day" event in support of the National Center for Missing and Exploited Children in Sumner and Lake Tapps, WA. Approximately 500 children from the Daffodil and Crestwood Elementary Schools were fingerprinted and photographed.



ASAC Diane DeChellis provided an overview of HUD OIG's mission and priorities and described successful investigations at an annual meeting of the Bridgewater State College Criminal Advisory Board in Bridgewater, MA. Plymouth County District Attorney Timothy Cruz and several law enforcement and academia officials attended.



SA Dan Ronski hosted an Association of Financial Crimes Investigators monthly meeting in Chicago, IL. Approximately 26 financial investigators representing financial, retail, and law enforcement organizations met to discuss current bank fraud schemes and investigations.



SA Anthony Troeger presented an interviewing training session for North Carolina Department of Social Services program integrity investigators at their annual conference in Greensboro, NC. At the conclusion of training, SA Troeger provided contact information for HUD OIG, U.S. Department of Health and Human Services OIG, and U.S. Department of Agriculture Fraud Hotline personnel. More than 30 program integrity investigators attended.



SAs Greg Moyer and Melissa McFadden participated in the Kansas Law Enforcement Torch Run to support Special Olympics held in Kansas City, KS. Approximately 20 law enforcement agencies participated in the 23K run.

Audit Outreach

ARIGA Fred Smith and Senior Auditor Beth Archibald met with Dennis Gallagher, City and County of Denver Auditor; Dawn Sully, Deputy Auditor; Kip Memmott, Director of Internal Audit; and Denis Berckefeldt, Director of Communications and Prevailing Wage, at the City Auditor's Office, Denver, CO. ARIGA Smith informed the participants about OIG's structure, goals, and priorities. The participants discussed common audit topics and interests and the possibility of conducting joint efforts in the future. The participants agreed that such joint efforts could be beneficial to both the City and HUD. They agreed to periodically evaluate joint audit subjects.



RIGA John Dvorak and ARIGA Mike Motulski met with H. Cris Der Vartanian, Chief of the Bureau of Audits, and Dennis Ziroli, Associate Director and

Superintendent of Banking, Division of Banking for the State of Rhode Island, in Providence, RI. RIGA Dvorak and ARIGA Motulski explained the role of HUD OIG, developed lines of communication, and provided information on the organizational structure and functions of the Offices of Audit and Investigation. The top management challenges were discussed, and recent relevant HUD OIG audit and investigation results were shared. Additionally, information on the IG audit reports was provided, along with OIG's Web site address for obtaining access to OIG external audit reports and other information. Mr. Der Vartanian and Mr. Zirola shared information regarding responsibilities of their offices and discussed the audit reports issued by the State. The presentation provided an opportunity to explore the possibility of leveraging resources and sharing information between organizations.

HUD Staff and Other Outreach

SAC Rene Febles and ASAC Jeanne Daumen presented an overview of HUD OIG's FY 2007 goals and initiatives at a congressional briefing held at the HUD Newark field office in Newark, NJ. In addition, ASAC Daumen provided an overview of HUD OIG's investigative mission and working relationship with other law enforcement agencies; described investigative initiatives relating to single family, assisted housing, Fugitive Felon, and CPD programs; and illustrated the results from cooperative links between HUD and HUD OIG. Representatives from the New Jersey Senate and congressional offices attended.



SAC James Todak and ARIGA Tanya Schulze provided an overview of HUD OIG's mission, organizational structure, and current priorities at a congressional briefing hosted by the HUD Los Angeles field office in Los Angeles, CA. Approximately 40 individuals including congressional staff representatives from Southern California attended.



SAC Barry McLaughlin and RIGA Heath Wolfe provided HUD OIG's mission, goals, priorities, and initiatives and described the function of the Offices of Investigation and Audit to eight congressional staffers meeting in Detroit, MI.



RIGA Heath Wolfe participated, along with the Chicago regional office, in a briefing for congressional staffers at HUD's Springfield, IL, field office. RIGA Wolfe presented information about HUD OIG's mission and priority areas. Twelve Illinois congressional staffers were in attendance.



RIGA Joan Hobbs and SAC James Todak attended the Region IX HUD Regional Managers Conference in Henderson, NV, during which a presentation was made on the audit process, audits issued to date for FY 2007, the audit plan for FY 2008, and issues

of concern for the Offices of Audit and Investigation regarding HUD programs. About 40 HUD managers were in attendance.



RIGA Ronald J. Hosking addressed the 2007 HUD Region VII Regional Managers Conference in **Kansas City, KS**. RIGA Hosking provided a history and overview of HUD OIG. He distributed copies of OIG's Semiannual Report to Congress and described the purpose of the report, highlighting the significant information contained in the report. He also explained the audit planning, execution, and resolution processes.



RIGA Heath Wolfe and SA Barry McLaughlin gave a presentation to HUD's **Grand Rapids, MI**, field office. The presentation consisted of an overview of HUD OIG, including a brief background of OIG's missions and goals. There were approximately 25 HUD employees in attendance.



RIGA Heath Wolfe and ARIGA Ron Farrell participated in Marshall University's 2007 Spring Intern and Career Expo in **Huntington, WV**. RIGA Wolfe and ARIGA 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 both the student volunteer program at OIG's Columbus, OH, Office of Audit and careers with HUD OIG.



ASAC Tony Meeks and ARIGA Tanya Schulze provided HUD OIG's mission and role; described fraud, waste, and abuse in HUD programs; and explained HUD OIG's Hotline at a meeting of Southern California Congressional District Representatives in **Los Angeles, CA**.



ASAC Lori Chan provided an overview of HUD OIG's mission, organizational structure, current priorities, and the fraud referral process at a congressional briefing hosted by the HUD San Francisco field office in **San Francisco, CA**. Approximately 15 congressional staff representatives and others attended.



ARIGAs Tanya Schulze and Vince Mussetter attended a graduate and alumni job fair at California State University, Northridge, in **Los Angeles, CA**. ARIGAs Schulze and Mussetter spoke with nearly 100 individuals about possible career opportunities with OIG and obtained resumes from those expressing interest in careers with the Offices of Audit and Investigation.



ARIGA Kim Randall participated in a high school job shadow day in **Kansas City, KS**, which was designed to give high school students a taste of the career field that they want to pursue in college. Simone Woods, a junior at Versailles High School in Versailles, MO, shadowed ARIGA Randall for a day and learned what it is like to be an auditor with OIG. Simone learned how OIG gets ideas for audits; auditors plan, conduct, and document audits; reports are written and provided to Congress; and auditors use their accounting skills to accomplish audits. Several auditors shared their thoughts on recent audits, and the HUD Regional Directors for Multifamily Housing and Public Housing explained the duties their accountants perform and how their staffs interact with OIG.



ARIGA Tanya Schulze and Senior Auditor Ratronda Gowdy attended a career expo at the Los Angeles Convention Center in **Los Angeles, CA**, sponsored by Jobing.com. The event was attended by thousands of individuals seeking job opportunities. ARIGA Schulze and Auditor Gowdy spoke with at least 200 individuals about the Federal Government, and OIG and provided them with information about possible career opportunities.



ARIGA Nikita Irons and Auditor Alexandra Burgess participated in the Walsh College Career Fair in **Novi, MI**. They spoke to students about the benefits of pursuing student volunteer and auditing positions with HUD OIG. Students were informed that OIG has student volunteer opportunities in **Detroit, MI**. Eighteen resumes were submitted.



SA Jorge Reyes, Jr., and Senior Auditor Darlene Haniak presented an overview of HUD OIG's mission and role and described HUD program investigations and audits at a "Grant Writing Workshop" presented by the HUD Office of Faith Based and Community Initiatives in **Houston, TX**. Approximately 300 representatives from nonprofit organizations attended.



SAs Nicholas Fasciglione and Cortez Richardson provided HUD OIG's mission and role at a Central Oklahoma Clearinghouse Association meeting held in **Oklahoma City, OK**. Approximately 30 association members representing financial and retail establishments, along with State and local law enforcement personnel, attended.



SA Anthony Troeger provided an overview of HUD OIG and described employee misconduct investigations at a program integrity investigators meeting in **Winston-Salem, NC**. Approximately 35 representatives from varied social services departments attended.



SAs Cortez Richardson and Nicholas Fasciglione provided an overview of HUD OIG's mission and role at Lawton and Tulsa Metropolitan Area Fraud Information Association meetings in Lawton and Tulsa, OK. Approximately 40 association members representing financial and retail establishments and local law enforcement agencies attended.



SA Thomas Redmann participated in a student outreach program during a career day event held at Jesuit High School in New Orleans, LA. SA Redmann provided information on Federal Government employment and law enforcement career opportunities.



SA Amy Durso was a guest speaker at a "Breakfast with the Experts" event held at Liberty Junior High School in Liberty, MO. SA Durso provided an overview of HUD OIG, HUD OIG special agents, and the pros and cons of a law enforcement career. Other guest speakers included law enforcement personnel from the Drug Enforcement Agency, Platte County Prosecutor's Office, and North Kansas City Police Department, along with individuals from other human service professions.



CAS Cliff Cole participated in the Mid-Atlantic Intergovernmental Audit Forum's annual spring/summer meeting in Ocean City, MD, as a keynote panelist and speaker. The Forum is a consortium of Federal, State, and local audit executives from the District of Columbia and the States of Delaware, Maryland, Pennsylvania, Virginia, and West Virginia. CAS Cole represented HUD OIG as the panel's Federal Government spokesman in its discussion on "How Audit Software Can Help Improve Our Data Analysis and Data Mining." He provided an overview of HUD OIG's organizational structure and mission as a backdrop for a detailed discussion on OIG's progressive use of data mining techniques and computer-assisted analytics.



Chapter 8



Review 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 118 issuances and testified on a Federal Housing Administration (FHA) legislative proposal. This chapter highlights some of OIG's prior comments on notices, comments for this reporting period, and other policy directives

Proposed Legislation

FHA Modernization

The U.S. Department of Housing and Urban Development (HUD) has proposed legislation that would allow increased flexibility in setting insurance premiums based on risk and reduce downpayment requirements. As noted in the President's fiscal year 2008 budget, through the Expanding Homeownership Act of 2006, HUD has sought to provide workable solutions for homebuyers who do not qualify for prime financing, giving them more affordable and safer ways to achieve the "American dream." The key components of the legislative proposal are to

- Modify the current statutory 3 percent minimum downpayment.
- Create a new, risk-based insurance premium structure for FHA that would match the premium amount with the credit profile of the borrower.
- Increase and simplify FHA's loan limits.

On July 18, 2007, the Inspector General testified on the modernization proposal before the United States Senate Committee on Banking, Housing, and Urban Affairs. OIG remains concerned about the future solvency of the FHA fund in view of the proposed FHA modernization. The legislative reform package, which includes risk-based premiums, zero-downpayment loans, and higher mortgage limits, could bring higher default and foreclosure risks as FHA attempts to recover its historic share of first-time homebuyer and minority markets.

- **Risk-Based Premiums:** Moving to a mixed price premium structure could by its very complexity require increased budget authority to make FHA system modifications and impose new administrative/cost burdens on originating and servicing lenders. FHA reform will also require higher risk borrowers to pay higher premiums. Risk-based pricing, therefore, may increase the mortgage carrying costs of FHA borrowers who are the least able to afford them.
- **Zero Downpayments:** FHA has experienced higher default and claim rates on seller-funded nonprofit downpayment assisted loans. When sales prices are inflated to fund the downpayment "gifts," these loans are effectively zero downpayment loans (100 percent loan to value). As reported by the Government Accountability Office (GAO), the probability of such loans resulting in an insurance claim was 76 percent higher than that of comparable loans without such assistance. It is reasonable to conclude that zero downpayment loans would represent a comparable insurance risk.

- **Higher Mortgage Limits:** FHA should determine mortgage loan limits consistent with its mission to serve underserved borrowers and communities, particularly first-time homebuyers and minorities. Raising the loan limits to conforming maximums may serve to attract borrowers who have access to conventional financing and do not need a government program to acquire homeownership.
- **Silence on Controls:** The proposed reform is silent on strengthening controls and enforcement actions and preventing future fraud. Conventional lending in the private sector is beginning to use predictive models that screen loan applications for fraud at prefunding. FHA needs to move beyond postendorsement monitoring and embrace this new technology through policy and programmatic changes as part of FHA reform.

Final Rule

Seller-Funded Downpayment Assistance

OIG has previously expressed its concerns that seller-funded nonprofit downpayment assistance transactions inflate real estate prices and increase the risk of default. OIG's concerns with downpayment assistance from seller-funded nonprofits have been long-standing and are consistent with concerns raised by others, including the Government Accountability Office. Also, the Internal Revenue Service issued a revenue ruling in 2006 making it clear that seller-funded downpayment assistance providers are not charities as they do not meet the requirements of 26 U.S.C. §501(c)(3). As a result, OIG pressed the Department to issue a rule to establish specific criteria regarding a borrower's investment in the mortgaged property when a gift is provided by a nonprofit or other organization. HUD published a proposed rule in the Federal Register on May 11, 2007. In late September 2007, the FHA Commissioner announced the final rule, which was published in the Federal Register on October 1, 2007.

Proposed Rules

Mortgagee Letters

OIG nonconcurred with an initial draft of Mortgagee Letter 2007-29, Refinancing of Non-FHA Adjustable Rate Mortgages Following "Re-Set," and Appraisal Practices for Declining Markets. After considering our input, FHA agreed to changes that would better clarify the circumstances under which non-FHA mortgages could be refinanced under this initiative, referred to as "FHA Secure."

OIG nonconcurred with the proposed mortgagee letter announcing the immediate acceptance of electronic signatures, in accordance with the Electronic Signatures in Global and National Commerce Act (ESIGN), Pub. Law No. 106-229, "on documents when originating, servicing, and making certifications on FHA-insured loans." However, the Office of Housing has not established necessary standards related to the

submission, authentication, retention, backup, HUD OIG access, and security of mortgage-related documents. Moreover, it appears that the adoption of such required protocols should be implemented via notice and comment rule making. Accordingly, HUD OIG must nonconcur with respect to the proposed mortgage letter. OIG is working with HUD to resolve our nonconcurrency.

Manufactured Home Installation Program

OIG nonconcurred on this proposed final rule. OIG strongly recommends that the proposed rule include that the installer certifies, on a HUD-approved form, that the foundation and installation meet the required specification and that the foundation was properly installed. OIG issued a report which concluded that more than 80 percent of the manufactured homes insured by FHA had foundations that did not meet HUD's requirements. After the close of the semiannual reporting period, OIG and HUD resolved the nonconcurrency.



Chapter 9



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 assuring 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, 2007."

Audit Reports Issued before Start of Period with No Management Decision as of September 30, 2007

Office of Housing, Washington, DC

Single-Family Mortgage Insurance Claims Issued July 11, 2006. The Inspector General referred this issue to the Deputy Secretary on December 4, 2006, because agreement could not be reached with the Office of Housing. The three recommendations relate to the Office of Housing's not independently determining that mortgage loans insured under the Mutual Mortgage Insurance Fund met program requirements after paying billions in single-family insurance claims. During the period October 1, 2003, through June 3, 2005, HUD received and paid claims on loans for which the lender did not show that the borrower (1) was able to make the required monthly payments, (2) made the minimum investment in the property, and (3) was creditworthy. HUD paid the claims and did not subsequently review the loan files for compliance with the program requirements, fraud, and/or misrepresentations. HUD relied upon lender certifications that loans were eligible and contained all required supporting documents, a preendorsement review of the insurance applications for key documents, and risk-based compliance testing of recently insured loans. We estimate that final HUD costs for claims that HUD's files did not support as meeting program requirements during the period reviewed totaled \$356 million on those claims for which all revenues and expenses were finalized.

In his February 23, 2007, response, the Deputy Secretary stated support of OIG's objective and agreed with the overall conclusions reached. The Deputy Secretary directed the Office of Housing to immediately begin implementing procedures in conjunction with and acceptable to OIG to effect the recommendations. The Office of Housing submitted two proposals to OIG on March 30 and June 11, 2007, respectively. We rejected the proposals as in our opinion neither adequately provided for the development of procedures to take appropriate actions for all claims with inadequate documentation and essentially renders the recommendations ineffective. Since June 2007, we have received no further correspondence from the Office of Housing on this matter. The recommendations remain open, without management decisions, until the Office of Housing submits a corrective action plan that accurately reflects the Deputy Secretary's instructions and demonstrates a good faith effort to implement OIG's recommendations. (Report No. 2006-SE-0001).

Significant Management Decision with Which OIG Disagrees

There are no reports issued before the beginning of the reporting period for which a management decision had not been made by the end of the period.

Federal Financial Management Improvement Act of 1996

In fiscal year 2006, 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.

FFMIA requires that HUD implement a remediation plan that will bring financial systems into compliance with Federal financial management system requirements within 3 years or obtain Office of Management and Budget (OMB) concurrence if more time is needed.

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. In April 1998, HUD determined that 38 of its systems were not in substantial compliance with FFMIA. At the end of 2006, the Department reported that 2 of its 42 financial management systems were not in substantial compliance with FFMIA. These two systems are the HUD Procurement System (HPS) and Small Purchase System (SPS).



Appendix 1



Audit Reports Issued

Internal Reports

II Audit Reports

Administration (2 Reports)

- 2007-CH-0001 HUD Did Not Fully Implement Succession Planning, 09/29/2007.
- 2007-DP-0006 Review of HUD's Personal Identity Verification and Privacy Program, 08/28/2007.

Chief Information Officer (2 Reports)

- 2007-DP-0005 Review of HUD's Information Technology Security Program, 04/05/2007.
- 2007-DP-0007 Vulnerability Assessment of HUD's Computer Network, 09/19/2007.

Chief Procurement Officer (1 Report)

- 2007-AT-0001 HUD Needs to Improve Controls Over Its Contract Administration Processes, 09/19/2007. Better Use: \$368,283.

Housing (5 Reports)

- 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.
- 2007-KC-0003 HUD Did Not Recapture Excess Funds from Assigned Bond-Financed Projects, 04/30/2007. Better Use: \$1,988,066.
- 2007-KC-0004 More Than 80 Percent of Recently Insured Title II Manufactured Housing Loans Are on Homes With Substandard Foundations, 09/24/2007. Better Use: \$44,909,590.
- 2007-PH-0002 HUD's Oversight of Contractors' Marketing of Its Real Estate-Owned Properties, 08/17/2007.
- 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. Questioned: \$15,101; Better Use: \$27,424,605.

Public and Indian Housing (1 Report)

- 2007-FW-0001 Overpayments in the Housing Choice Voucher Program Occurred When Public Housing Agencies Subsidized Rental Units with More Bedrooms Than Authorized, 09/28/2007. Better Use: \$20,076,492.

Audit-Related Memorandums¹

Community Planning and Development(1 Report)

- 2007-NY-0802 CDBG Disaster Recovery Assistance Funds Lower Manhattan Development Corporation, New York, NY, 04/03/2007.

¹The 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.

Chief Information Officer (1 Report)

2007-DP-0801 OIG Response to Questions From the OMB Under the FISMA,
09/28/2007.

Housing (1 Report)

2007-KC-0801 Lenders Submitted Title II Manufactured Housing Loans for
Endorsement without the Required Foundation Certifications,
09/24/2007. Questioned: \$1,529,723; Better Use: \$223,164.

External Reports

64 Audit Reports

Community Planning and Development (20 Reports)

- 2007-AO-1001 The State of Mississippi's Homeowner's Assistance Grant Program Did Not Appropriately Calculate Grants and Monitor the Program, Jackson, MS, 05/07/2007. Better Use: \$159,172.
- 2007-AT-1007 The Municipality of Toa Baja Needs to Improve Its CDBG Program Administration, Toa Baja, PR, 04/11/2007. Questioned: \$1,821,513; Unsupported: \$1,726,377; Better Use: \$34,091.
- 2007-BO-1005 The City of New Bedford Did Not Meet Certain Requirements of HUD's CDBG Program, New Bedford, MA, 04/23/2007. Questioned: \$750,000; Unsupported: \$750,000; Better Use: \$473,177.
- 2007-BO-1007 The City of Fall River Generally Administered Its Block Grant and HOME Programs in Accordance with HUD Requirements, Fall River, MA, 08/24/2007.
- 2007-CH-1015 Cook County Lacked Adequate Controls over Its HOME Investment Partnerships Program, Chicago, IL, 09/26/2007. Questioned: \$943,476; Unsupported: \$827,507; Better Use: \$153,805.
- 2007-CH-1017 The City of Cincinnati Lacked Adequate Controls over Its HOME Investment Partnerships Program, Cincinnati, OH, 09/30/2007. Questioned: \$1,639,241; Unsupported: \$1,373,156; Better Use: \$134,455.
- 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. Questioned: \$301,563; Better Use: \$120,000.
- 2007-DE-1006 The State of Utah Did Not Comply with HOME Investment Partnerships Program Requirements, Salt Lake City, UT, 08/10/2007. Questioned: \$306,648; Better Use: \$4,000,000.
- 2007-LA-1009 The City of Chula Vista Generally Administered Its HOME Investment Partnership Program in Accordance with HUD Requirements, Chula Vista, CA, 04/10/2007.
- 2007-LA-1012 Central City Lutheran Mission Did Not Properly Administer Its Supportive Housing Program Grants, San Bernardino, CA, 06/04/2007. Questioned: \$1,003,540; Unsupported: \$699,438; Better Use: \$13,183.
- 2007-LA-1013 The Los Angeles Homeless Services Authority Did Not Perform On-Site Fiscal Monitoring of Its Project Sponsors, Los Angeles, CA, 06/08/2007.
- 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. Questioned: \$71,318.
- 2007-NY-1005 Lower Manhattan Development Corporation CDBG Disaster Recovery Assistance Funds, New York, NY, 04/17/2007. Questioned: \$6,000.
- 2007-NY-1007 The City of Jersey City Did Not Always Adequately Administer Its HOME Investment Partnerships Program, Jersey City, NJ, 06/13/2007. Questioned: \$622,128; Unsupported: \$354,581; Better Use: \$487,137.
- 2007-NY-1008 The City of Newark Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Newark, NJ, 06/22/2007. Questioned: \$10,425,604; Unsupported: \$10,164,376; Better Use: \$991,171.

- 2007-NY-1009 The Town of Alexandria's Small Cities CDBG Program Did Not Meet Its Program Objective of Job Creation, Alexandria, NY, 06/29/2007. Questioned: \$600,000; Unsupported: \$600,000.
- 2007-NY-1012 The City of Passaic's Community Development Department Has Weaknesses in Its HOME Investment Partnerships Program, Passaic, NJ, 09/12/2007. Questioned: \$942,993; Unsupported: \$841,366; Better Use: \$1,626,642.
- 2007-NY-1013 Lower Manhattan Development Corporation CDBG Disaster Recovery Assistance Funds, New York, NY, 09/28/2007.
- 2007-PH-1012 The State of Maryland Did Not Always Administer Its Homeownership Assistance Program in Accordance with Federal Regulations and Written Agreements, Crownsville, MD, 08/27/2007. Questioned: \$73,000; Unsupported: \$73,000.
- 2007-SE-1004 The Tacoma Consortium Did Not Properly Administer its HOME Investment Partnerships Grants, Tacoma, WA, 09/30/2007. Questioned: \$435,613; Unsupported: \$248,214; Better Use: \$263,458.

General Counsel (1 Report)

- 2007-FW-1012 Fallbrook Apartments' Owner and/or Management Agent Made Unauthorized Distributions of the Project's Funds, Houston, TX, 07/06/2007. Questioned: \$330,887; Unsupported: \$31,625.

Housing (13 Reports)

- 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. Questioned: \$2,651,810; Unsupported: \$147,277; Better Use: \$93,677.
- 2007-BO-1006 Multifamily Project Deficiencies Resulted in More Than \$730,000 in Cost Exceptions for Moosup Gardens Apartments, Moosup, CT, 07/25/2007. Questioned: \$670,265; Unsupported: \$113,636; Better Use: \$63,038.
- 2007-CH-1007 Trumbull Metropolitan Housing Authority Did Not Ensure Its Nonprofit Followed HUD's Section 8 Housing Requirements, Warren, OH, 04/30/2007. Better Use: \$1,367,630.
- 2007-DE-1005 Rocky Mountain Mutual Housing Association Paid Ineligible Owner Expenses, Denver, CO, 04/10/2007. Questioned: \$27,936.
- 2007-FW-1009 Countrywide Home Loans, Inc., Generally Complied with HUD Requirements in Originating FHA-Insured Single-Family Mortgages, Houston, TX, 05/10/2007. Better Use: \$32,549.
- 2007-FW-1010 Alethes Mortgage, LLC, and Its Dallas, Texas, Branch, Waters Edge Mortgage, LLC, Did Not Comply with All HUD Underwriting Requirements, Dallas, TX, 06/08/2007. Better Use: \$48,824.
- 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. Questioned: \$5,249,414; Better Use: \$684,698.
- 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. Questioned: \$62,222; Unsupported: \$19,463; Better Use: \$890,839.
- 2007-NY-1010 Amistad Management's Administration of Grace Houses Generally Complied with HUD Regulations, Jamaica, NY, 07/05/2007. Questioned: \$389; Better Use: \$2,347.

- 2007-PH-1006 Elders Place II, Incorporated, Did Not Properly Administer HUD Funds in Accordance with HUD Requirements, Philadelphia, PA, 04/19/2007. Questioned: \$788,414; Unsupported: \$605,166; Better Use: \$45,843.
- 2007-PH-1007 Oak Mound Associates Improperly Billed HUD for Section 8 Subsidies, Clarksburg, WV, 06/19/2007. Questioned: \$9,144; Unsupported: \$5,671; Better Use: \$1,389.
- 2007-PH-1010 Countrywide Home Loans Generally Complied with HUD Requirements in Originating FHA-Insured Single-Family Loans, Plymouth Meeting, PA, 07/26/2007. Better Use: \$74,395.
- 2007-SE-1002 The Renton Branch of Countrywide Home Loans, Inc., Did Not Comply with HUD Guidelines in Underwriting Five FHA-Insured Loans, Renton, WA, 04/11/2007. Better Use: \$207,947.

Policy Development and Research (1 Report)

- 2007-DE-1007 Sitting Bull College Generally Met Requirements While Administering Its Tribal Colleges and Universities Program Assistance Award, Fort Yates, ND, 09/04/2007.

Public and Indian Housing (29 Reports)

- 2007-AT-1006 The Housing Authority of DeKalb County Did Not Adequately Monitor Contract Payments, Decatur, GA, 04/10/2007. Questioned: \$83,455; Unsupported: \$36,404.
- 2007-AT-1008 The Housing Authority of DeKalb County Section 8 Units Generally Met Housing Quality Standards, Decatur, GA, 04/30/2007.
- 2007-AT-1009 The Charleston Housing Authority Needs to Improve Controls Over Credit Card Use, Travel, and Petty Cash, Charleston, SC, 05/02/2007. Questioned: \$7,941; Unsupported: \$2,054.
- 2007-AT-1011 The Wilmington Housing Authority Did Not Follow HUD Requirements for Its Nonprofit Development Activities, Wilmington, NC, 09/26/2007. Questioned: \$1,519,663.
- 2007-BO-1008 Holyoke Housing Authority Needs to Improve Its Internal Controls over the Voucher Program, Cost Allocations and Transfers, Holyoke, MA, 08/29/2007. Questioned: \$1,022,614; Unsupported: \$915,784; Better Use: \$397,950.
- 2007-CH-1008 The Dayton Metropolitan Housing Authority Did Not Effectively Operate Its Section 8 Housing Choice Voucher Program, Dayton, OH, 06/19/2007. Questioned: \$345,727; Unsupported: \$282,085; Better Use: \$2,854,106.
- 2007-CH-1009 The Boyne City Housing Commission Failed to Follow HUD's Requirements for Its Nonprofit Development Activities, Boyne City, MI, 07/17/2007. Questioned: \$82,642; Better Use: \$366,773.
- 2007-CH-1010 The Madison County Housing Authority Did Not Effectively Administer Its Section 8 Housing Choice Voucher Program, Collinsville, IL, 07/20/2007. Questioned: \$224,789; Unsupported: \$140,521; Better Use: \$798,058.
- 2007-CH-1011 The Indianapolis Housing Agency Lacked Adequate Controls over Expenses Charged to Its Section 8 Program, Indianapolis, IN, 07/23/2007. Questioned: \$1,650,863; Unsupported: \$10,545; Better Use: \$855,818.

2007-CH-1012	The Plymouth Housing Commission Needs to Improve Its Section 8 Housing Choice Voucher Program Administration, Plymouth, MI, 08/03/2007. Questioned: \$258,292; Unsupported: \$214,422; Better Use: \$1,157,922.
2007-CH-1013	The Butler Metropolitan Housing Authority Lacked Adequate Controls over Its Homeownership Proceeds, Hamilton, OH, 09/20/2007. Better Use: \$652,638.
2007-CH-1014	The Peoria Housing Authority Did Not Effectively Administer Its Section 8 Housing Choice Voucher Program, Peoria, IL, 09/24/2007. Questioned: \$106,445; Better Use: \$1,090,476.
2007-CH-1016	The Plymouth Housing Commission Failed to Adequately Administer Its Section 8 Housing Choice Voucher Program, Plymouth, MI, 09/28/2007. Questioned: \$63,790; Unsupported: \$2,939; Better Use: \$1,468,640.
2007-FW-1008	The San Antonio Housing Authority Overhoused Tenants and Paid Excessive Housing Assistance Payments in its Section 8 Housing Choice Voucher Program, San Antonio, TX, 04/19/2007. Questioned: \$78,838; Better Use: \$7,333.
2007-KC-1006	The Mansfield Housing Authority Misspent Public Housing Funds and Did Not Fulfill Its Section 8 Program Contract Administrator Requirements, Mansfield, MO, 07/09/2007. Questioned: \$28,231; Unsupported: \$4,020.
2007-KC-1007	St. Clair County Housing Authority Did Not Properly Calculate Housing Assistance Payments, Belleville, IL, 08/17/2007. Questioned: \$26,010; Better Use: \$82,095.
2007-LA-1007	The Housing Authority of the County of Los Angeles Did Not Adequately Conduct Housing Quality Standards Inspections, Los Angeles, CA, 04/03/2007. Better Use: \$11,542,524.
2007-LA-1008	The Navajo Housing Authority Should Discontinue Its Use of Subgrantees for Development Projects or Implement Additional Program Controls, Window Rock, AZ, 04/09/2007. Better Use: \$53,419,143.
2007-LA-1010	The Housing Authority of the County of Contra Costa Admitted an Overincome Family to the Section 8 Housing Choice Voucher Program, And Did Not Adequately Screen and Document Eviction Histories, Martinez, CA, 05/07/2007. Questioned: \$2,559.
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. Questioned: \$3,913,830; Unsupported: \$1,400,000.
2007-LA-1015	The Housing Authority of the City of North Las Vegas Significantly Underleased Its Section 8 Housing Choice Voucher Program, North Las Vegas, NV, 09/04/2007. Better Use: \$4,419,629.
2007-NY-1004	Family Self-Sufficiency and Section 8 Programs Weaknesses at the City of Poughkeepsie, NY, 04/02/2007. Questioned: \$783,371; Unsupported: \$750,000; Better Use: \$162,697.
2007-NY-1006	The Housing Authority of the City of Asbury Park Requires Improved Controls Over Capital Funds, Salary, and Maintenance, Asbury Park, NJ, 05/24/2007. Questioned: \$1,605,030; Unsupported: \$48,246; Better Use: \$278,361.

2007-NY-1011	The Hoboken Housing Authority Requires Improved Controls Over Its Capital Fund Program and Cash Disbursement Process, Hoboken, NJ, 08/17/2007. Questioned: \$1,788,819; Unsupported: \$333,244.
2007-PH-1008	The District of Columbia Housing Authority Did Not Adequately Administer Leased Housing under Its MTW Program, Washington, DC, 07/13/2007. Questioned: \$786,086; Unsupported: \$309,914; Better Use: \$4,470.
2007-PH-1009	The Newport News Redevelopment and Housing Authority Did Not Effectively Operate Its Housing Choice Voucher Program, Newport News, VA, 07/24/2007. Questioned: \$380,660; Unsupported: \$262,287; Better Use: \$4,086,712.
2007-PH-1011	The Housing Commission of Anne Arundel County Did Not Always Operate Its Housing Choice Voucher Program in Accordance with Federal Requirements, Glen Burnie, MD, 08/14/2007. Questioned: \$1,065,169; Unsupported: \$948,647; Better Use: \$2,121,769.
2007-PH-1013	The Harrisburg Housing Authority Did Not Properly Administer Its Low-Rent Public Housing Program, Harrisburg, PA, 09/27/2007. Questioned: \$834,969.
2007-SE-1003	The Vancouver Housing Authority Lacks Quality Control Processes in Its Housing Choice Voucher Program, Vancouver, WA, 09/05/2007.

Audit-Related Memorandums²

Housing (1 Report)

2007-FW-1801	Security National Mortgage Company, Dallas, TX, 07/30/2007. Questioned: \$48,729; Unsupported: \$48,729.
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² 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.

Appendix 2



Tables

Table A

Audit Reports Issued Prior to Start of Period with No Management Decision at 09/30/2007

** Significant Audit Reports Described in Previous Semiannual Reports*

Report Number & Title	Reason for Lack of Management Decision	Issue Date/Target for Management Decision
2006-SE-0001 Single Family Mortgage Insurance Claims	See Chapter 9, page 149	01/07/2007

Table B
Significant Audit Reports Described in Previous
Semiannual Reports For Which Final Action Had Not Been
Completed as of 09/30/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
2001-CH-1007	Detroit Housing Commission, Hope VI Program, Detroit, MI	05/16/2001	09/13/2001	06/30/2011
2002-KC-0002	Nationwide Survey of HUD's Office of Housing Section 232 Nursing Home Program	07/31/2002	11/22/2002	03/31/2008
2002-PH-1005	Philadelphia Regional Alliance of HUD Tenants, Outreach and Training Assistance Grant and Intermediary Technical Assistance Grant, Philadelphia, PA	09/30/2002	03/31/2003	04/01/2008
2003-SE-1002	Tenants Union, Outreach and Training Assistance Grant and Intermediary Training Assistance Grant, Seattle, WA	12/02/2002	03/31/2003	04/01/2008
2003-DE-0001	HUD Offices of Multifamily Housing Assistance Restructuring's Oversight of the Section 514 Program Activities	03/31/2003	03/31/2003	Note 1
2003-NY-1005	Empire State Development Corporation, CDBG Disaster Assistance Funds, New York, NY	09/30/2003	01/28/2004	12/31/2007
2004-BO-1004	Danbury Housing Authority, Capital Fund Program, Boston, MA	12/05/2003	04/05/2004	12/01/2008
2004-FO-0003	HUD Financial Statements FY 2003 and 2002	12/19/2003	07/20/2004	10/15/2007
2004-AO-0001	Award and Administration of Lead-Based Paint Hazard Reduction Grants	02/06/2004	06/30/2004	04/01/2008
2004-PH-1003	The Congress of National Black Churches, Incorporated, Housing Counseling Program, Washington, DC	02/19/2004	06/18/2004	11/15/2008
2004-DP-0002	Application Control Review of the Tenant Rental Assistance Certification System	02/25/2004	07/14/2004	08/30/2008

Report Number	Report Title	Issue Date	Decision Date	Final Action
2004-PH-1008	Safe Haven Outreach Ministry, Incorporated, Washington, DC	06/03/2004	08/31/2004	03/28/2008
2004-AT-1012	Housing Authority of the City of Durham, NC	08/02/2004	11/29/2004	12/31/2020
2004-CH-1803	Somerset Point Nursing Home, Multifamily Equity Skimming, Shaker Heights, OH	08/09/2004	08/09/2004	07/31/2009
2004-CH-1008	Cornerstone Mortgage Group, Limited Non-Supervised Loan Correspondent, Inverness, IL	09/10/2004	01/05/2005	Note 2
2004-PH-1012	Mortgage America Bankers, LLC, Non-Supervised 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	05/15/2008
2004-LA-1008	United States Veterans Initiative, Inc., Inglewood, CA	09/27/2004	03/31/2005	04/15/2013
2005-AT-1004	Housing Authority of the City of Durham, NC	11/19/2004	03/15/2005	03/15/2015
2005-CH-1003	Royal Oak Township Housing Commission, Public Housing Program, Ferndale, MI	11/29/2004	03/29/2005	10/31/2007
2005-AT-1005	Pan American Financial Corporation, Non-Supervised Direct Endorsement Lender, Guaynabo, PR	01/27/2005	05/17/2005	01/31/2008
2005-FW-1004	American Property Financial, Non-Supervised Loan Correspondent, San Antonio, TX	01/28/2005	05/27/2005	Note 2
2005-AT-1007	Interstate Financial Mortgage Group Corporation, Non-Supervised Direct Endorsement Lender, Miami, FL	03/15/2005	08/04/2005	12/30/2007
2005-PH-0001	Criteria Governing Local Government Participation in HUD's Single Family Property Disposition Discount Sales Program	03/29/2005	07/27/2005	Note 2

Report Number	Report Title	Issue Date	Decision Date	Final Action
2005-DE-1004	Aspen Home Loans, American Fork, UT	05/06/2005	08/31/2005	Note 2
2005-DE-0001	HUD's Controls Over FHA Claims Payments	05/12/2005	09/09/2005	Note 2
2005-FW-1010	Broad Street Mortgage Company, Subsidiary of Fieldstone Mortgage Company, San Antonio, TX	05/26/2005	07/13/2006	Note 2
2005-CH-1012	Savanna Trace Apartments Multifamily Equity Skimming, Kalamazoo, MI	08/04/2005	12/28/2005	02/29/2008
2005-CH-1013	Ivan Woods Senior Apartments Multifamily Equity Skimming, Lansing, MI	08/05/2005	12/28/2005	02/29/2008
2005-BO-1006	The Hartford Housing Authority Improperly Used \$3.7 Million in Public Housing Operating Subsidies for Its State and Other Federal Programs, Hartford, CT	09/06/2005	01/03/2006	01/31/2008
2005-LA-0001	Single Family Preforeclosure Sale Program	09/13/2005	01/10/2006	Note 2
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	11/21/2007
2005-SE-1007	City Bank Puyallup, WA	09/16/2005	12/20/2005	12/20/2007
2005 -SE-1008	Idaho Housing and Finance Association, Boise, ID	09/16/2005	03/31/2006	Note 2
2005-CH-1017	Flint Housing Commission, Section 8 Housing Program, Flint, MI	09/23/2005	01/20/2006	01/20/2016
2005-FW-1018	The Housing Authority of the City of Houston Violated HUD Regulations Concerning Section 8 Housing Choice Voucher Tenants and Units, Houston, TX	09/27/2005	01/24/2006	12/31/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
2005-AT-1015	The Municipality of San Juan Housing Authority Did Not Properly Administer its Section 8 Housing Choice Voucher Program, San Juan, PR	09/29/2005	01/12/2006	10/31/2007
2005-CH-1020	Housing Authority of the City of Gary, Section 8 Housing Program, Gary, IN	09/29/2005	01/25/2006	12/31/2052
2005-BO-0002	HUD Did Not Conduct a Front-End Risk Assessment and, Therefore, Fully Implement Controls for the Public Housing Mortgages and Security Interest Program	09/30/2005	12/20/2005	12/31/2007
2006-CH-0001	Real Estate Assessment Center's Physical Condition Assessment Was Compromised	11/30/2005	01/10/2006	11/30/2008
2006-PH-1003	The Franklin Redevelopment and Housing Authority Did Not Adequately Administer Its Section 8 Program, Franklin, VA	11/30/2005	03/28/2006	04/01/2008
2006-PH-0001	HUD Did Not Properly Award FY 2004 Healthy Homes and Lead Hazard Control Grants	12/07/2005	08/25/2006	Note 2
2006-PH-1005	The Housing Authority of the County of Butler Used HUD Assets Improperly to Develop and Support Its Nonfederal Entities, Butler, PA	01/10/2006	04/28/2006	10/31/2007
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	12/31/2008
2006-KC-1004	Major Mortgage Improperly Submitted Late Requests for Endorsement of FHA Loans, Cheyenne, WY	01/20/2006	05/08/2006	Note 2

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-SE-1001	Idaho Housing and Finance Association Did Not Monitor Subsidized Multifamily Projects in Accordance with Regulations or Its Annual Contributions Contract with HUD, Boise, ID	01/26/2006	05/23/2006	12/31/2008
2006-DP-0003	Vulnerability Assessment of HUD's Computer Network	01/31/2006	04/19/2006	06/30/2008
2006-NY-1002	WomenRising, Inc., Did Not Always Comply with HUD's Supportive Housing Program, Jersey City, NJ	01/31/2006	05/11/2006	10/30/2007
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	12/31/2008
2006-AT-1006	The Municipality of San Juan Housing Authority Did Not Ensure Section 8 Assisted Units Were Decent, Safe, and Sanitary, San Juan, PR	02/23/2006	05/15/2006	12/30/2007
2006-LA-1009	Fontana Native American Indian Center Did Not Adequately Administer Its Supportive Housing Program Grant, Fontana, CA	03/03/2006	03/17/2006	09/15/2008
2006-LA-1010	The Owner and Agent of Holiday Apartments, LA PRO 30, and Two Worlds II Mismanaged Project Finances and Operations, Los Angeles, CA	03/03/2006	06/23/2006	11/30/2007
2006-BO-1005	Hartford Housing Authority Had Housing Choice Voucher Program Deficiencies Resulting in More Than \$2.6 Million in Costs Exceptions, Hartford, CT	03/10/2006	07/07/2006	07/31/2008
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	08/10/2008

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-PH-1009	The Housing Authority of the City of Annapolis Did Not Adequately Administer Its Section 8 Waiting List, Annapolis, MD	03/23/2006	05/24/2006	04/30/2008
2006-FW-1006	America's Mortgage Resource, Inc., Branch Manager Formed an Identity-of-Interest Entity That Provided Gift Funds; and Did Not Always Meet HUD Loan Origination and Quality Control Plan Requirements. Metairie, LA	03/28/2006	07/14/2006	12/31/2007
2006-AT-1007	The Housing Authority of the City of Winston-Salem Used More Than \$4.9 Million in Operating Subsidies for Other Programs, Winston-Salem, NC	03/30/2006	07/20/2006	07/31/2011
2006-CH-1008	US Bank NA, Supervised Lender, Did Not Always Comply with HUD's Requirements Regarding Late Requests for Endorsements and Underwriting of Loans, Minneapolis, MN	03/31/2006	09/18/2006	08/14/2008
2006-FW-1007	BSM Financial LP Originated Loans on Overvalued Properties to Less Than Creditworthy Borrowers, Putting Borrowers and HUD at Risk, Allen, TX	03/31/2006	08/18/2006	10/01/2007
2006-CH-1009	The Youngstown Metropolitan Housing Authority Did Not Use Public Housing Operating Funds Effectively and Efficiently, Youngstown, OH	04/18/2006	08/16/2006	03/30/2008
2006-FW-1010	Deer Creek Apartments' Previous Management Agent Paid Itself Unsupported Fees, Houston, TX	05/11/2006	05/11/2006	10/24/2007
2006-LA-1011	Sundial Care Center Used \$659,746 in Project Funds for Ineligible and Undocumented Costs and Was Unable to Account for Revenue Totaling \$407,454, Modesto, CA	05/18/2006	09/14/2006	07/20/2008

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-PH-0002	HUD Improperly Admitted the Housing Authority of Baltimore City into the MTW Demonstration Program, Baltimore, MD	05/31/2006	10/24/2006	10/24/2007
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	04/30/2008
2006-FW-1011	Premier Mortgage Funding, Inc. and Its Sponsor, JPMorgan Chase, Did Not Comply with HUD Underwriting Requirements and Did Not Meet All Quality Control Requirements, Austin, TX	06/16/2006	12/20/2006	10/31/2007
2006-KC-0003	HUD Did Not Ensure That the Omaha Housing Authority Repaid Its Public Housing Programs \$2.7 Million, Omaha, NE	06/19/2006	09/13/2006	09/30/2008
2006-KC-1011	The Owner of Wellston Townhouses in St. Louis County Violated Its Regulatory Agreement, Wellston, MO	06/29/2006	09/06/2006	05/31/2008
2006-KC-1012	The Owner of HDC Retirement Village in St. Louis Violated Its Regulatory Agreement, St. Louis, MO	06/29/2006	08/31/2006	10/30/2007
2006-BO-1008	Hall Commons Inc. Did Not Administer Its \$4.1 Million Section 202 Capital Advance Construction Grant in Accordance With Federal Requirements, Bridgeport, CT	06/30/2006	10/25/2006	10/25/2007
2006-NY-1008	The Freeport Housing Authority Has Financial and Management Control Weaknesses, Freeport, NY	06/30/2006	12/01/2006	10/31/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
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	12/01/2009
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	10/01/2008
2006-CH-0002	PIH is Taking Action to Oversee the Section 202 Mandatory Conversion Program, Washington, DC	07/13/2006	07/13/2006	12/31/2009
2006-LA-1013	The Child Abuse Prevention Council of Sacramento Did Not Adequately Administer Its Healthy Homes Initiative Grant, North Highlands, CA	07/17/2006	11/09/2006	11/08/2007
2006-LA-1015	Institute for Urban Research and Development Did Not Properly Administer Its Supportive Housing Program Grants, El Monte, CA	07/19/2006	11/16/2006	11/16/2007
2006-CH-0003	The Congressional Grants Division's Oversight of Economic Development Initiative-Special Purpose Grants Needs to be Improved, Washington, DC	07/21/2006	11/16/2006	10/20/2007
2006-CH-1013	The Ann Arbor Housing Commission's Administration of Its Section 8 Housing Choice Voucher Program Needs to be Improved, Ann Arbor, MI	07/21/2006	11/15/2006	12/31/2016
2006-LA-1017	The Housing Authority of the City of Las Vegas Did Not Comply with Contracting and Grant Use Requirements, Las Vegas, NV	07/21/2006	11/09/2006	10/30/2007
2006-AT-1015	The Municipality of Bayamon Housing Authority Did Not Ensure Section 8-Assisted Units Were Decent, Safe, and Sanitary, Bayamon, PR	07/27/2006	11/17/2006	11/17/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-AT-1016	The Municipality of Humacao Did Not Administer Its CDBG in Accordance with HUD Requirements, Humacao, PR	07/28/2006	11/17/2006	11/02/2007
2006-SE-0002	The Office of Single Family Housing Expanded Late Endorsement Eligibility Without Studying Associated Risks	08/16/2006	03/30/2007	Note 2
2006-KC-1013	The Columbus Housing Authority Improperly Expended and Encumbered Its Public Housing Funds, Columbus, NE	08/30/2006	10/17/2006	12/31/2007
2006-DP-0005	Review of HUD's Information Technology Contingency Planning and Preparedness	08/31/2006	11/17/2006	12/31/2007
2006-FW-1015	The Housing Authority of the City of Austin Overhoused Tenants and Paid Excessive HAPs in the Section 8 Housing Choice Voucher Program, Austin, TX	09/01/2006	02/01/2007	10/31/2007
2006-AT-1019	The Municipality of Tao Baja Did Not Administer Its Section 108 Loan Guarantee Assistance Program in Accordance with HUD Requirements, Tao Baja, PR	09/06/2006	12/11/2006	12/11/2007
2006-PH-1013	The Commonwealth of Virginia Did Not Ensure HOME Funds Were Disbursed and Used in Accordance with Federal Regulations, Richmond, VA	09/18/2006	01/16/2007	01/11/2008
2006-NY-1010	Orange City Housing Authority Has Weakness in Its Housing Choice Voucher Program, Orange, NJ	09/20/2006	01/18/2007	10/31/2007
2006-NY-1011	Orange City Housing Authority Incorrectly Paid the City's Street Lighting Costs and Improperly Wrote-off a Receivable, Orange, NJ	09/20/2006	01/18/2007	10/31/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
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	10/30/2007
2006-NY-1012	The Housing Authority of the City of Passaic Has Allegations of Mismanagement That Need to be Addressed, Passaic, NJ	09/22/2006	01/19/2007	08/30/2037
2006-PH-1014	The Housing Authority of the City of McKeesport Needed to Improve Its Low-Rent Housing Maintenance Program, McKeesport, PA	09/25/2006	01/22/2007	01/15/2014
2006-CH-1016	Pickaway Metropolitan Housing Authority Improperly Used Homeownership Sales Proceeds to Fund Its Nonprofit Development Activities, Circleville, OH	09/26/2006	12/18/2006	12/18/2007
2006-CH-1017	Community Cantral Bank, Supervised Lender, Generally Complied with HUD's Requirements Regarding Underwriting of Loans but Not Its Quality Control Reviews, Mount Clemens, MI	09/26/2006	03/12/2007	03/31/2009
2006-KC-1014	The Columbus Housing Authority Improperly Spent and Encumbered Public Housing Funds for Its Non-HUD Development Activities, Columbus, NE	09/27/2006	01/11/2007	01/31/2008
2006-CH-1018	Saginaw Housing Commission Improperly Used Public Housing Funds to Purchase Property, Saginaw, MI	09/28/2006	01/19/2007	12/31/2021
2006-CH-1021	Housing Authority of the County of Cook Had Weak Controls Over Its Section 8 Housing Choice Voucher Program, Chicago, IL	09/30/2006	01/26/2007	09/30/2037
2007-KC-1001	The City of St. Louis Did Not Meet HUD's Requirements for Creating and Retaining Jobs, St. Louis, MO	10/11/2006	02/06/2007	04/30/2008

Report Number	Report Title	Issue Date	Decision Date	Final Action
2007-DE-1001	The City and County of Denver, CO, Did Not Comply with HOME Investment Partnerships Program Requirements, Denver, CO	10/18/2006	02/09/2007	10/18/2007
2007-LA-1001	The Associates Group Pioneer Pines Park Did Not Follow the Provisions of the Regulatory Agreement, Bakersfield, CA	10/20/2006	02/15/2007	02/15/2008
2007-PH-1001	The Housing Authority of the County of Beaver Needed to Improve Controls over HUD Assets, Beaver, PA	10/31/2006	02/22/2007	02/28/2008
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	11/30/2007
2007-KC-1003	PlainsCapital McAfee Mortgage Did Not Follow HUD Underwriting Requirements and Originated Loans from Unregistered Branch Offices, Lubbock, TX	11/06/2006	04/13/2007	03/31/2008
2007-FO-0002	Audit of the FHA's Financial Statements for FY 2006 and 2005	11/08/2006	04/10/2007	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-FO-0003	Additional Details to Supplement Our Report on HUD's FY 2006 and 2005 Financial Statements	11/14/2006	03/07/2007	10/31/2007
2007-FW-1002	The Lubbock Housing Authority Inappropriately Advanced Federal Funds to Support Its Nonprofit Entities, Lubbock, TX	11/28/2006	03/19/2007	02/11/2008

Report Number	Report Title	Issue Date	Decision Date	Final Action
2007-BO-1002	Mortgage Amenities Corporation Did Not Comply with Certain HUD Requirements in Administering Its FHA Insured Loan Programs, Lincoln, RI	12/01/2006	03/23/2007	12/01/2007
2007-LA-1002	First Magnus Financial Corporation Did Not Comply with HUD Guidelines When Operating and Managing Net Branches, Scottsdale, AZ	12/12/2006	04/10/2007	11/30/2007
2007-LA-1003	The City of Long Beach Did Not Administer Its Continuum of Care Supportive Housing Program in Compliance with HUD Requirements, Long Beach, CA	12/12/2006	04/10/2007	04/10/2008
2007-CH-1001	The Marion Housing Authority Improperly Used HUD Funds for Nonprofit Development Activities, Marion, IN	12/13/2006	04/05/2007	07/01/2007
2007-PH-1002	The Montgomery County Housing Authority Improperly Used HUD Funds to Purchase, Renovate, and Maintain Its Main Office, Norristown, PA	12/13/2006	04/12/2007	02/08/2008
2007-LA-1004	The Housing Authority of the County of Contra Costa Did Not Adequately Determine and Support Section 8 Rents, Martinez, CA	12/15/2006	02/27/2007	02/27/2008
2007-NY-1002	The City of Amsterdam Needs to Make Improvements in Administering Its Section 108 Loan Guarantee Program, Amsterdam, NY	12/20/2006	04/18/2007	10/05/2007
2007-SE-1001	The YWCA of Seattle, King and Snohomish Counties, Did Not Properly Administer Its Supportive Housing Program Grants, Seattle, WA	01/12/2007	05/10/2007	03/31/2008
2007-DP-0002	Review of HUD's Information Technology Services Contracts	01/18/2007	05/25/2007	05/30/2008

Report Number	Report Title	Issue Date	Decision Date	Final Action
2007-CH-1002	Benton Harbor Housing Commission Did Not Effectively Manage Its Public Housing Program and Has Not Used Special Purpose Grant Funds It Received More Than Nine Years Ago, Benton Harbor, MI	01/25/2007	05/25/2007	12/15/2008
2007-DP-0003	Review of HUD's Procurement Systems	01/25/2007	05/25/2007	12/31/2008
2007-KC-0002	HUD Can Improve Its Use of Residual Receipts to Reduce Housing Assistance Payments	01/29/2007	01/29/2007	10/15/2007
2007-AT-1003	Gwinnett County Subrecipients Did Not Provide Funds Required by Their Contracts, Lawrenceville, GA	01/31/2007	03/26/2007	12/31/2007
2007-BO-0001	The Hartford CPD Did Not Always Adequately Monitor CDBG Program Participants or Follow HUD Requirements	02/12/2007	04/02/2007	11/05/2007
2007-CH-1003	The Housing Authority of the City of Evansville Needs to Improve Its Section 8 Housing Choice Voucher Program Administration, Evansville, IN	02/13/2007	06/11/2007	12/31/2016
2007-LA-1005	Oakland Housing Authority Did Not Comply with Procurement and Contracting Requirements, Oakland, CA	02/14/2007	06/14/2007	01/01/2009
2007-DP-0004	FY 2006 Review of Information Systems Controls in Support of the Financial Statements Audit	02/22/2007	06/21/2007	09/30/2008
2007-FW-1005	The Housing Authority of Bexar County Overhoused Tenants and Paid Excessive Housing Assistance Payments in the Section 8 Housing Choice Voucher Program, San Antonio, TX	02/22/2007	05/23/2007	12/31/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
2007-FW-1006	Aberdeen Villa Apartments, Formerly Asbury Square Apartments, FHA #118-35200, Spent Almost \$35,000 in Project Funds on Ineligible and Unsupported Costs, Tulsa, OK	03/07/2007	05/22/2007	07/23/2008
2007-AT-1004	The Wilmington Housing Authority Needs to Improve Internal Controls Over Its Program, Wilmington, NC	03/09/2007	06/25/2007	06/28/2010
2007-CH-1004	The Columbus Metropolitan Housing Authority Failed to Adequately Operate Its Section 8 Housing Choice Voucher Program, Columbus, OH	03/15/2007	05/24/2007	02/28/2008
2007-LA-1006	The Housing Authority of the County of Santa Clara Did Not Adequately Determine and Support Section 8 Rents, San Jose, CA	03/16/2007	09/28/2007	09/28/2008
2007-BO-1003	The Office of Community Development, City of Chicopee, Did Not Properly Award and Administer CDBG and HOME Funds Used for its Housing Activities, Chicopee, MA	03/21/2007	07/19/2007	10/30/2007
2007-BO-1004	Harris Health Center Did Not Ensure That Renovations Were Properly Completed, Paid \$21,729 for Unnecessary and Nonproject Costs, and Did Not Calculate Management Fees Properly, East Providence, RI	03/22/2007	05/24/2007	12/27/2007
2007-CH-1005	The Housing Authority of the City of Gary Lacked Adequate Controls over Refunding Savings, Gary, IN	03/23/2007	07/19/2007	12/31/2056
2007-CH-1006	Colony Mortgage Corporation, Supervised Lender, Did Not Always Comply with HUD's Requirements Regarding Underwriting of Loans and Quality Control Reviews, Fairview Park, OH	03/26/2007	09/27/2007	08/31/2009

Report Number	Report Title	Issue Date	Decision Date	Final Action
2007-AT-1005	The Puerto Rico Department of Housing Did Not Effectively Administer Its Section 8 Housing Program, San Juan, PR	03/29/2007	07/16/2007	06/30/2008
2007-FW-1007	The Jacksonville Housing Authority Mismanaged Public Housing Capital Fund Program Funding, Jacksonville, AR	03/30/2007	05/30/2007	03/30/2008

AUDITS EXCLUDED:

43 audits under repayment plans

33 audits under 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.
- 3 No Management decision.

Table C
Inspector General Issued Reports with Questioned and
Unsupported Costs at 09/30/2007

(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	22	15,974	10,849
A2 For which litigation, legislation or investigation was pending at the commencement of the reporting period	11	28,022	17,182
A3 For which additional costs were added to reports in beginning inventory	-	887	99
A4 For which costs were added to non-cost reports	1	200	0
B1 Which were issued during the reporting period	50	47,986	24,291
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	84	93,069	52,421
C For which a management decision was made during the reporting period	38 ¹	22,087	14,859
(1) Dollar value of disallowed costs:			
- Due HUD	11 ²	3,749	2,105
- Due program participants	28	16,490	12,402
(2) Dollar value of costs not disallowed	6 ³	1,848	352
D For which management decision had been made not to determine costs until completion of litigation, legislation or investigation	11	29,630	17,230
E For which no management decision had made by the end of the reporting period	35 <106> ⁴	41,352 <41,009> ⁴	20,332 <20,300> ⁴

1 24 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 6 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 09/30/2007

(Thousands)

Audit Reports	Number of Audit Reports	Dollar Value
A1 For which no management decision had been made by the commencement of the reporting period	18	350,514
A2 For which litigation, legislation or investigation was pending at the commencement of the reporting period	9	116,946
A3 For which additional costs were added to reports in beginning inventory	-	0
A4 For which costs were added to non-cost reports	0	0
B1 Which were issued during the reporting period	49	192,727
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	76	660,187
C For which a management decision was made during the reporting period	37 ¹	236,102
(1) Dollar value of recommendations that were agreed to by management:		
- Due HUD	15 ²	207,678
- Due program participants	24	26,367
(2) Dollar value of recommendations that were not agreed to by management	6 ³	2,057
D For which management decision had been made not to determine costs until completion of litigation, legislation or investigation	9	90,852
E For which no management decision had been made by the end of the reporting period	30 <58> ⁴	333,233 <333,233> ⁴

¹ 24 audit reports also contain recommendations with questioned costs.

² 3 audit reports also contain recommendations with funds due program participants.

³ 5 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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