

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

*Office of Inspector General*



*Semiannual Report  
to Congress*

*October 1, 2006, through March 31, 2007*

# Profile of Performance

## Audit Profile of Performance for the period, October 1, 2006, through March 31, 2007

Results	
Recommendations That Funds Be Put to Better Use	\$755,037,441
Recommended Questioned Costs	\$18,987,476
Collections from Audits	\$14,535,322
Administrative Sanctions	6

## Investigation Profile of Performance for the period, October 1, 2006, through March 31, 2007

Results	
Funds Put to Better Use	\$42,225,372
Recoveries/Receivables	\$190,176,284
Indictments/Informations	694
Convictions/Pleas/Pretrial Diversions	562
Civil Actions	31
Administrative Sanctions <sup>1</sup>	1,050
Personnel Actions	24
Arrests <sup>2</sup>	1,777
Search Warrants	30
Weapons Seized	7
Subpoenas Issued	433

## Hotline Profile of Performance for the period, October 1, 2006, through March 31, 2007

Results	
Funds Put to Better Use	\$2,516,206
Recoveries/Receivables	\$179,820

<sup>1</sup> 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.

<sup>2</sup> Included in the arrests is our focus on the nationwide Fugitive Felon Initiative.

# Inspector General's Message



It is with pride that I present the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), Semiannual Report that outlines OIG's activities for the first half of fiscal year 2007.

HUD OIG provides constant oversight of the administration of HUD programs through audits of HUD's financial statements and internal control reviews. In addition, OIG is a strong deterrent through its criminal and administrative investigations of white-collar crime and program abuse. OIG actively pursues these efforts, finding partners in its drive to uncover housing-related crimes in public housing and HUD's economic development programs.

During the past 6 months, HUD OIG has partnered with the U.S. Department of Justice (DOJ) on the National Procurement Fraud Task Force, the purpose of which is to promote the early detection, prevention, and prosecution of procurement fraud associated with government programs. In addition, OIG is participating in the DOJ Public Housing Safety Initiative (PHSI), a crime prevention and community development effort designed to assist in the investigation, prosecution, and prevention of violent crimes and drug offenses in public housing. OIG is actively participating in 10 major PHSI sites across the country. A recent PHSI initiative in the Dallas/Ft. Worth area netted 69 arrests, 36 administrative actions, and \$592,992 in funds put to better use.

HUD OIG continues to check the crime of Section 8 rental subsidy fraud. A recent action in New York City, "Operation Heat 2," conducted by OIG in cooperation with the New York City Housing Authority, led to the arrest of 30 individuals charged with defrauding the Section 8 program of more than \$1.2 million in housing subsidies.

HUD OIG has been a strong voice for strengthening the integration of the Federal Housing Administration's financial management systems to the enhance lender accountability and effectively deal with program abusers.

The destruction and aftermath of Hurricanes Katrina, Wilma, and Rita continue to be a focus and challenge for HUD OIG. To deal with the enormous task of enforcement and oversight, OIG has established a new, discrete regional office, headquartered in New Orleans, LA. OIG audit, investigative, and inspections staff provide a continuing and comprehensive review of the expenditure of funds and their administration. Weekly Gulf Coast newspapers herald arrests and convictions of those who would seek to defraud the government.

HUD OIG's major accomplishments for this period are highlighted in this report. During the 6-month reporting period, audit reports related to the single-family housing, public and indian housing, multifamily housing and community planning and development program areas questioned more than \$18.7 million in costs and made \$755 million in recommendations to the Department on how funds could be put to better use. During this semiannual reporting period, OIG completed 60 audits.

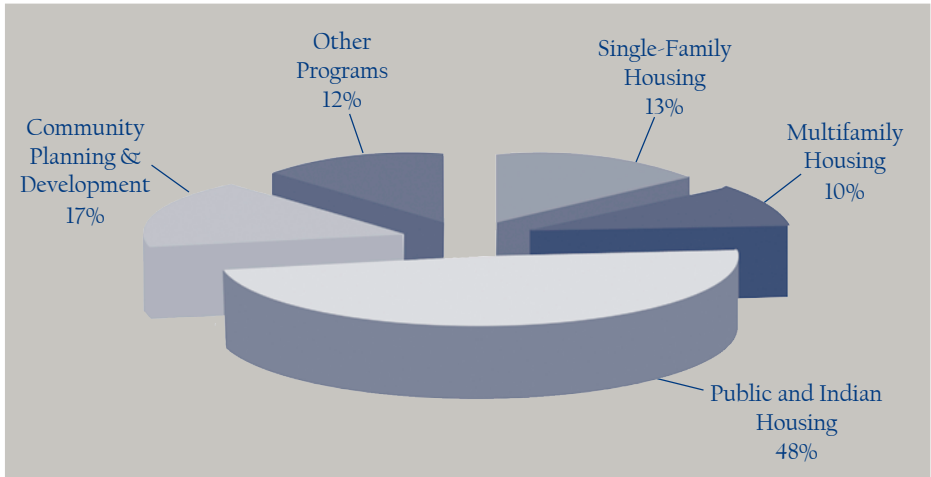
HUD OIG's investigative workload continues at a steady pace. During this timeframe, OIG opened 79 investigative cases and closed 111 cases in the single-family program area, resulting in 142 indictments; 134 arrests; and 113 convictions, pleas, or pretrial diversions.

In closing, I want to acknowledge the extraordinary efforts of the auditors, investigators, inspectors, and support personnel who form the core of HUD OIG and to thank them for their dedication and service to the American taxpayers and their commitment to eliminating waste, fraud, and abuse.

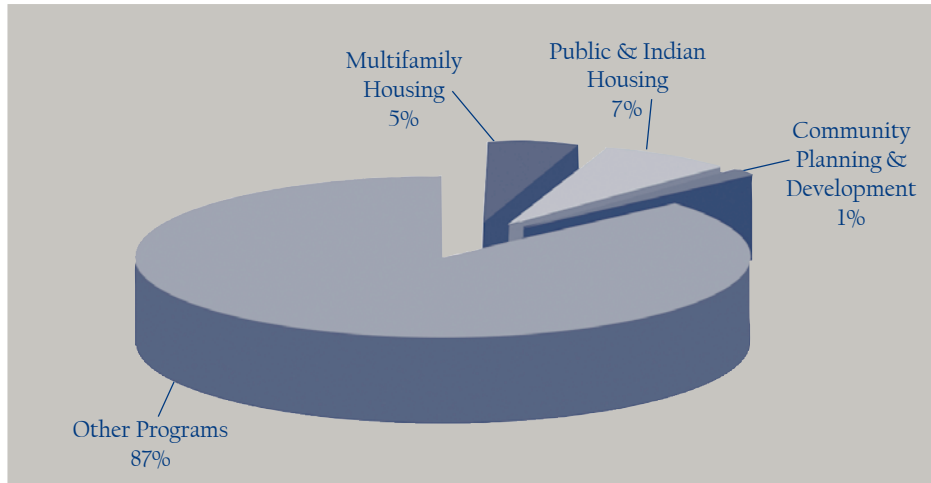
A handwritten signature in black ink, appearing to read "Kenneth M. Donohue". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kenneth M. Donohue  
Inspector General

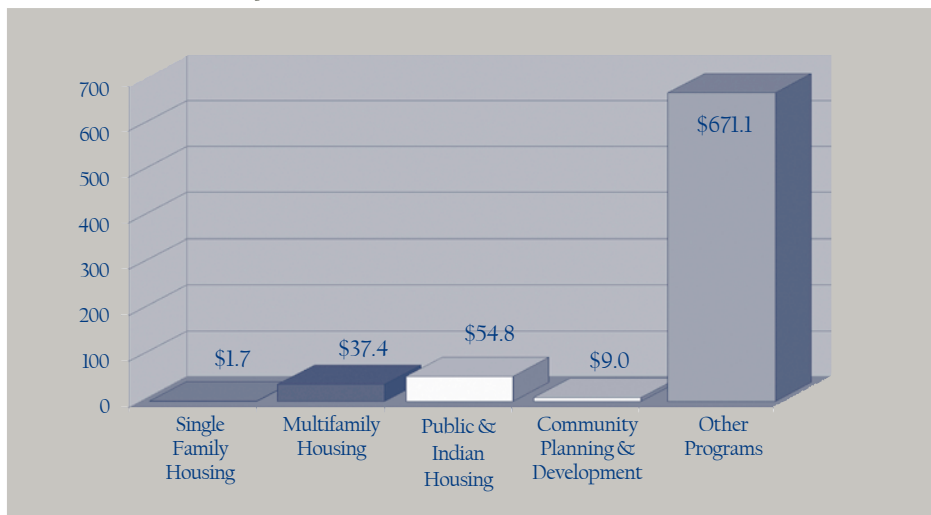
### Audit Reports Issued by Program



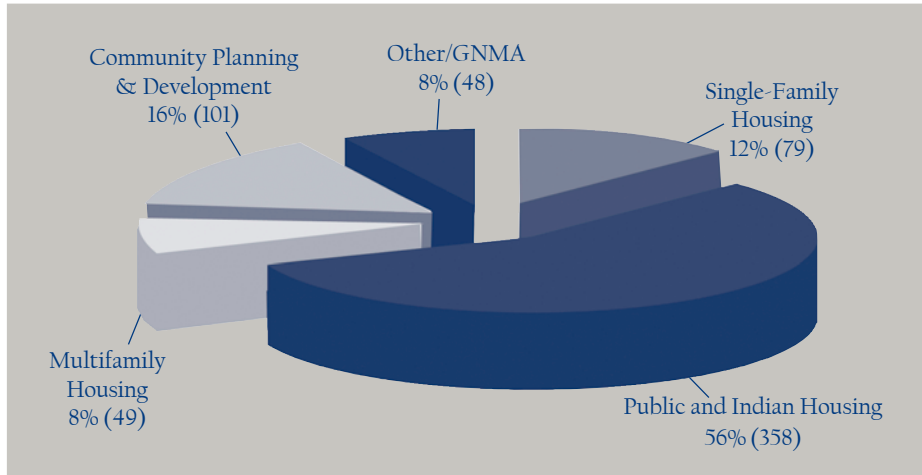
### Monetary Benefits Identified by Program



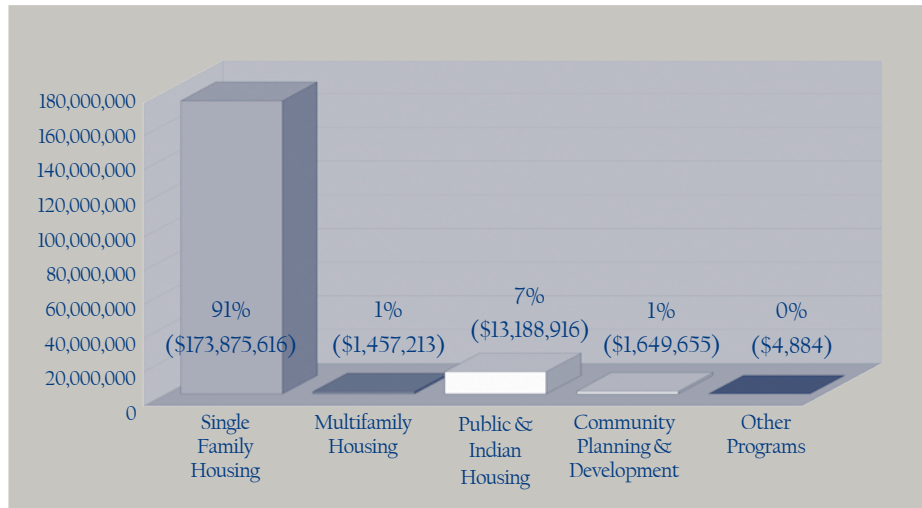
### Monetary Benefits Identified in Millions of Dollars



### Investigation Cases Opened by Program (Total: 635)



### Investigation Recoveries by Program (Total: 190,176,284)



# 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
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
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.	143-146
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-123, 143-146
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	7-123
Section 5(a)(3)-identification of each significant recommendation described in previous semiannual report on which corrective action has not been completed.	<i>Appendix 2, Table B</i>
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	7-123
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.	<i>No Instances</i>
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.	<i>Appendix 1</i>
Section 5(a)(7)-summary of each particularly significant report and the total dollar value of questioned and unsupported costs.	7-123
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	<i>Appendix 2, Table C</i>
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.	<i>Appendix 2, Table D</i>
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.	<i>Appendix 2, Table A</i>
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	<i>No Instances</i>
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	149
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	150



## *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 that mortgage companies hold HUD harmless for improperly underwritten loans *page 9*
- Recommended administrative action/civil monetary penalties against First Magnus for Federal Housing Administration (FHA) loans originated by its net branches that operated in violation of HUD requirements *page 11*
- Reviewed HUD's oversight of 20-year loans and concurred with the change for processing these loans, which resulted in decreased defaults *page 12*
- \$11.6 million forfeited and more than 5 years imprisonment imposed in a loan origination scam *page 14*
- More than \$7.5 million in restitution awarded to HUD and victims of manufactured homes mortgage scam *page 14*
- Foreclosure company owner sentenced to more than 37 months imprisonment as a result of a \$2 million bankruptcy fraud scam *page 25*
- Advocated changes to the seller-funded downpayment assistance programs *page 145*

#### Emerging Issues: 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



## 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)
- Section 8 Fraud Initiatives in each Office of Inspector General (OIG) region
- Investigative Rental Assistance Overpayment Initiatives in each region
- Public Housing Fugitive Felon Initiative: locate and remove
- Sex Offender Initiative: locate 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

- Housing choice voucher schemes result in indictments and prosecution *page 31*
- 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 35*
- Expensive toys and \$1.2 million home for sale as result of \$3.5 million embezzlement scam *page 46*
- You can run but you cannot reside: HUD OIG works with U.S. Marshals Task Force, arrests 545 fugitive felons; 291 in HUD-assisted housing, 50 sex offenders *page 69*

#### Emerging Issues: Areas of OIG Interest

- Nursing homes: equity skimming
- Adequacy of HQS inspections
- Public corruption and mismanagement
- 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



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
  - Investigative initiative against corruption in FHA multifamily corruption
  - Hurricane Relief Fraud program
  - National plan to involve all regions in prevention of fraud in CDBG program funds in five Gulf Coast States
  - Inspections and evaluations of program areas
  - Public dissemination of HUD OIG activities and outreach activities with State and local government agencies
  - Department liaison

#### Highlights: Results or Impact of Significant OIG Work

- Initiated total agent training program for community planning and development and multifamily fraud and corruption investigations *page 75*
- Health care official causes HUD loss of more than \$4.4 million *page 79*
- City employees indicted for theft of government funds *page 80*
- Owner of three apartments pleads guilty to stealing more than \$1.9 million from HUD *page 82*
- Advocated HUD controls over grantees to ensure that grant funds are used in accordance with grant agreements *page 86*
- Minister to face judgment day for theft of funds *page 90*
- Shelter directors using funds for vacations, vehicles, tuition, and Federal income tax: arrested and charged *page 90*
- Katrina scheme unravels *page 109*

#### Emerging Issues: Areas of OIG Interest

- Community planning and development performance monitoring
- Liens on real property purchases with Federal assistance
- 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
  - At the request of members of Congress, investigation of remarks attributed to the HUD Secretary, specifically, and possible political influence on the HUD contracting
  - Implementation of DOJ Procurement Fraud Task Force at HUD
  - FedRent data match operation: Identifying Federal employees improperly receiving

#### Highlights: Results or Impact of Significant OIG Work

- Encryption of OIG computers *page 118*
- Elimination of material weaknesses and HUD's removal from General Accountability Office (GAO) high-risk list *page 144*

#### Emerging Issues: Areas of OIG Interest

- Ethics and accountability in contracting
- Security and data integrity
- Management of human capital
- Risks in information technology: vulnerabilities and security



Embrace High Standards of Ethics, Management, and Accountability





# *Chapter 1*



## *HUD's Single-Family Housing Programs*

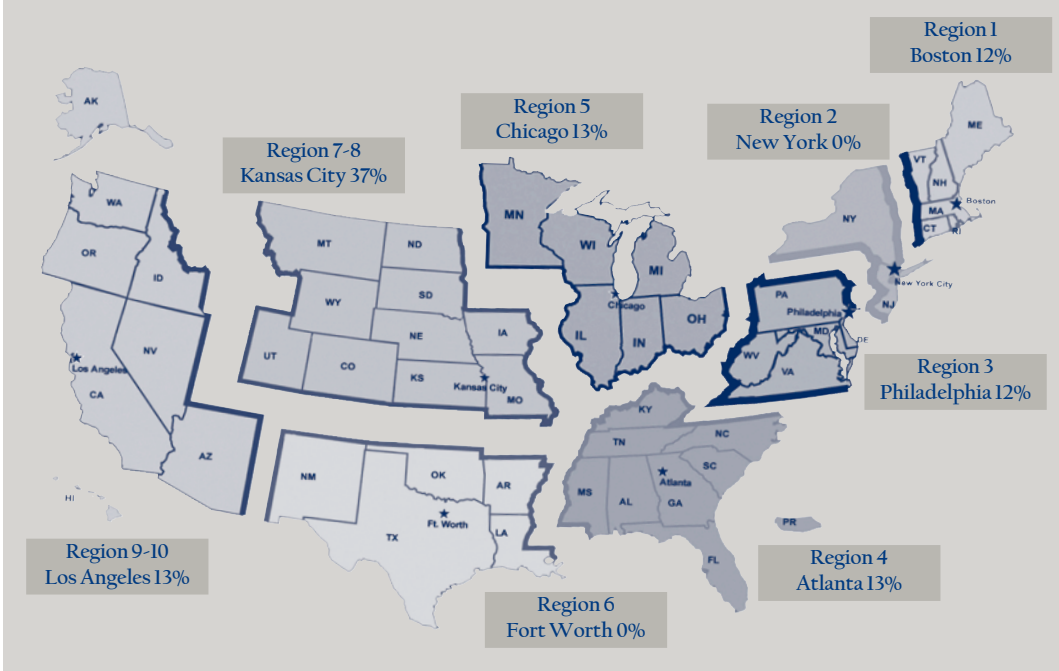
The Federal Housing Administration’s (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing to enable individuals and families to purchase, rehabilitate, and construct a home. In addition to the audits and investigations described in this chapter, OIG has also conducted numerous outreach efforts. (see chapter 8, page 124)

# 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	8 Audits	\$524,000	\$1.1 Million
Our Focus	page 9	- Mortgagees, Loan Correspondents, and Direct Endorsement Lenders	
	page 11	- Single-Family Real Estate Owned Property Sales	
	page 12	- HUD’s Oversight of 20-Year Insured Loans	

Chart 2.1: Percentage of OIG Single-Family Housing Audit Reports During this Reporting Period



## *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, the U.S. Department of Housing and Urban Development (HUD) OIG reviewed four 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 loans that Pine State Mortgage Company, a nonsupervised direct endorsement lender, underwrote at its Atlanta, GA, branch office. Pine State improperly underwrote 21 of the 108 loans reviewed, thereby placing the FHA insurance fund at risk for nearly \$152,000 in questioned costs and more than \$713,000 in funds to be put to better use. Pine State also did not maintain proper quality controls over its underwriting process, placing HUD's insurance fund at risk for an additional 15 loans. These loans involved material violations affecting the loans' insurability that were not recognized by Pine State and reported to HUD, thereby exposing HUD's insurance fund to unnecessary risk of default, claims, and foreclosure.

OIG recommended that HUD take appropriate administrative action against Pine State. This action should, at a minimum, require Pine State to reimburse or hold HUD harmless against any losses for the 21 improperly underwritten loans and any of the 15 loans that involved material violations. (Audit Report: 2007-AT-1002)



HUD OIG audited Colony Mortgage Corporation, Fairview Park, OH, a supervised lender approved to originate, underwrite, and submit insurance endorsement requests under HUD's single-family direct endorsement program.

Of 22 FHA loans reviewed, Colony approved nine that did not meet HUD's requirements. Further, Colony incorrectly certified to the integrity of the data supporting the underwriting deficiencies or to the due diligence used in underwriting the loans. Colony's quality control plan did not fully comply with HUD's requirements, and its quality control reviews were not adequately performed. For the loans in question, the risk to the FHA fund was increased.

OIG recommended that HUD require Colony to reimburse HUD for any future net loss once the associated properties are sold, reimburse HUD nearly \$199,000 for the loss incurred on four loans already sold and for one overinsured loan, improve its existing procedures and controls to ensure that its underwriters follow HUD's underwriting requirements, implement its revised quality control plan, and ensure that quality control reviews are performed in accordance with its revised plan. OIG also

recommended that HUD determine legal sufficiency and if legally sufficient, pursue remedies under the Program Fraud Civil Remedies Act against Colony and/or its principals for the nine incorrect certifications identified. (Audit Report: 2007-CH-1006)



HUD OIG audited Plains Capital McAfee Mortgage, Lubbock, TX, because its 2-year default rate for loans with amortization dates between December 2003 and November 2005 exceeded HUD's national average by 44 percent. In addition, the percentage of current defaults and claims was 88 percent higher than HUD's national average.

McAfee Mortgage did not follow HUD regulations when underwriting 11 of the 35 loans reviewed. As a result, HUD insured 11 loans with original mortgage amounts of more than \$1 million, placing the FHA insurance fund at unnecessary risk. McAfee Mortgage submitted 821 loans from unregistered branch offices, circumventing HUD's oversight controls and placing the FHA insurance fund at unnecessary risk for nearly \$75 million in loans.

OIG recommended that HUD require McAfee Mortgage to indemnify it for the 11 improperly underwritten loans and seek civil money penalties for all loans originated from unregistered branches from December 1, 2004, to the present. (Audit Report: 2007-KC-1003)



HUD OIG audited Wells Fargo Home Mortgage, West Des Moines, IA, to determine whether it originated, sponsored, or purchased Title II manufactured housing loans in accordance with HUD requirements and whether the insured loans met HUD permanent foundation requirements specific to Title II manufactured housing loans.

Of 11 FHA-insured loans reviewed, one was not eligible for insurance because the property's foundation did not meet HUD requirements, and Wells Fargo did not provide HUD with all required certifications when submitting the loan for insurance. As a result, HUD incurred a loss of almost \$65,000. OIG recommended that HUD require Wells Fargo to reimburse it for the loan. (Audit Report: 2007-KC-1002)



HUD OIG audited Mortgage Amenities Corporation, Lincoln, RI, a nonsupervised mortgage company approved by HUD to originate, underwrite, and service FHA single-family insured loans.

Mortgage Amenities approved one loan that was not eligible for FHA insurance because of questionable citizenship and/or immigration status. It also charged ineligible document preparation fees to borrowers and did not establish or operate its branches in accordance with HUD requirements. In addition, a significant number of mortgage records in HUD's Single-Family Insurance System were not accurate for loans

originated or sponsored by Mortgage Amenities. Further, Mortgage Amenities did not establish or implement a quality control plan that met all of HUD's requirements. This noncompliance increased the risk to the FHA insurance fund and the public.

OIG recommended that HUD require Mortgage Amenities to (1) indemnify HUD against future losses for the ineligible FHA-insured loan, (2) refund the ineligible closing fees, (3) terminate its branches that do not comply with HUD requirements, (4) review HUD's mortgage records and update them accordingly, and (5) update and fully implement its quality control plan. OIG also recommended that HUD refer Mortgage Amenities to the Mortgagee Review Board for consideration of administrative sanctions and/or civil money penalties for the violations identified. (Audit Report: 2007-BO-1002)



HUD OIG audited the branch office operations of First Magnus Financial Corporation, Scottsdale, AZ, primarily the branch doing business as Great Southwest Mortgage.

First Magnus violated HUD requirements by allowing officers to enact noncompete clauses, requiring net branch managers to indemnify branch-related losses, allowing nonexclusive employment, and failing to execute office leasing agreements and equipment lease agreements in First Magnus' name. As a result of this noncompliance, HUD's insurance funds and the public were exposed to an increased risk.

OIG recommended HUD impose civil money penalties against First Magnus for FHA-insured loans originated by its net branches that were operated in violation of HUD requirements and require First Magnus to either discontinue operations of all net branches or bring them into compliance with HUD requirements. (Audit Report: 2007-LA-1002)

### *Single-Family Real Estate Owned Property Sales*

HUD OIG audited HUD's single-family sales to owner-occupant purchasers under the jurisdiction of its Philadelphia, PA, Homeownership Center to determine whether HUD's policy for single-family home sales to owner-occupant purchasers was followed and adequately monitored.

HUD's policy for single-family home sales to owner-occupant purchasers was followed and adequately monitored to prevent multiple purchases by owner-occupant purchasers within a 24-month period. However, for 15 of 51 owner-occupant purchases audited, owner-occupant purchasers did not comply with the 12-month residency requirement.

OIG recommended that HUD evaluate the 12-month residency requirement to determine whether it is needed since enforcement of the requirement is not practical and violations do not constitute a monetary loss to HUD. If HUD concludes that the 12-month residency requirement is essential, it should monitor compliance and enforce the requirement. (Audit Report: 2007-PH-0001)

## *HUD's Oversight of 20-Year Insured Loans*

HUD OIG reviewed HUD's oversight of 20-year insured loans to determine whether HUD has adequately addressed the increased risk associated with 20-year loans approved by an automated underwriting system.

HUD has adequately addressed the increased risk associated with these loans. In December 2004, it changed the way it processes the loans. Since this change, the default rate has decreased dramatically to less than 3 percent for loans closed in fiscal year (FY) 2006.

OIG did not recommend corrective action. (Audit Report: 2007-KC-0001)



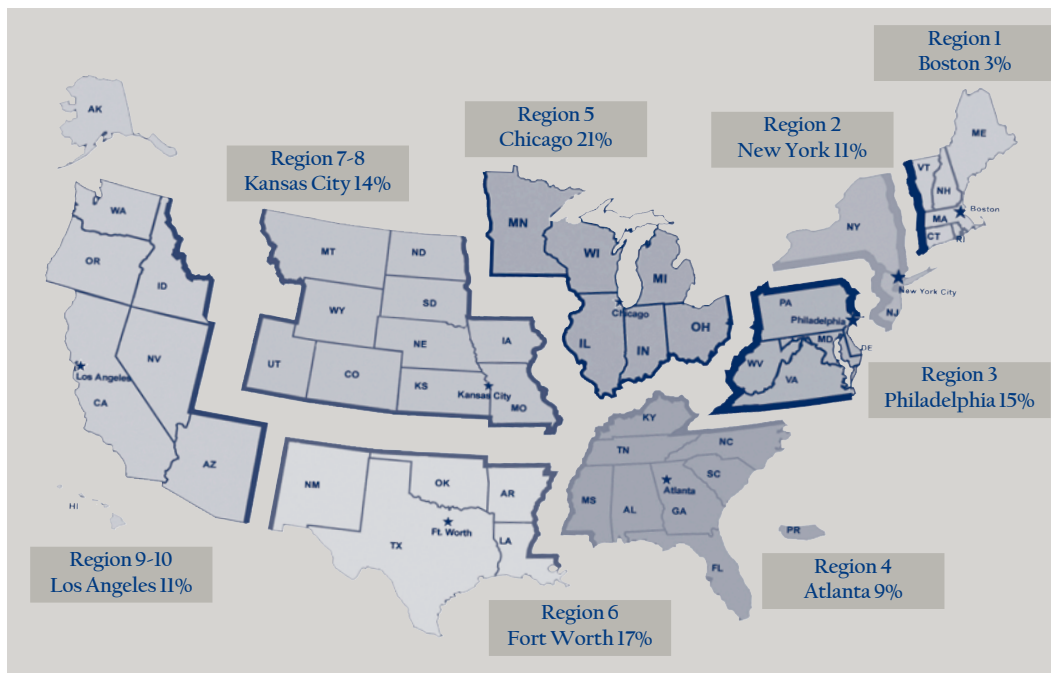
# Investigations

Some of the investigations discussed in this report were conducted jointly with Federal, State, and local law enforcement agencies. The results of OIG's more 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	111	\$22 Million	113	114
Our Focus	<ul style="list-style-type: none"> <li>page 14 - Loan Origination Fraud</li> <li>page 22 - Identity Fraud</li> <li>page 22 - False Social Security Number</li> <li>page 25 - Bankruptcy Fraud</li> <li>page 27 - Other Single-Family Fraud</li> </ul>			

Chart 2.2: Percentage of OIG Single-Family Housing Closed Investigation Cases During this Reporting Period\*



\*This does not include cases where funds misused came from Congress for the hurricane relief. (see chapter 6 for these cases)

## *Loan Origination Fraud*

Gary Konstantin, the former branch manager and loan officer at Brucha Mortgage Bank, was sentenced in U.S. District Court, **Brooklyn, NY**, to 63 months incarceration and 3 years probation, ordered to pay HUD \$708,378 and Stewart Title \$440,387 in restitution and forfeit \$11.6 million, and fined \$6,100 for his earlier conviction of conspiracy, money laundering, and wire and insurance fraud. Konstantin and others conspired with nonprofit entities to secure FHA-insured mortgages by performing minimal property renovations and submitting false loan documents and appraisals, then flipped the properties and skimmed construction funds. HUD realized losses of \$11.6 million after numerous mortgages defaulted.



Donald W. Gupton, owner and president of Dynasty Homes of Henderson, Superior Housing Center, Creative Real Estate, Manufacturing Housing Sales Center, M&G Properties II, Inc., and CRE Properties, LLC, was sentenced in U.S. District Court, **Greenville, NC**, for his earlier guilty plea to conspiracy to commit mail and wire fraud, false statements, bank fraud, and money laundering. Gupton was sentenced to 75 months incarceration and 5 years supervised release and ordered to pay HUD more than \$7.5 million in restitution, including \$160,000 to 20 victims. In addition, Gupton agreed to forfeit \$11 million in property, an aircraft, and additional assets belonging to the businesses identified above. From 1999 to 2002, Gupton and other conspirators bought and sold more than 150 manufactured mobile homes, some including land, and assisted unqualified borrowers in obtaining \$15 million in FHA-insured mortgages by verifying fictitious trade-ins, providing cash or fabricated gift letters, or falsely inflating values and certifying land ownership. HUD realized losses of \$7.5 million after numerous mortgages defaulted.



Patrick Singletary, a former owner of Sunshine Mortgage and Universal Title; Peter Russo, the current owner of Sunshine Mortgage; and Robert Singletary and Clifford Shaw, former owners of Tropical Mortgage Company and Cal Investments, each pled guilty in U.S. District Court, **Atlanta, GA**, to conspiracy, false statements to HUD, and bank and wire fraud. The above defendants purchased then resold HUD Real Estate Owned (REO) properties to unqualified borrowers obtaining FHA-insured and conventional mortgages. HUD realized losses in excess of \$7 million after approximately 120 FHA-insured mortgages defaulted.



Real estate investors Doug Hastings and Phil Miskimon, along with Jeffrey Meyer, Shawn Fleming, Price Brooks, and Julie Smith, were sentenced in U.S. District Court, **Rockford, IL**, for their earlier guilty pleas to conspiracy, false statements, and false statements to HUD. Collectively, the above defendants were sentenced to more than 11 years incarceration and 15 years supervised release and ordered to pay HUD more than \$2 million and private lenders \$228,259 in restitution. The defendants and others



# Four more sentenced in mortgage scheme

ROCKFORD REGISTER STAR

ROCKFORD — The last four people to be brought before a U.S. district judge on charges of defrauding the federal government out of more than \$1 million in connection with the Federal Housing Authority's mortgage-insurance program were sentenced Thursday and Friday.

According to a news release from the U.S. Justice Department, the charges the defendants pled guilty to were part of a 61-count indictment charging the people with conspiring to defraud the government, making material false statements to HUD, and making false statements to cause HUD to insure mort-

gage loans.

According to the indictment, the leaders of the scheme profited by selling homes in Freeport at inflated prices.

The indictment states that the defendants falsified many documents to get FHA insured loans for unqualified homebuyers. By causing these unqualified buyers to receive FHA insured loans, the indictment says the defendants bilked the federal government out of more than \$1 million.

Sentenced were:

Philip R. Miskimon, 50, of Winslow, 7½ years in federal prison without parole, and three years of super-

vised release. The court also ordered Miskimon to pay \$2,658,135.32 in restitution.

Douglas L. Hastings, 41, of Lena, seven months in federal prison without parole, followed by three months of house arrest with electronic monitoring and three years of supervised release. He has been ordered by the court to pay \$109,576.63 in restitution.

Price V. Brooks, 51, of Freeport, 13 months in federal prison without parole, to be followed by three years of supervised release. Brooks has been ordered to pay \$89,710.04 in restitution.

Julie A. Smith, 48, of Lena, 2½ years of house arrest and

three years' probation. Smith has been ordered to pay \$368,527.84 in restitution.

The other people arrested and sentenced:

Edward J. Martins, 41, of Lena; Shawn M. Fleming, 22, of Freeport; Akia A. Sanders, 24, of Freeport;

Dale L. Nelson, 50, of Freeport; Todd P. Ernst, 46, of Freeport; Chad J. Nicks, 31, of Freeport; Tasha M. Thompson, also known as Tasha M. Barnes, 26, Freeport; Jeffrey L. Meyer, 52, of Winslow;

Alexandrea M. Ellis, 23, of Freeport; Brian A. Fox, 36, of Freeport; and Adam L. Ernst, 22, of Freeport.

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acted as straw buyers or provided false credit letters, verifications of employment, or gift letters to assist unqualified borrowers in obtaining more than 50 FHA-insured mortgages. HUD realized losses in excess of \$3.1 million after more than 40 mortgages defaulted.



In a civil judgment filed in U.S. District Court, Los Angeles, CA, real estate investor Morteza Eghbal and his wife, Marilyn Trujillo, were ordered to pay HUD more than \$5.7 million and civil penalties and litigation costs of \$148,500 for their earlier convictions on false statements and conspiracy to defraud HUD. Eghbal and Trujillo purchased then resold properties and provided downpayment funds for unqualified borrowers obtaining FHA-insured mortgages. HUD realized losses of more than \$2.4 million when 62 properties defaulted.



Appraiser Kahala Hickoff was charged in an information filed in U.S. District Court, Los Angeles, CA, with making a false statement. Hickoff allegedly completed and submitted fraudulent FHA-insured property appraisals but signed the appraisals using the names of others. HUD realized losses in excess of \$2.7 million after 31 FHA-insured mortgages defaulted.



Ricardo Medina, a former realtor with William E. Mendez Team, Inc., at Remax 100 in Lakewood, CO, was sentenced in U.S. District Court, Denver, CO, to 8 months home detention and 60 months probation and ordered to pay HUD \$126,420 in restitution for his earlier guilty plea to wire fraud. Medina and others assisted unqualified undocumented immigrants in obtaining more than 300 FHA-insured mortgages. HUD realized losses of \$2.4 million after 51 mortgages defaulted.



James L. Boyle, a former loan officer at RBC and Irwin Mortgage, was indicted in U.S. District Court, Rockford, IL, for mail fraud, false statements, and false statements to HUD. In addition, Frank J. Mazzaresse, a loan officer at RBC Mortgage; Marie Caltagerone, owner of Caltagerone Accounting; and Israel Quintero and Raul Raygoza, employees of Friends Furniture, each pled guilty to conspiracy. Boyle allegedly and Mazzaresse, Caltagerone, Quintero, and Raygoza admittedly provided fraudulent financial, employment, and other documents to assist unqualified borrowers in obtaining FHA-insured mortgages. HUD losses exceeded \$2 million after more than 40 mortgages defaulted.

### Roscoe man charged on 22 counts in fraud

ROCKFORD REGISTER STAR

ROCKFORD — A federal grand jury returned a 22-count indictment Tuesday against a Roscoe man, charging him with scheming to defraud the Department of Housing and Urban Development.

James L. Boyle, 40, is charged with 10 counts of making false statements in the jurisdiction of a federal agency, 11 counts of making false statements to cause HUD to insure a loan and one count of interstate carrier fraud.

According to the indictment, from June 2002 through April 2003, Boyles was employed as a loan officer by RBC Mortgage Company, 4960 E. State St., and from about May 2003 through June 2003, as a loan officer at Irwin Mortgage, 4920 E. State St. Both RBC and Irwin were mortgage lenders and brokerage companies.

The FHA insured loan

program is designed to assist low- and moderate-income families in obtaining housing by providing mortgage insurance to lenders who make home loans to these individuals. If the individuals default on their loans, HUD reimburses the lenders for any losses sustained on the loans.

The indictment alleges Boyle caused numerous documents to be falsified in order to get his loan customers qualified to receive FHA insured loans. Specifically, the indictment charges Boyle caused fraudulent "Verifications of Employment" forms and fictitious pay stubs to be created and placed in the files of some of his loan customers. These forms and pay-stubs contained false income figures for Boyle's loan customers.

In addition, the indictment alleges Boyle caused fraudulent mutual fund statements to be created and caused fraudulent "gift affidavit" forms to be prepared and

placed in his customers' loan files.

Each charge of making a false statement within the jurisdiction of a federal agency, and the interstate carrier fraud charges, all carry a maximum sentence of five years of prison. Each charge of making a false statement to cause HUD to insure loans carries a maximum penalty of two years in prison. All of the charges carry a fine of up to \$250,000 and restitution.

Boyle will be arraigned by U.S. Magistrate Judge P. Michael Mahoney at 11:30 a.m. Tuesday at the federal courthouse.

The case is being investigated by the Rockford office of the FBI and the Chicago office of Housing and Urban Development-Office of the Inspector General. The case will be prosecuted in federal court by Assistant U.S. Attorney Scott A. Verseman.

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Greg Leigh Buzarde, a former HUD-approved appraiser, was indicted in U.S. District Court, Los Angeles, CA, for conspiracy, false statements, and mail fraud. Buzarde and others allegedly prepared and submitted HUD appraisal reports certifying fewer than actual units in properties obtaining FHA-insured mortgages. HUD losses are estimated at \$1.9 million after 37 mortgages defaulted.

Norvel Brown, owner of Mississippi Valley Title (MVT), pled guilty in U.S. District Court, St. Louis, MO, to wire fraud and employee pension benefit plan theft. From 2000 to 2005, Brown and MVT, while under contract with HUD's Home Ownership Center in Denver, CO, and performing as the closing agent for all HUD properties in Missouri, failed to wire approximately \$1.8 million in escrow funds to HUD and \$990,000 to commercial lenders. Brown also embezzled employee pension account funds.

World Wide Financial Services (WWFS), doing business as Loan Giant, and Jack Wolfe, president of WWFS, were named in a \$3.4 million civil complaint filed in U.S. District Court, Detroit, MI. Wolfe and WWFS allegedly created and submitted false documents to secure FHA insurance on 10 mortgage loans, causing HUD losses in excess of \$1.4 million.

Trudy M. Peters, a former Ticor Title Agency escrow officer; Larry M. Smith and John M. Soto, former service representatives at Wells Fargo Home Mortgage; and Maria A. Felix and Tony S. Vasquez, HUD-certified counselors, were each indicted in U.S. District Court, **Phoenix, AZ**, on numerous counts of conspiracy or mail and wire fraud. Peters, Smith, Soto, Felix, Vasquez, and previously indicted Edward Carrillo, owner of Sahara Investments in Scottsdale, AZ, allegedly conspired to defraud HUD's "preforeclosure" program by submitting fraudulent appraisals, falsifying counseling certification forms, or concealing additional mortgages encumbering properties. HUD losses are estimated at more than \$1.8 million.



Emmitt Cotton Sr., a former loan officer at Mid-America Mortgage, Fast Trac Mortgage, and Mortgage Executives; Linda Edwards, a realtor at Affable Realty; and LaDonna Mullins, a realtor at LaDonna's Realty and Management, were each indicted in U.S. District Court, **Denver, CO**, for wire fraud, false statements, false use of a Social Security number (SSN), false statements to a financial institution, or money laundering. In addition, Linda Carnagie, a former loan officer at Highland Mortgage Financial Group; Stafford Hilaire, a loan officer and president of Catalina Century Mortgage; and Sandra Lindsey, an FHA-insured mortgagor, were each convicted of wire fraud, false statements, or conspiracy. From February 1999 to July 2004, Cotton, Edwards, and Mullins were allegedly and Carnagie, Hilaire, and Lindsey were found guilty of submitting or causing the submission of FHA loan files containing fraudulent documentation and information for more than 100 unqualified borrowers obtaining FHA-insured mortgages. HUD realized losses in excess of \$1.2 million after 40 mortgages defaulted.



Stacey Marrero, a former Neighborhood Mortgage Bankers underwriter previously sentenced in U.S. District Court, **Newark, NJ**, for her earlier guilty plea to theft by deception, was suspended from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government. Marrero and others assisted unqualified borrowers in obtaining FHA-insured mortgages by submitting false loan documentation and appraisals. HUD realized losses in excess of \$1.2 million after 33 mortgages defaulted.



## 5 indicted in Arizona real estate fraud case

By Catherine Reagor  
THE ARIZONA REPUBLIC

A group of former housing counselors, loan officers and an escrow agent has been indicted on fraud and conspiracy charges in one of the biggest real estate fraud cases in Arizona since the housing crash of the late 1980s.

The group is accused of defrauding the Department of Housing and Urban Development of \$1.9 million through a pre-foreclosure scam that targeted dozens of first-time homeowners across the Valley from 2001 to 2003, according to a grand-jury indictment filed in federal court late Wednesday.

The indictment comes a year and a half after Eddie Carrillo Jr. of Scottsdale-based Sahara Investments was convicted of fraudulent schemes in a case relating to the pre-foreclosure scam. Carrillo is named as a co-conspirator in the indictment but not one of the five defendants.

According to the indictment, Carrillo and the defendants sought out homeowners who had defaulted on mortgages insured by the Federal Housing Administration, a division of HUD, and of-

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Paul and William Peterson, owners of Peterson Land and Development, were each sentenced in U.S. District Court, Los Angeles, CA, to 18 months incarceration and 3 years supervised probation and ordered to pay HUD more than \$1.2 million in restitution, jointly and severally, for their earlier convictions on false statements. Paul and William Peterson submitted false gift letters and other documents to assist unqualified borrowers in obtaining FHA-insured mortgages. HUD realized losses in excess of \$1.1 million after 43 mortgages defaulted.



Louay M. Kahale, owner of Marquee Mortgage and a former loan officer at Charter West Mortgage, LLC, was charged in an information filed in U.S. District Court, Denver, CO, with wire fraud. Kahale allegedly originated 37 FHA-insured loans at Marquee Mortgage and 384 FHA-insured loans at Charter West Mortgage, LLC, containing false income and employment documentation; the estimated value of the FHA-insured loans containing false documents is approximately \$66.8 million. HUD losses have not yet been determined.



Lawrence Lynch, James Smith, Pasquale Romeo, Mark McCarthy, Kathryn Zepka, Michael Bergdoll, and Elliott Beals, mortgage or real estate brokers doing business as Affordable Mortgage, Tiffy Corporation, Springfield Mortgage, Ivy Mortgage, Metro Mortgage, Inc., or B&V Properties; Theodore Jarrett, the former branch manager of Equicredit Corporation; Joseph Sullivan, an appraiser doing business as Sullivan Appraisals; Anthony Matos, an investor doing business as New England Wholesalers, First Empire Realty, and Elite Auto Center; and Wilfred Changasie were each sentenced in U.S. District Court, Springfield, MA, for their earlier guilty pleas to wire fraud, money laundering, false statements to Federal agents, or aiding and abetting. Collectively, the above defendants were sentenced to more than 26 years incarceration, 37 years probation, and 1,000 hours community service; fined \$15,000; and ordered to pay numerous financial institutions more than \$1.4 million and 16 victims \$68,858 in restitution. Changasie was also ordered deported to South America after completion of his prison term. The above defendants and others purchased and flipped more than 70 HUD REO properties and assisted unqualified borrowers in obtaining FHA-insured mortgages valued in excess

## Cohort in 'land flip' facing deportation

**The Guyana native's lawyer said his client was a low-level player in the real estate fraud case.**

By **STEPHANIE BARRY**  
sbarry@repub.com

SPRINGFIELD - A native of Guyana yesterday was sentenced to time served in a widespread federal real estate fraud case after being detained for nearly two years as the case plodded forward.

However, Wilfred Changasie, 52, will likely be deported to South America, where his lawyer said he has not been in 20 years.

Changasie, formerly of Springfield, pleaded guilty last

year to two counts of fraud and one count of money-laundering conspiracy in connection with a "land-flip" scheme.

Thirteen were indicted in 2004 and 2005 for various roles in a scheme to dupe unsophisticated prospective home buyers into purchasing run-down homes at inflated prices using bogus mortgage applications.

Buyers invariably discovered major flaws in the homes and drowned in debt trying to make repairs and mortgages payments. The properties typically fell into foreclosure, when the unscrupulous brokers would often scoop them back up and look for another mark.

Prosecutors said Changasie was a "runner" who located potential buyers in poor neighborhoods and received small finders' fees. Defense lawyer

Terry Nagel yesterday said his client was a low-level player in the scheme, and told U.S. District Court Judge Michael A. Ponsor that Changasie is destitute.

"All he owns are the clothes he is wearing right now," Nagel said, referring to the prison-issued khakis Changasie wore in court yesterday.

Ponsor did not impose fines or restitution on Changasie, as he has for several other defendants in the same case.

Assistant U.S. Attorney Todd E. Newhouse recommended a 12-month sentence for Changasie, whom Nagel said was arrested in this case while fishing for tilapia in the Florida everglades. However, Ponsor said Changasie has served twice that since being held on bail after his 2004 arrest.

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of \$5.9 million by processing fraudulent loans containing false information and documentation. HUD realized losses of \$834,795 after 31 mortgages defaulted.



Naomi LaBrie, formerly doing business as Rehablers, Inc., was sentenced in U.S. District Court, **Kansas City, KS**, to 4 months incarceration, 4 months home detention, and 12 months supervised release and ordered to pay HUD \$500,893 in restitution for her earlier guilty plea to bank fraud. LaBrie purchased distressed properties, fabricated property rehabilitation, and provided fraudulent documents to assist unqualified borrowers in obtaining FHA-insured mortgages. HUD realized losses of \$688,770 after 20 mortgages defaulted.



Sharon Blake, a former loan processor at Sunset Mortgage Company, and real estate speculators Earl Ginter, Ronald Fruth, and David Walsh were sentenced in U.S. District Court, **Harrisburg, PA**, for their earlier guilty pleas to false statements and aiding and abetting. Blake was sentenced to 12 months confinement and Ginter, Fruth, and Walsh were each sentenced to 24 months supervised probation and ordered to pay HUD \$511,253 in restitution, jointly and severally. In addition, Deborah Black, the former branch manager and loan officer at Sunset Mortgage Company, was charged in an information with false statements and aiding and abetting. Blake originated 40 fraudulent FHA-insured mortgages valued at \$1.2 million, knowing that Ginter, Fruth, and Walsh provided downpayment funds or paid delinquent debts for the borrowers. Black allegedly conspired with the above defendants and provided borrowers with fictitious gift letters used to obtain FHA-insured mortgages. HUD realized losses of \$511,253 after 10 mortgages defaulted.



Jean Lindor, a former loan consultant and employee of American Redevelopment Corp, was sentenced in U.S. District Court, **Miami, FL**, to 6 months home detention and 3 years probation, fined \$10,000, and ordered to pay HUD \$180,929 in restitution for his earlier conviction of conspiracy. From 1997 through 1999, Lindor conspired with others to create fictitious documents and provide downpayment funds for unqualified borrowers obtaining FHA-insured mortgages. HUD realized losses of about \$443,000 after 17 mortgages defaulted.



Mario Izquiero, an assistant loan officer at First Capital Mortgage and Pacific Network Funding, was sentenced in U.S. District Court, **Los Angeles, CA**, to 6 months home detention and 3 years probation and ordered to pay HUD \$313,340 in restitution for his earlier conviction of false statements. Izquiero purchased false employment documents from previously convicted Maggie Cuevas to assist unqualified borrowers in obtaining FHA-insured mortgages. HUD realized losses of \$441,556 after 14 mortgages defaulted.



Straw buyers John and Caridad Prados were each indicted in U.S. District Court, Newark, NJ, for conspiracy to defraud HUD for using a false SSN to secure an FHA-insured loan. In addition, former AMS Mortgage loan officer Kenneth DiPrenda and former Weichert realtor Mario Mendoza, both previously sentenced for their earlier guilty pleas to conspiracy to submit false statements to HUD, were each debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for a period of 3 years. John and Caridad Prados allegedly assisted DiPrenda, Mendoza, and others in recruiting and assisting unqualified borrowers in obtaining FHA-insured mortgages by submitting fraudulent employment, identity, and other loan documentation. HUD realized losses in excess of \$349,000 after 12 mortgages defaulted.



George W. McRee, a mortgage broker at Mortgageworks, Inc.; Martin Rosenthal, a recruiter for RETI Relocation Services; straw borrowers John O. Bello and Karen Beckmann; and William Russell Chavis each pled guilty in U.S. District Court, Atlanta, GA, to conspiracy, wire fraud, false statements to a lending institution, or bank fraud. Straw borrower Reginald L. Kemp was sentenced to 57 months confinement and ordered to pay Radian Group, Inc., and Amtrust Mortgage Corporation \$475,361 in restitution for his earlier guilty plea to conspiracy, bank fraud, and money laundering. The above defendants and others created and submitted false documents to obtain 98 mortgage loans valued at more than \$20 million. HUD realized losses of \$300,000 after two FHA-insured loans defaulted.



Winston Shillingford, the former president of now-defunct First Funding Mortgage Bankers, pled guilty to Federal income tax evasion in an information filed in U.S. District Court, Brooklyn, NY. From 2000 through 2003, Shillingford obtained more than \$300,000 from sales proceeds on FHA-insured flipped properties originated by First Funding Mortgage Bankers, then failed to report the \$300,000 on his Federal income tax returns.



Barbara Stevenson, a former realtor with IE Investments, Inc., was sentenced in U.S. District Court, Riverside, CA, to 6 months supervised probation and 1 month home detention and ordered to pay HUD \$33,317 in restitution for her previous guilty plea to false statements to HUD. Stevenson assisted unqualified borrowers in obtaining FHA-insured mortgages by providing false or forged loan applications, verifications of employment, and other documents. HUD realized losses of \$246,798 after nine mortgages defaulted.



Straw buyers Dennis LeBlanc, Dennis Addison, and Timothy Falls each pled guilty to making false statements to HUD or aiding and abetting in informations filed in U.S.

District Court, New Orleans, LA. LeBlanc, Addison, and Falls provided false information and inflated appraisals to obtain and later default on FHA-insured mortgages. HUD realized losses in excess of \$159,800.



Frank Pepe, a former AMS Mortgage loan officer previously sentenced for his earlier guilty plea in U.S. District Court, Trenton, NJ, to conspiracy to commit false statements, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 19 months. Pepe purchased, appraised, and flipped approximately 31 properties and then conspired with previously sentenced American Home Loans branch manager/loan officer Kim Sammartano to create and submit fraudulent income, employment, and other documents for unqualified borrowers obtaining FHA-insured mortgages. HUD realized losses of \$145,712 after 18 mortgages defaulted.



James Galloway, a real estate broker at Colorado Classic Properties, was sentenced in U.S. District Court, Denver, CO, to 12 months and 1 day imprisonment and 36 months supervised release and ordered to pay HUD \$29,359 in restitution for his earlier conviction of conspiracy, wire fraud, false statements, and misuse of an SSN. Galloway and others submitted or caused the submission of fraudulent FHA loan files, allowing unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$94,048 after three mortgages defaulted.



Katrina Arrington and John Kurzel, former loan processors at now-defunct N.J. Affordable Homes (NJAH); Michael Meehan, a real estate appraiser retained by NJAH; and Lucesita Santiago, a former investment account manager at NJAH and Woodbridge Township Housing Authority (WTHA) public housing tenant, each pled guilty in U.S. District Court, Newark, NJ, to conspiracy to commit wire fraud, conspiracy to create and submit fraudulent loan documents, or submitting fraudulent claims for HUD rent reduction subsidies. Arrington and Santiago created fictitious account statements for use in qualifying borrowers obtaining FHA-insured or conventional mortgages; Kurzel used the fraudulent investor account statements provided by Santiago to qualify borrowers obtaining FHA-insured and conventional mortgage loans; Meehan appraised nominee properties at inflated values, included substantial but fictitious improvements

## House-flipping inquiry yields guilty plea

By Gordon Russell  
Staff writer

Federal prosecutors announced a guilty plea Wednesday from a bit player in what they described as a complex "house-flipping" scam that involves a mortgage company owned by Michael O'Keefe Jr., son of a former state Senate president who is midway through a 20-year sentence in federal prison.

O'Keefe has not been charged or named in court documents. But a summary of the case made public Wednesday makes clear that prosecutors believe O'Keefe's company, Citywide Mortgage, played a leading role in the real-estate scheme, which predates Hurricane Katrina.

O'Keefe's attorney, Timothy Meche, said O'Keefe has done nothing wrong and in fact, was a victim of the scheme. A Citywide employee, who has since been fired, was being paid off by a co-conspirator to approve bad loans, Meche said. O'Keefe wound up having to buy back many of

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in the appraisal documents, then submitted the false appraisals, allowing borrowers to secure FHA-insured or conventional mortgages; and Santiago failed to report the income she received for creating fabricated account statements on annual WTHA certifications and obtained \$73,177 in WTHA housing assistance she was not entitled to receive. HUD losses relating to defaulted FHA-insured mortgages have not yet been determined.



Shaian Birashk, owner of Global One Mortgage, Inc., was sentenced in U.S. District Court, **Denver, CO**, to 36 months probation and ordered to refrain from employment in the real estate or mortgage industry for his earlier guilty plea to wire fraud. Birashk and previously indicted or sentenced Farid Bayot; Mehdi "Tim" Ghaemi, owner of Arborz Real Estate Company; and Hamidullah Sarwary, a former Littleton Housing Authority (LHA) Section 8 tenant, allegedly conspired to assist Sarwary in obtaining an FHA-insured mortgage and concealing his property ownership from LHA. HUD realized a loss of \$46,988 after Sarwary defaulted on his FHA-insured mortgage and \$3,760 in LHA housing assistance Sarwary obtained but was not entitled to receive.



John Acevedo, a real estate agent at Exclusive Rights Realty, was sentenced in U.S. District Court, **Los Angeles, CA**, to 4 months incarceration, 4 months home detention, and 36 months probation and ordered to pay HUD \$41,199 in restitution for his earlier conviction of wire fraud, conspiracy to commit wire fraud, and aiding and abetting. Acevedo and others recruited straw buyers, provided downpayment funds, and obtained fraudulent documents to assist unqualified borrowers in obtaining FHA-insured mortgages. HUD realized losses of \$31,636 after 15 mortgages defaulted.

### *Identity Fraud and False Social Security Numbers*

Real estate investor Rito Miguel Diaz, Jr., also known as Mike Diaz, and his parents, Rosemary and Rito Miguel Diaz, Sr., licensed and unlicensed real estate agents at Familia Realty, Realty World, or Network Realty, were each indicted in U.S. District Court, **Los Angeles, CA**, for mail fraud and aiding and abetting. From September 1998 to January 2002, Mike, Rosemary, and Rito Diaz, Sr., allegedly provided or created false identification, employment, credit, and other information to assist unqualified borrowers in obtaining FHA-insured loans. HUD realized losses exceeding \$900,000 after 18 mortgages defaulted.



Twenty-two undocumented immigrants and former FHA-insured mortgagors were indicted in Dallas County Judicial District Court, **Dallas, TX**, for securing execution of a document by deception. The above defendants allegedly used false SSNs and other documents to obtain and later default on FHA-insured mortgage loans. In addition, Martin Cuenca, an undocumented immigrant, was sentenced in U.S. District Court to 36 months probation and ordered to pay HUD \$13,151 in restitution for his earlier guilty



plea to misuse of an SSN. Cuenca used a false SSN and other fraudulent documents to obtain and later default on an FHA-insured mortgage. Collectively, the above defendants caused HUD losses in excess of \$647,000 after 19 mortgages defaulted.



Eight undocumented immigrants pled guilty in Johnson County Court, **Johnson County, KS**, to making a false writing. The defendants were each sentenced to 5 months incarceration and 18 months probation and ordered to refinance or eliminate their FHA-insured mortgages to eradicate approximately \$552,000 in FHA-insured mortgages considered at risk. The above defendants fraudulently obtained FHA-insured mortgages using false SSNs through an unidentified loan officer.



Jose Antonio Caballero, owner of American International Finance and Mortgage Services, Inc., pled guilty in U.S. District Court, **Dallas, TX**, to making a false statement and agreed to pay HUD \$119,520 in restitution prior to his sentencing. Caballero failed to claim a prior felony conviction on his HUD FHA lender application and provided undocumented immigrants with false SSNs or Internal Revenue Service employment identifications, allowing the unqualified applicants to obtain FHA-insured mortgages. HUD realized losses of approximately \$400,000 after 11 mortgages defaulted.



Lesly Bardales, a self-employed tax preparer, was sentenced in U.S. District Court, **Los Angeles, CA**, to 6 months incarceration and 3 years supervised release and ordered to pay HUD \$265,809 in restitution for her previous guilty plea to mail fraud and unlawful transfer of Social Security cards. Bardales and previously convicted conspirators Catherine Diaz and Dalila Moreno created and submitted fraudulent loan documents for unqualified borrowers, obtaining more than 100 FHA-insured mortgages valued in excess of \$1.3 million. HUD realized losses of \$135,899 after eight mortgages defaulted.



Louis Ramon Luevano, also known as Ray Luevano, a real estate broker at Harvest Realty in Denver, CO, and five FHA-insured mortgagors were arrested after criminal complaints were filed in Colorado District Court, **Brighton, CO**, charging them with theft, computer crimes, attempting to influence a public servant, forgery, criminal impersonation, or offering a false instrument for recording. The above defendants allegedly provided fraudulent SSNs to obtain and later default on FHA-insured mortgages, causing HUD losses in excess of \$120,000.



Ignacio Juan Jasso, a real estate broker and former loan officer at JR Mortgage, was indicted in U.S. District Court, **Dallas, TX**, for false Federal credit institution entries, reports, and transactions. Jasso allegedly provided or used false SSNs or loan

documents to assist unqualified undocumented immigrants and others in obtaining FHA-insured mortgages. HUD realized losses of \$77,116 after four mortgages defaulted.



Rudean Cooper pled guilty in Montgomery County Circuit Court, **Rockville, MD**, to identity theft. Cooper used the SSN of another to obtain and later default on an FHA-insured mortgage, causing a HUD loss of \$58,742.



Sergio Manuel Torres-Rodriguez was sentenced in U.S. District Court, **Athens, GA**, to 12 months and 1 day incarceration for his earlier guilty plea to false statements. Torres-Rodriguez used the identity of another to obtain and later default on an FHA-insured mortgage, causing a HUD loss of \$40,376.



Real estate speculator Willie Bynum was sentenced in U.S. District Court, **Norfolk, VA**, to 4 years probation and 6 months home confinement and ordered to pay HUD \$11,413 in restitution for his earlier guilty plea to conspiracy to make false statements to HUD. Bynum used a false SSN and employment, income, and credit information to obtain FHA-insured mortgages on investment or owner-occupied properties for himself and other unqualified borrowers. HUD realized a loss of \$25,000.



Fifteen FHA mortgagors were arrested after criminal complaints were filed in Colorado State District Court, **Golden, CO**, charging them with forgery, criminal impersonation, or offering a false instrument for recording; Maria De Los Angeles Mendez was arrested in New Mexico after failing to appear. Five of the above defendants pled guilty to forgery and were each sentenced to 3 years incarceration and 3 years probation. The above defendants allegedly provided fraudulent SSNs or other forged documents to obtain and later default on FHA-insured mortgages. HUD losses have not yet been determined.



Francina Valadez, a former loan officer with Visalia Community Bank, and Mari Oregon, a former realtor with 21 Arrow Realty, each pled "nolo contendere" in Tulare County Superior Court, **Visalia, CA**, to false financial statements. Elizabeth del Valle, Oregon's assistant, was sentenced to 30 days incarceration and 60 months probation for her earlier conviction of grand theft. From December 2003 to April 2004, Valadez, Oregon, and del Valle allegedly used fictitious names and SSNs to assist unqualified borrowers in obtaining FHA-insured mortgages. HUD losses have not yet been determined.



Alberto and Mabel Gutierrez were arrested after their indictments in U.S. District Court, **Harrison, VA**, for making false statements to HUD, misuse of an SSN, and identity theft. Alberto and Mabel Gutierrez, undocumented immigrants, allegedly used false SSNs and Immigration and Naturalization resident alien cards to obtain and later refinance an FHA-insured mortgage.



Dolores Monger was charged in General District Court, **Virginia Beach, VA**, with identity fraud and false statements to obtain property or credit. Monger allegedly assumed the identity of her minor daughter and obtained and later defaulted on an FHA-insured mortgage. HUD realized no loss when the property was resold.

### *Bankruptcy Fraud*

Richard Leroy Davis, owner of Foreclosure and Tenant Company Association, was sentenced in U.S. District Court, **Detroit, MI**, to 37 months incarceration and ordered to pay various victims \$34,000 for his earlier guilty plea to mail fraud. Davis and previously convicted conspirators Chris Thomas and Milton Goddard acquired partial ownership in 600 distressed properties including 120 properties with FHA-insured mortgages, filed fraudulent bankruptcies to forestall foreclosure proceedings, then skimmed property equity by diverting monthly payments. HUD realized losses approximating \$2 million after 100 mortgages defaulted.



Mark Neusch and Michael Davis, former owners of M&M Properties; Greg Colledge, former owner of G&KC Properties, LLC; and Donald Kingston, former owner of DBK Properties, were each sentenced in U.S. District Court, **Salt Lake City, UT**, for their earlier guilty pleas to false bankruptcy declarations, equity skimming, and bankruptcy fraud. Collectively, the above defendants were sentenced to 33 months incarceration and 72 months supervised release and ordered to pay HUD \$241,789 in restitution. Neusch, Davis, Colledge, and Kingston obtained quit claim deeds from distressed homeowners, leased the properties but failed to pay the property mortgage loans, then filed fraudulent bankruptcies to impede foreclosure proceedings. HUD realized losses of \$936,704 after eight mortgages defaulted.



Donna Renae Woods Lawrence Willis, the former president of Assurety Mortgage Group, Inc., was arrested after her indictment in U.S. District Court, **Atlanta, GA**, for bank fraud, bankruptcy fraud, conspiracy, or witness tampering. Kerwana Lashon Bennet Woods, a former loan processor at Assurety Mortgage Group, Inc., and straw buyer Gwendolyn Reshell Woods each pled guilty to conspiracy or false bankruptcy declaration. Willis allegedly used a stolen SSN and obtained HUD approval to originate FHA-insured loans through Assurety Mortgage Group, Inc., fraudulently eliminated the security interest of prior lenders and received proceeds from multiple loans on the same properties, then filed five fraudulent bankruptcy petitions to delay

lender foreclosures. Kerwana and Gwendolyn Woods assisted Willis in filing false bankruptcies and creating false identities for FHA-insured mortgages. HUD realized losses greater than \$330,000 after five mortgages defaulted.



John Cash, also known as Dr. Typhon Ra or Baba Ankh, doing business as Lakeshore Group Investments, Inc., pled guilty in U.S. District Court, **Chicago, IL**, to bankruptcy and wire and mail fraud. Cash provided false information to 30 FHA-insured, U.S. Department of Veterans Affairs (VA)-guaranteed, or conventional mortgagors facing foreclosure; collected \$3,500 in upfront fees from each distressed homeowner; withheld \$190,000 in mortgage loan payments from the bankruptcy court trustee, lenders, or other creditors; triggered five FHA-insured, one VA guaranteed, and 24 conventional mortgages to default; and caused HUD losses of approximately \$150,000.

## Con man admits foreclosure scam

BY STEVE WARBIR  
Staff Reporter

John D. Cash Jr. had plenty of promises and plenty of aliases — among them Typhon Ra and Baba Ankh.

But what he didn't have was a lot of cash for about 30 homeowners in the Chicago area whom he took for nearly \$200,000.

Cash, 46, formerly of Markham, pleaded guilty Tuesday to two counts in federal court in Chicago to running a scheme that preyed on people on the verge of losing their homes.

He pleaded guilty without a plea agreement and could face more than five years in prison, authorities said. Cash would at times file

bankruptcy on behalf of the homeowners and temporarily slow down the foreclosure process. Cash would then have the homeowners direct their mortgage payments to him. In the end, the property owners still lost their homes.

Cash lured victims by advertising his services through word of mouth, in classified ads and by presenting seminars at local branches of the Chicago Public Library.

He claimed in one ad that he could "Stop ANY Foreclosure Dead In Its Tracks: Even After Sheriff/Trustee Sale/Notice of Default."

Cash will be sentenced Jan. 12, Assistant U.S. Attorney Michelle Nasser Weiss said.

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Ali Abdul Karim Farhat, Abdulmir Berro, Sami Ahmad Berro, Amira Farhat, Abdul Karim Akram Berro, and Lina Reda, also known as Lina Berro, were each sentenced in U.S. District Court, **Detroit, MI**, for their earlier guilty pleas to conspiracy to violate the Racketeer Influenced and Corrupt Organization Act, bank fraud, false statements, or mail fraud. Collectively, the above defendants were sentenced to 29 years incarceration, 12 years supervised release, and 12 months probation; fined \$4,000; and ordered to perform 200 hours community service, forfeit a business and \$72,621 in cash, and pay Citibank and other credit card companies \$823,654 in restitution. The above defendants engaged in fraudulent credit card transactions, concealed assets in bankruptcy filings, and obtained three FHA-insured mortgages totaling \$368,000 by submitting false documentation.



Bankruptcy attorneys Edward Varga, Norton Helton, and Lorrie Westerfield and Wall Street mortgage broker Charlotte Schuett were indicted in U.S. District Court, **Chicago, IL**, on multiple counts of bankruptcy fraud, destruction, alteration or falsification of records in bankruptcy, and mail fraud. Schuett allegedly paid straw buyers \$5,000 to purchase FHA-insured and other distressed properties through identity-of-interest companies, while Varga, Helton, and Westerfield allegedly filed Chapter 7 bankruptcy petitions in lieu of Chapter 13 petitions on behalf of the debtors, withheld property sales information from the bankruptcy court, leased the properties back to the debtors at inflated rents, and stripped the debtors of property

# 12 cited in home fraud

## 'Mortgage bailout' schemes alleged

By Rudolph Bush and David Jackson  
Tribune staff reporters

An attorney and self-styled financial adviser conned desperate homeowners into signing away the roofs over their heads with the promise he would help get them back on their feet, federal prosecutors

said Wednesday. In announcing bankruptcy-fraud charges against 12 people from Chicago and surrounding areas, prosecutors highlighted allegations of increasingly common "mortgage bailout" schemes.

One, they said, was run by Norton Helton, who promoted himself through a Web site and book, and purchased radio air time for his self-help program "All Things Are Possible Now." The program ended after a Tribune investiga-



Norton Helton, an attorney and financial adviser, is one of 12 facing federal bankruptcy-fraud charges.

tion in January revealed fraud allegations against Helton.

"The con is 'We're gonna save your house. You're facing bankruptcy ... We're gonna

rescue you.'" said David Glockner, criminal chief of Chicago's U.S. attorney's office. "The reality is, in the sale of the house, the homeowners are stripped of their equity."

Of the 12 defendants, five are bankruptcy attorneys, including three—Helton, 45, Lorie K. Westerfield, 41, and Edward J. Varga, 47—who practice in the Chicago area.

Earlier this year, Westerfield also was the subject of a related Tribune investigation into mortgage fraud.

Under the bailout schemes mentioned Wednesday, homeowners are persuaded to sign over their property to "investors" with the expectation they will be allowed to remain in their homes while they pay down their debt and "clean up" their credit through bankruptcy.

Frequently, however, the homes are lost to foreclosure and any equity the homeowners had ends up in the pocket

PLEASE SEE FRAUD, PAGE 7

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ownership and equity. Approximately 10 FHA-insured properties defaulted, but HUD realized no loss since the FHA loans were cleared after the properties were sold to straw buyers.



Mordecai Smith, the former chief financial officer of Virginia Beach Public Schools, was sentenced in U.S. District Court, Norfolk, VA, to 64 months incarceration for his earlier guilty plea to bankruptcy fraud, aggravated identity theft, and wire fraud. Smith duped an individual into investing \$27,000 for an appraisal and downpayment on a multifamily Section 8 apartment complex, fraudulently used the SSN of another person to obtain a conventional mortgage, and filed eight bankruptcies to forestall foreclosure proceedings against his personal residence.

## Other Single-Family Fraud

Dawn Raimo-Whitemiller, an insurance broker at Raimo Insurance, pled guilty in U.S. District Court, Chicago, IL, to wire fraud. Steven Lucas, the former sales coordinator for Dollars Express (DE), an FHA 203K general contractor, and DE office manager Robert Bronke were each sentenced to 3 years probation and ordered to pay First Tennessee Bank \$349,000 in restitution for their earlier guilty pleas to wire fraud. The above defendants and others defrauded HUD and First Tennessee Bank by recruiting straw buyers and falsifying completed work orders to facilitate the release of contracting escrow funds on more than 70 FHA-insured 203K mortgaged properties. HUD realized losses in excess of \$4.1 million.



In Buffalo, NY, Washington Mutual Home Loans agreed to pay HUD \$363,917 for violating the terms of its 2001 civil settlement agreement. Washington Mutual Home Loans submitted seven FHA-insured mortgage claims on loans previously indemnified causing HUD losses of \$264,917.



Anthony James, a former loan officer at Park Place Mortgage and Top Elite Financial, pled guilty in Wayne County Circuit Court, **Detroit, MI**, to false pretenses greater than \$20,000. James personally closed four FHA reverse equity loans of elderly recipients and retained approximately \$209,000 of the loan proceeds.



Stephen White, a school teacher in Long Beach, CA, entered into a civil settlement agreement with the United States Attorney's Office, **Los Angeles, CA**, and agreed to repay HUD \$60,000. White purchased a HUD-owned property through the Officer/Teacher Next Door program (O/TND), falsely certified his residency at the property and leased the property before reselling the property and realizing a substantial profit.



John Henry Davis, a licensed real estate agent and lieutenant at Ironwood State Prison in Blythe, CA, was sentenced in U.S. District Court, **Los Angeles, CA**, to 5 years probation and 6 months home confinement, fined \$10,000, and ordered to pay trial expenses for his earlier conviction for attempting to corruptly influence a witness. Davis hid his nonresidency at the O/TND property and attempted to influence the testimony of a witness/tenant.



Lamont Harris, a former Norfolk public schools guidance counselor, pled guilty in U.S. District Court, **Norfolk, VA**, to making false statements to HUD. Harris purchased a HUD-owned property through the O/TND program, renovated and leased the property to others, then falsely certified that the O/TND property was his sole and principal residence.



Francisco S. Renteria, a former U.S. Border Patrol agent and current Immigration and Customs Enforcement (ICE) supervisory immigration officer, was indicted in U.S. District Court, **El Paso, TX**, for false statements to HUD. Renteria allegedly falsified his HUD Good Neighbor Next Door (GNND) program application and annual certifications by failing to claim previously owned residential properties or actual residency in the GNND property. HUD realized a loss of approximately \$57,000.



Real estate consultant Donovan Gilpin, doing business as Pre Amble Properties, and realtor Rohan A. Johnson, also known as Ato Ra Ajah El, each pled guilty in U.S. District Court, **Central Islip, NY**, to theft of government property or conspiracy to commit mail fraud and convert and convey property owned by HUD without authority. 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 properties; then sold the bank property to an unsuspecting buyer and

attempted to sell a HUD- and VA-owned property to undercover operatives for \$550,000. The fraudulent deeds prevented HUD from selling its properties to legitimate buyers and banks from deeding foreclosed properties to HUD.



Nadine Sackor, also known as Nadine Taylor, a former loan officer at USA Home Mortgage Corporation, was indicted in Cook County Circuit Court, **Chicago, IL**, for theft and forgery. Sackor allegedly collected and retained \$280,000 in loan origination fees earmarked for her employer, then used more than \$50,000 of the stolen funds to purchase at least three HUD REO properties.



Byron Fitchpatrick, owner of ABS Rentals, was sentenced in U.S. District Court, **Wichita, KS**, to 60 months incarceration and 36 months supervised release, fined \$1,000, and issued a permanent government-wide debarment for his earlier guilty plea to conspiracy to commit fraud against HUD. Fitchpatrick used proceeds from illicit drug sales to purchase HUD-owned properties as an owner/occupant through previously indicted conspirators Shatanya Fitchpatrick (also known as Shatanya Douglas), Manjur Alam, Kathleen Fitchpatrick, Deverell Jones, or Demond Reed, then stored illegal drugs at the homes prior to renting or reselling the properties.



Kweku Fortune was sentenced in Kings County State Court, **Brooklyn, NY**, to 172 months incarceration, fined \$45,000, and ordered to pay the State of New York \$45,000 in restitution for his earlier conviction of grand larceny. Fortune, impersonating a HUD-approved real estate broker, attempted to sell HUD-owned and other properties, then retained \$55,000 of prospective buyers' downpayments.



Real estate investor Dariusz Przybylek and former HUD-approved appraiser Erwin Espe each pled guilty in U.S. District Court, **Chicago, IL**, to wire fraud. Przybylek attempted to use a straw buyer to purchase a HUD-owned property for 150 percent of the HUD-appraised value by submitting an inflated appraisal, fraudulent contractor affidavits, and false loan documents in an effort to facilitate his receipt of \$113,000 for property rehabilitation through a straw contractor; Espe provided the fraudulent appraisal for Przybylek.







## *Chapter 2*



## *HUD's Public and Indian Housing Programs*

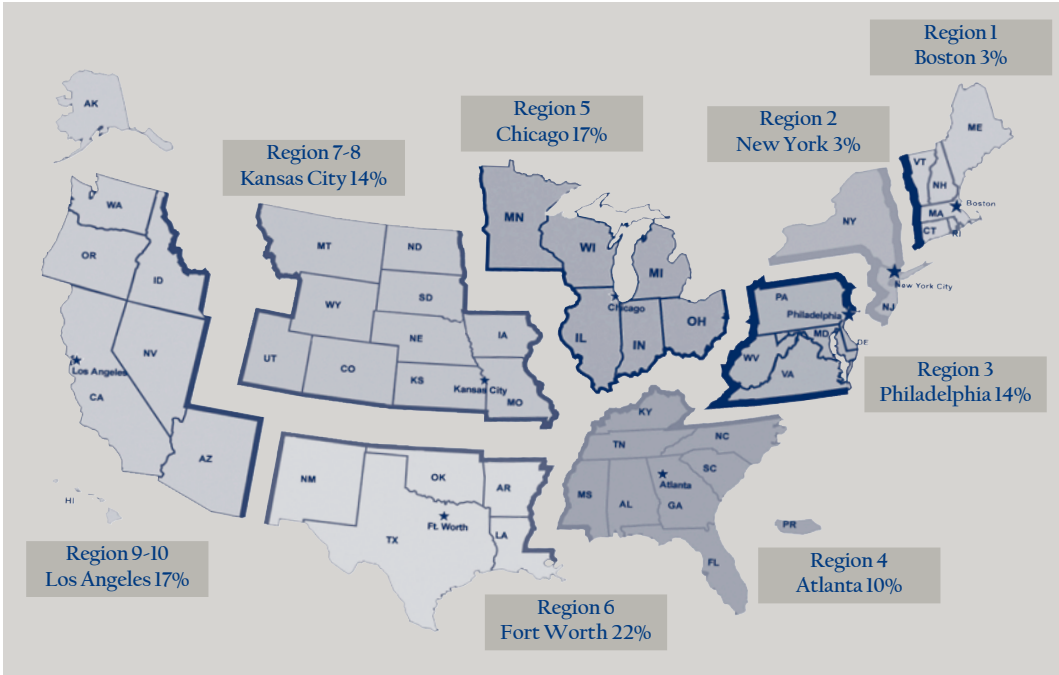
The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to 2,637 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident 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. (see chapter 8, page 128)

# 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	29 Audits	\$12.8 Million	\$42 Million
Our Focus	page 33	- Low Income Housing Tax Credit	
	page 33	- Section 8 Housing Choice Voucher Program Activities at PHAs	
	page 37	- Public Housing Program Activities	

Chart 3.1: Percentage of OIG Public and Indian Housing Audit Reports During this Reporting Period



## *Low-Income Housing Tax Credit*

HUD OIG audited HUD's Office of Public and Indian Housing, Washington, DC, as a followup to previous OIG audit work at a public housing agency, which noted that low-income housing tax credit projects charged higher rents to tenant-based housing choice voucher households than to tenants without vouchers. The rents charged for voucher households also exceeded the rent restrictions established by the Internal Revenue Service (IRS) for these tax credit projects.

Consistent with program regulations, HUD allows tax credit project owners to charge the Housing Choice Voucher program more than \$13.5 million annually for rents that exceed the IRS maximum rent when they lease rent-restricted units to households with tenant-based housing choice vouchers. However, the same units would be available to the same households at the lower, IRS-restricted rent if the households had no vouchers.

OIG recommended that, for tenant-based vouchers used for units in tax credit projects that have all of their units rent restricted, HUD change its regulations to cap Section 8 gross rents to the IRS-restricted rent level that applies set-aside for households qualifying in the 60 percent area median gross income level. OIG also recommended that HUD track the overlap of these two affordable housing programs by capturing the tax credit status of voucher units in its tenant record database. (Audit Report: 2007-LA-0001)

## *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. In HUD's fiscal year (FY) 2006 appropriation, the Congress directed OIG to increase its audit and investigative efforts related to public housing agencies' administration of this program. Public housing agencies 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 audited the Housing Authority of the Birmingham District's, **Birmingham, AL**, Section 8 Housing Choice Voucher program. Of 66 units inspected, 58 did not meet HUD's housing quality standards, and 38 were in material noncompliance. As a result, tenants lived in units that were not decent, safe, and sanitary, and that the Authority made housing assistance payments for units that did not meet standards. Over the next year, the Authority could make housing assistance payments of more than \$10.4 million for units in material noncompliance with housing quality standards if it does not implement adequate controls.

OIG recommended that HUD require the Authority to inspect the 58 units that did not meet housing quality standards to verify that the owners took appropriate corrective action; if appropriate actions were not taken, the Authority should abate the rents or terminate the housing assistance payments contracts. HUD should also require the Authority to implement internal controls, policies, and procedures to ensure that units meet housing quality standards and inspections meet HUD requirements and to develop and implement quality control inspection procedures. (Audit Report: 2007-AT-1001)



HUD OIG audited the Puerto Rico Department of Housing's, **San Juan, PR**, Section 8 Housing Choice Voucher program. Of 66 units inspected, 63 did not meet minimum housing quality standards, and 23 were in material noncompliance. As a result, Section 8 program funds were not used efficiently and effectively to provide units that were decent, safe, and sanitary; and the authority made housing assistance payments for units that did not meet standards. The authority also overhoused 29 tenants and miscalculated Section 8 assistance.

OIG recommended that HUD require the authority to inspect all of the units that did not meet minimum housing quality standards to verify that the landlords took appropriate corrective actions. If appropriate actions were not taken, the authority should abate the rents or terminate the tenants' vouchers. In addition, HUD should require the authority to establish and implement controls to ensure that it follows HUD requirements so that assistance payments are correct and to prevent an estimated \$2.6 million from being spent on units that are in material noncompliance with standards. (Audit Report: 2007-AT-1005)



HUD OIG audited the Columbus Metropolitan Housing Authority's, **Columbus, OH**, Section 8 Housing Choice Voucher program. In administering its Section 8 Project-Based Voucher program, the Authority did not perform environmental reviews, rent reasonableness determinations, and housing quality standards inspections before executing housing assistance payments contracts. It paid housing assistance for units not under housing assistance payments contracts, underpaid housing assistance for program households, issued duplicate housing assistance payments for three units, and did not use the proper HUD form to execute housing assistance payments contracts.

Regarding its Family Self-Sufficiency program, the Authority paid more than \$431,000 in escrow payments to households contrary to Federal requirements. It failed to complete required forms, include individual training and service plans in the contract of participation, ensure that participants sought and maintained suitable employment, ensure that participants identified and met interim goals, ensure that participants met interim goals before being issued early escrow payments, offer supportive services, and require participants to meet regularly to ensure that they met interim and final goals and properly changed goals.

The Authority failed to remove from its program households that did not receive housing assistance payments for 180 days or more and made payments after households should have been terminated. It did not follow its program administrative plan regarding households with zero income, which required it to reverify zero-income households every 180 days. It also did not follow HUD's requirements concerning special admissions, waiting list reinstatements, third-party verifications, and other excluded sources of annual income and stated that it would pay owners a household's portion of unpaid rent.

OIG recommended that HUD require the Authority to reimburse its program from nonfederal funds for the improper use of funds, reimburse its Family Self-Sufficiency program from nonfederal funds for its improper use of contract and program funds, provide support or reimburse its program from nonfederal funds for the unsupported housing assistance payments, and implement adequate procedures and controls to address the issues identified. (Audit Report: 2007-CH-1004)



HUD OIG audited the Housing Authority of the City of Evansville's, Evansville, IN, Section 8 Housing Choice Voucher program.

Of 63 housing units inspected, 48 did not meet HUD's housing quality standards, and 44 had 230 violations that existed at the time of the Authority's previous inspections. Of the 68 household files reviewed, 20 did not contain the proper documentation to support the Authority's payment of housing assistance and utility allowances. In addition, the Authority did not abate 5 of the 25 program units that failed an annual housing quality standards inspection and reinspection(s) between January and June 2006 and did not ensure that 138 of the 320 unit reinspections were performed in a timely manner. It also allowed four household members to be claimed as household dependents under both its Section 8 and public housing programs.

OIG recommended that HUD require the Authority to reimburse its program from nonfederal funds for the improper use of program funds, provide support or reimburse its program from nonfederal funds for the unsupported housing assistance and utility allowance payments and related administrative fees, and implement adequate procedures and controls to address the issues identified. These procedures and controls should help ensure that more than \$1.5 million in program funds is spent on payments that meet HUD's requirements. (Audit Report: 2007-CH-1003)



**EHA**  
**needs**  
**changes**

**Auditors say**  
**violations are rife**

**By LYDIA X. McCOY**  
Courier & Press staff writer  
464-7431 or mccoyle@courierpress.com

Federal auditors say the Evansville Housing Authority needs to make improvements in the administration of its Section 8 Housing Choice Voucher Program.

They will also require the EHA to reimburse more than \$50,000 to the Department of Housing and Urban Development.

If recommended improvements aren't completed, the recently released audit

**courierpress.com**  
To view the complete copy of the Office of Inspector General's report on the Section 8 Housing Choice Voucher program, which is administered by the Evansville Housing Authority.

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Evansville, IN.  
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HUD OIG reviewed the Housing Authority of the County of Santa Clara's, **Santa Clara, CA**, Section 8 rent reasonableness determinations for its Section 8 Housing Choice Voucher program. The Authority did not determine that rents charged to individuals receiving Section 8 housing assistance were reasonable. Further, it did not administer the rent reasonableness determinations in accordance with HUD rules and regulations or its HUD-approved administrative plan.

OIG recommended that HUD require the Authority to establish adequate controls and procedures to ensure that it makes Section 8 housing assistance payments based on reasonable rent determinations, establish and implement policies and procedures to ensure that Authority specialists have information needed to determine reasonable rents, and support or reimburse HUD for more than \$17,000 in questioned housing assistance payments. In addition, OIG recommended that HUD recapture \$1.36 million of the administrative fees earned during the audit period for not performing rent reasonableness in accordance with HUD rules and regulations. (Audit Report: 2007-LA-1006)



HUD OIG audited the Lubbock Housing Authority's, **Lubbock, TX**, Section 8 Housing Choice Voucher program. Of the 61 units inspected, 47 failed inspections, and 30 were materially noncompliant with housing quality standards. As a result, the Authority housed families in units that were not decent, safe, and sanitary. If the Authority does not implement effective management and controls, it could spend more than \$1.2 million in the next 12 months on the estimated 266 units expected to be materially noncompliant with HUD's housing quality standards.

OIG recommended that HUD require the Authority to ensure that all 47 units meet housing quality standards and to implement procedures and controls over its Section 8 inspection process to ensure that all of its units meet housing quality standards. (Audit Report: 2007-FW-1001)



HUD OIG audited the Housing Authority of Bexar County's, **Bexar County, TX**, Section 8 Housing Choice Voucher program. The Authority accurately calculated assistance and correctly applied its subsidy standards in 151 of 224 vouchers reviewed. However, it paid excessive assistance on 61 vouchers. For the remaining 12 vouchers, the Authority incorrectly applied its subsidy standards but did not pay excessive assistance because the contract rent was below the payment standard applied. In addition, due to excessive assistance payments during 3 months in 2004 that were used as the baseline for calculating the 2006 budget and maximum funding, HUD overfunded the Authority's FY 2006 program budget.

OIG recommended that HUD require the Authority to (1) correct voucher sizes and/or payment standards on the 61 vouchers with excessive assistance and repay HUD for the excessive assistance of almost \$108,000 paid through June 30, 2006, and (2) implement procedures to ensure that it correctly assigns voucher sizes and calculates assistance using the correct payment standards on future vouchers. OIG estimates

that the Authority could avoid additional overpayments of almost \$133,000 during the next 3.7 years by implementing such procedures. Finally, OIG recommended that HUD reduce the Authority's 2006 budget by more than \$34,000 due to the excessive payments during 2004 used as the baseline in the formula for calculating its budget and funding. (Audit Report: 2007-FW-1005)



HUD OIG audited the Housing Authority of the County of Contra Costa's, Martinez, CA, administration of rent reasonableness determinations for units leased under its Section 8 Housing Choice Voucher program.

The Authority compared assisted units to units that were vastly dissimilar and, therefore, provided no support for the contract rent. It did not consider important factors that could affect the rental price, such as amenities, services provided, age of units, and square footage. The forms used to document the rent reasonableness determinations were often missing or incomplete and/or contained erroneous information. The Authority also improperly used Federal funds to pay for housing assistance overpayments caused by its delays in processing landlords' rent increase requests and did not reimburse HUD for those improper payments.

OIG recommended that HUD require the Authority to (1) support or reimburse HUD almost \$83,000 in unsupported housing assistance payments; (2) follow HUD-approved policies and procedures when performing rent reasonableness determinations and ensure that adequate quality control procedures are in place; (3) reimburse HUD nearly \$78,000 in administrative fees; (4) repay HUD more than \$5,000 for subsidy overpayments resulting from processing delays; (5) repay additional subsidies disbursed due to late processing of rent increases from July 1, 2005, to the present; and (6) develop procedures that ensure the timely processing of rent increase requests, prevent the use of Federal funds to pay for the Authority's errors or omissions, and address repayment of funds to HUD for overpayments resulting from the use of Federal funds to pay for errors or omissions. (Audit Report: 2007-LA-1004)

### *Public Housing Program Activities*

HUD OIG audited the Utica Municipal Housing Authority, Utica, NY, to determine whether the Authority (1) administered its HOPE VI grant program and activities effectively, efficiently, and economically in accordance with grant agreements and applicable rules and regulations, (2) complied with applicable procurement requirements, (3) implemented sufficient disbursement controls over administrative costs charged to the program, and (4) had a cost allocation plan to adequately account for and distribute costs to the program.

The Authority's HOPE VI program is not achieving vital revitalization objectives in a timely manner or in accordance with program goals and requirements as specified in its application, revitalization plan, and grant agreement. The Authority did not always comply with applicable procurement policies for three professional services contracts when (1) excessive fees were paid for application service, (2) a consulting contract was

improperly modified, and (3) administrative costs were charged to the program. In addition, the Authority periodically allocated certain costs such as wages and fringe benefits but neglected to allocate other indirect costs, and its allocation plan for wages and fringe benefits was not adequately supported or detailed.

OIG recommended that HUD instruct the Authority to implement procedures to ensure that all collateral investments and in-kind services for the HOPE VI project are documented and quantified, reevaluate the scope of its revitalization plan, and amend the plan accordingly so that HUD can reassess whether the Authority is able to meet its primary objective of revitalizing the project neighborhood known as Cornhill. Based on this reassessment, HUD should determine whether the amended plan is effective enough to ensure that the remaining \$7.47 million in grant funds will be used efficiently. If the Authority can only achieve certain objectives, HUD should consider reducing the remaining amount of grant funds proportionately. HUD should also establish controls to ensure compliance with all applicable Federal, State, and local procurement policies and regulations; submit supporting documentation to justify all unsupported costs, so that HUD can make an eligibility determination, and reimburse the program from nonfederal funds all amounts determined to be ineligible; and develop and implement a cost allocation plan or establish an indirect cost rate proposal to ensure that all costs are properly allocated to the benefiting sources. (Audit Report: 2007-NY-1001)



HUD OIG audited the Montgomery County Housing Authority, Norristown, PA. The audit objective was to evaluate whether the Authority properly used HUD funds to purchase, renovate, and maintain its main administrative office. OIG also reviewed the adequacy of the Authority's administration of its Section 8 Housing Choice Voucher program.

The Authority improperly acquired a \$1.2 million loan, using HUD assets as collateral, and improperly used HUD funds to pay the interest and principal on the loan, which it used to renovate its main office building. It improperly used Public Housing Homeownership program proceeds and capital funds to purchase, renovate, and maintain its main office building, much of which either was vacant or the Authority had been attempting to lease commercially for several years or had leased to the Redevelopment Authority of Montgomery County. The Authority improperly used Homeownership program proceeds to pay the utilities of the Redevelopment Authority, which is a tenant in its building. The Authority's improper use of HUD funds contributed to a significant increase in its operating expenses and caused it to delay and cancel needed repairs at public housing units in Montgomery County.

OIG recommended that HUD notify the Authority that it improperly encumbered HUD assets and direct it to provide evidence that the financial instruments encumbering the assets have been changed to exclude the assets and, thereby, put \$1.1 million to better use. OIG further recommended that if the Authority does not withdraw its encumbrances of HUD assets, it should be considered in substantial default of its annual contributions contract. OIG also recommended that HUD initiate appropriate sanctions against Authority officials responsible for encumbering



# HUD says Montco housing agency misused funds

By Kathy Boccella  
INQUIRER STAFF WRITER

Federal funds intended to help house low-income families were improperly used to purchase and renovate the Montgomery County Housing Authority's new headquarters in Norristown, a federal audit found.

The authority misused \$1.1 million from the U.S. Department of Housing and Urban Development to buy and gut a former Commerce Bank building at 104 W.

Main St., according to a Dec. 13 report by HUD's Office of Inspector General in Philadelphia.

Some of the HUD money was used as collateral for a \$1.2 million loan. Federal funds were also used to pay for the loan and for utilities for the Redevelopment Authority of Montgomery County, which rented space in the building.

The audit, which arose from complaints to the Office of Inspector General's hotline, rec-

ommended that the authority provide evidence that the \$1.1 million is being put to "better use" or risk being in default of its contract with HUD. It also recommends that HUD seek sanctions against the Housing Authority officials responsible for the disbursements.

Kenneth A. Roos, the Housing Authority solicitor, said the agency maintains it had the discretion to use the money for the building. "This is a preliminary find-

ing," he said. "We haven't been ordered to do anything. We have every intention of cooperating with and working with HUD to resolve this."

The authority purchased the building on Nov. 30, 1999, for \$325,000 and acquired the \$1.2 million loan for renovations on Jan. 24, 2002.

Contact staff writer Kathy Boccella at 610-313-8123 or kboccella@phillynews.com.

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HUD assets to secure a loan and require the Authority to properly support its use of almost \$976,000 in Homeownership program proceeds or repay the program unsupported amounts from nonfederal funds, repay to the United States Treasury from nonfederal funds more than \$609,000 in ineligible capital funds, reimburse the Homeownership program more than \$9,000 for improperly paying its tenants' utility bills, begin paying future debt service on the \$1.2 million loan from nonfederal funds, and provide adequate support for more than \$119,000 in interest payments it made on the loan or repay HUD any unsupported amounts. (Audit Report: 2007-PH-1002)



HUD OIG audited Oakland Housing Authority's, **Oakland, CA**, procurement and contracting activities in response to a citizen's complaint. The objective was to determine whether the Authority's procurement and contracting practices were in compliance with Federal requirements.

The Authority did not follow HUD's procurement requirements and its own procurement policy when it awarded, renewed, amended, and made payments on several legal service contracts. As a result, it made unsupported and excessive payments totaling more than \$2.3 million for these services.

OIG recommended that HUD require the Authority to (1) provide support for various expenditures charged for the program, (2) issue a new request for proposal for eviction legal services to ensure that it obtains competitive prices for the service, (3) revise its contract monitoring system to ensure that it only pays for goods and services in accordance with contract terms and performs all future procurement actions in accordance with applicable requirements, and (4) revise its Moving to Work agreement so that it requires the Authority to obtain HUD's approval before executing any professional service contracts and amendments totaling more than \$50,000 for a minimum of 1 year or until HUD is satisfied that the procurements and contracts meet Federal requirements. (Audit Report: 2007-LA-1005)



HUD OIG audited the Housing Authority of the City of **Wilmington, NC**, to determine whether it inappropriately used Federal funds to support other programs or entities in violation of requirements.

Authority management did not implement adequate internal controls to ensure that program funds were used only for eligible program activities or that costs were properly allocated and supported. Further, the Authority inappropriately used operating subsidies to pay expenses of other Federal and nonfederal programs. In addition, it could not support that it appropriately spent more than \$800,000 in accordance with requirements. Further, it did not follow IRS requirements to determine and report the value of fringe benefits received by employees from use of employer-provided vehicles.

OIG recommended that HUD require the Authority to (1) repay ineligible costs of almost \$745,000; (2) provide support for more than \$880,000 in costs; (3) develop and implement procedures to ensure that program expenditures are eligible and properly supported, thereby putting an estimated \$564,000 to better use; and (4) develop and implement policies and procedures governing employee use of Authority-owned vehicles. (Audit Report: 2007-AT-1004)



HUD OIG audited the Housing Authority of the City of Gary's, Gary, IN, nonprofit development activities to determine whether the Authority effectively and efficiently used resources subject to its annual contributions contract, other agreements, or HUD regulations regarding its nonprofit development activities.

The Authority failed to properly administer refunding savings from the Fifth Avenue Housing Development Corporation's June 1992 refunding of mortgage revenue bonds, May 1993 redemption of mortgage revenue refunding bonds, and June 2001 refunding of mortgage revenue refunding bonds. It lacked adequate documentation to support that it used more than \$900,000 in refunding savings from the Corporation's 1992 refunding of mortgage revenue bonds and 1993 redemption of mortgage revenue refunding bonds to provide affordable, decent, safe, and sanitary housing to very low-income households. Further, the Authority and HUD were not aware of nearly \$800,000 and at least \$260,000, respectively, in refunding savings funds available to them until OIG brought it to their attention during the audit.

OIG recommended that HUD require the Authority to provide documentation or reimburse its refunding savings from nonfederal funds for the unsupported payments; submit a proposal for HUD's approval regarding the Authority's planned use of the unused refunding savings for affordable, decent, safe, and sanitary housing for very low-income households; and implement adequate procedures and controls to ensure that it uses the refunding savings and submits required certifications and reports in accordance with its financial adjustment factor refunding agreement with HUD. OIG also recommended that HUD request The Bank of New York Trust Company, N.A., to disburse to HUD the remaining refunding savings in the trust account from the Corporation's refunding of the mortgage revenue refunding bonds in 2001. (Audit Report: 2007-CH-1005)



HUD OIG audited the Benton Harbor Housing Commission's, **Benton Harbor, MI**, public housing program and its home ownership program, funded with Special Purpose Grant funds from the City of Benton Harbor. The audit was conducted to determine whether the Commission effectively maintained its program units in accordance with applicable requirements and appropriately used its program operating subsidies and the City's Grant funds.

The Commission did not maintain the program units selected for inspection in good repair, order, and condition; nor did it always conduct its annual program unit inspections within 1 year as required. It did not comply with HUD's requirements and its policies in administering its program's admission and occupancy process and lacked an effective maintenance process to ensure that program unit deficiencies were identified and repaired in a timely manner. In addition, it inappropriately received excess program operating subsidies for units that were vacant for more than 12 months. It also failed to properly administer its home ownership program in accordance with its master participation agreement with eight lending institutions and has not used Grant funds it received from the City for the home ownership program more than nine years ago or the interest earned on the Grant funds.

OIG recommended that HUD require the Commission to reimburse its program from nonfederal funds for the improper use of funds, provide support or reimburse its program from nonfederal funds for the unsupported payments, and implement adequate procedures and controls to address the deficiencies identified. OIG also recommended that HUD require the Commission to reimburse the City \$240,000 from its home ownership program's accounts so the City can use the Grant funds to support housing rehabilitation, transfer to its general fund nearly \$83,000 from its home ownership program's accounts so it can use the funds to provide housing services in accordance with the Michigan Compiled Laws, and provide support or transfer more than \$60,000 from its home ownership program's accounts so it can use the funds to provide housing services in accordance with the Michigan Compiled Laws. (Audit Report: 2007-CH-1002)



HUD OIG audited the Newport News Redevelopment and Housing Authority, **Newport News, VA**, to determine whether the Authority appropriately used low-rent public housing funds to support its other programs and whether it purchased goods and services in compliance with HUD and Federal regulations. OIG also evaluated the Authority's compliance with HUD regulations for recertifying low-income housing tenants and its support for drawdowns of HUD funds.

The Authority generally complied with HUD regulations for recertifying low-income housing tenants and properly supported its drawdowns for HUD funds. However, contrary to its consolidated annual contributions contract, the Authority used low-rent public housing funds to pay expenses of its other HUD and non-HUD programs and did not settle the balance due to the low-rent public housing fund in a timely manner. Also, the Authority did not always record financial transactions on its books in a timely manner. Additionally, contrary to Federal procurement regulations

and its own procurement policy, the Authority did not always adequately justify awarding contracts.

OIG recommended that HUD direct the Authority to repay its low-rent public housing fund more than \$246,000 owed by its other HUD and non-HUD programs and create and implement policies and procedures to ensure that all transactions are recorded on the books in a timely manner and that the due-to/due-from account is reconciled and settled monthly, thereby putting nearly \$490,000 in public housing funds to better use over a 1-year period. Further, OIG recommended that the Authority develop and implement procedures to ensure that it properly awards contracts according to established policies and procedures and emphasize to responsible personnel the need to follow applicable policies and procedures and provide them training regarding Federal procurement requirements. (Audit Report: 2007-PH-1005)



HUD OIG audited the Lubbock Housing Authority's, **Lubbock, TX**, financial relationship with its nonprofits to determine whether the Authority was operating its nonprofits in accordance with HUD requirements and if not, to determine the extent, cause, and impact of any violations.

The Authority made more than \$672,000 in inappropriate advances from its low-rent fund to its two nonprofits. One nonprofit has no assets to repay the nearly \$368,000 advanced to it. The second nonprofit still owes more than \$304,000 to the Authority's low-rent program fund and reportedly lacks the resources to repay it.

OIG recommended that HUD require the Authority to either repay the money that it advanced to the first nonprofit or seek forgiveness for it and to repay its low-rent fund for the balance due from the second nonprofit. OIG also recommended that HUD take applicable administrative actions against the appropriate parties. (Audit Report: 2007-FW-1002)



HUD OIG audited the Housing Authority of the County of Beaver's, **Beaver, PA**, controls over HUD assets to determine whether the Authority properly used and maintained control of HUD assets.

For the most part, the Authority used and maintained control of HUD assets properly. However, it did not properly support allocations of salary and benefit costs to its HUD-funded programs and did not properly monitor disbursements. As a result, it made unsupported expenditures for salary and employee benefit costs of nearly \$293,000 and made ineligible disbursements totaling nearly \$47,000.

OIG recommended that HUD direct the Authority to provide documentation to support the questioned costs or reimburse that amount from nonfederal funds; repay the ineligible costs; and develop and implement procedures to ensure that salary and benefit allocations are properly supported, thereby putting more than \$146,000 to

better use over a 1-year period, and disbursements of HUD funds are consistent with the terms of its annual contributions contracts and other Federal regulations, thereby putting almost \$16,000 to better use over a 1-year period. (Audit Report: 2007-PH-1001)



HUD OIG audited procurements by the Jacksonville Housing Authority, Jacksonville, AR. The audit addressed HUD allegations of mismanagement at the Authority and was conducted to determine whether the Authority complied with its procurement policy and satisfied HUD-mandated timeframes for the obligation of program funding.

Due to its mismanagement of the program, the Authority overstated its obligations to prevent HUD's recapture of almost \$133,000 in funding. Therefore, it did not satisfy HUD-mandated timeframes for the obligation of funding. In addition, it did not comply with its procurement policy regarding soliciting bids, documenting bids, and accepting the work, thereby mispending more than \$164,000 of its funding.

OIG recommended that HUD assist the recently replaced board of commissioners and the new executive director in establishing board oversight and controls to ensure that the Authority implements sound funding plans, enters valid obligations in the Line of Credit Control System, and complies with its procurement policy. This should result in more than \$281,000 being put to better use. HUD also should penalize the Authority for slow obligation of funding and direct it to either support or repay HUD for procurements not conducted in conformity with policy and/or supported for which it spent more than \$164,000 in program funding. (Audit Report: 2007-FW-1007)



HUD OIG audited the East St. Louis Housing Authority, East St. Louis, IL, to determine whether the Authority followed HUD's regulations and its own policies when procuring goods and services, granting leave, and managing vehicle operations.

The Authority improperly procured goods and services, improperly granted leave to employees at a cost of almost \$148,000 in exchange for nonprofit contributions, and poorly managed its general vehicle operations, incurring more than \$29,000 in improper vehicle allowances.

OIG recommended that HUD require the Authority to improve its procurement controls by developing clearly written policies and procedures and repay from nonfederal sources the funds improperly spent for employee leave. OIG also recommended that HUD require the Authority to improve its controls over vehicle operations, dispose of unnecessary vehicles, and repay from nonfederal sources the funds improperly spent on vehicle allowances. (Audit Report: 2007-KC-1004)



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

The Authority inappropriately used public housing operating funds to support the activities of the Affordable Housing Corporation, a nonprofit organization created by the Authority, without HUD approval. As of November 2006, the Authority owed its public housing program more than \$180,000. It inappropriately used nearly \$19,000 in Housing Choice Voucher/Family Self-Sufficiently program coordinators funds from January 2003 through June 2004 to pay its former family self-sufficiency/housing counselor's salary and benefits while the former counselor worked on the Corporation's activities. In addition, the Authority could not provide adequate documentation to support that its use of more than \$25,000 in coordinators funds to pay the former counselor's salary and benefits during the same period was appropriate.

OIG recommended that HUD require the Authority to reimburse its public housing operating and coordinators funds from nonfederal funds for the inappropriate disbursements and implement adequate procedures and controls to ensure that it uses public housing program and coordinators funds appropriately. OIG also recommended that HUD take appropriate action against the Authority. (Audit Report: 2007-CH-1001)



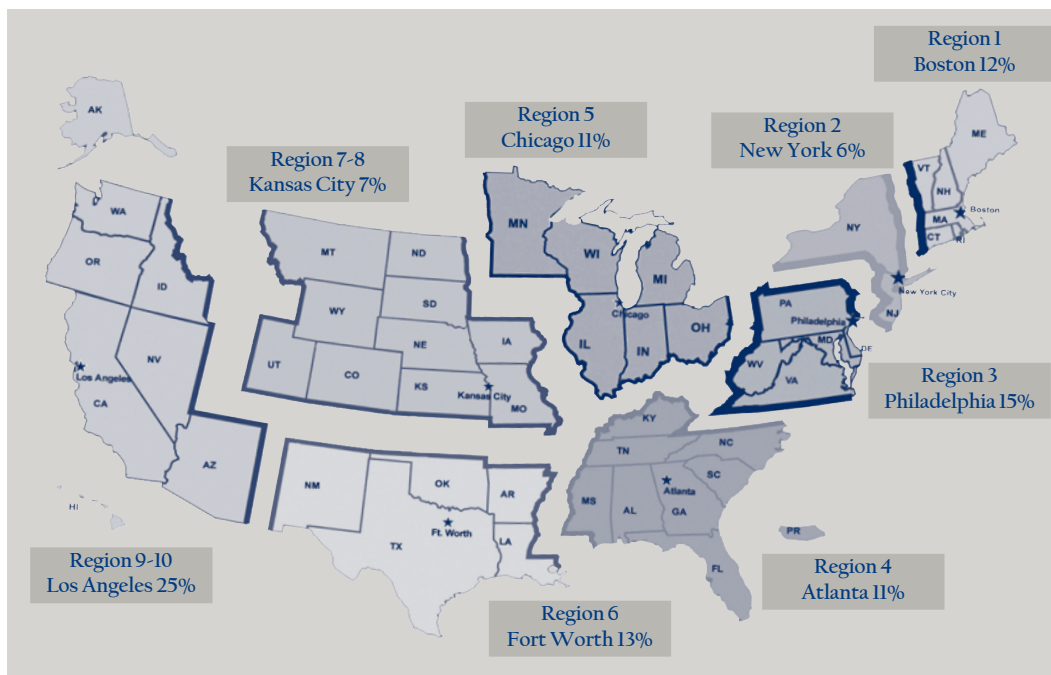
# Investigations

Some of the investigations discussed in this report were conducted jointly with Federal, State, and local law enforcement agencies. The results of OIG's more 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	438	\$13 Million	370	723
Our Focus	page 46 page 51 page 69 page 71	- Public Housing Authority Theft/Embezzlement - Rental Assistance Fraud - Fugitive Felon Initiatives - Other Fraud Crimes		

Chart 3.2: Percentage of OIG Public and Indian Housing Closed Investigation Cases During this Reporting Period\*



\*This does not include cases where funds misused came from Congress for the hurricane relief. (see chapter 6 for these cases)

## Public Housing Authority Theft/Embezzlement

Raymond Asselin, Sr., the former Springfield Housing Authority (SHA) executive director; his wife and sons, Janet, James, Christopher, Joseph, and Raymond Asselin, Jr.; Arthur Sotirion, the former SHA deputy executive director; Francis X. Maroney, a former SHA purchasing agent; and former SHA contractors Paul A. Bannick, doing business as Paul A. Bannick Company; John Spano, doing business as Valley Floor Covering, Inc.; John P. Corcoran, doing business as Corcoran Plumbing, Inc.; and Nicholas Katsounakis, doing business as Manny's Plumbing, were each sentenced in U.S. District Court, Springfield, MA, for their earlier guilty pleas to bribery, conspiracy to commit theft against the government, racketeering, conspiracy to commit racketeering, theft, obstruction of justice, filing false Federal income tax returns, and/or mail and wire fraud. Raymond Asselin, Sr., was sentenced to 10 years incarceration and 2 years probation, fined \$75,300, and ordered to pay SHA \$87,500 in restitution; collectively, the remaining defendants were sentenced to 193 months incarceration, 30 months home confinement, 6 years supervised release, 21 years probation, and 1,000 hours community service; fined \$483,900; and ordered to pay SHA more than \$2.1 million in restitution and forfeit six properties, including a \$1.2 million house on Cape Cod, time-share condo in Aruba, BMW automobile, 23-foot Chaparral boat, and \$243,650 in cash previously seized. The above defendants assisted Raymond Asselin, Sr., in embezzling more than \$3.5 million from SHA for the personal benefit of Asselin, his family members, and others.

**Raymond Asselin gets 10 years**

*Wife gets probation in corruption saga*

By JACK FLYNN  
jflynn@repub.com

SPRINGFIELD — Raymond B. Asselin, the disgraced former director of the Springfield Housing Authority, was given a 10-year prison sentence yesterday, ending a public corruption saga that shattered his career and scattered his family members in prisons across the country.

Asselin, 69, of Springfield, was also ordered to pay \$87,500 in restitution on top of surrendering a BMW sports car, a 23-foot speedboat and a \$2.5 million vacation home on Cape Cod.

His wife, Janet, 70, received one year of probation, including nine months home detention, during a 2½-hour hearing marked by apolo-

gies and wrenching emotional appeals.

After U.S. District Judge Michael A. Ponsor handed down the 10-year sentence to Raymond Asselin, his wife stood up and expressed regrets to "anyone harmed" in the decade-long, \$6.4 million swindle at the housing authority.

Recalling the Sunday family dinners attended by her five children, all of whom pleaded guilty in the case, Janet K. Asselin said, "They're good children. I love them so much.

"I hope and I pray that one day our family dining room will be filled with members of my family again," she added.

As his wife spoke, Raymond Asselin

*Please see SHA, Page A8*



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Dora Perez, the former San Benito Housing Authority (SBHA) low-rent manager, pled guilty in U.S. District Court, Brownsville, TX, to embezzlement. From 1998 to 2006, Perez embezzled approximately \$273,591 in tenant rents from Palmville I & II, SBHA senior and disabled housing developments.



Terry L. Taylor, a former City of Milwaukee Housing Authority (CMHA) accountant, was sentenced in Wisconsin State Circuit Court, Milwaukee, WI, to 2 years confinement and 5 years probation and ordered to pay the City of Milwaukee \$262,271 in restitution for her earlier guilty plea to theft by fraud over \$10,000. Taylor embezzled CMHA funds by creating a fictitious business known as American League Insurance (ALI), then submitted fabricated ALI invoices and obtained \$262,271 in CMHA payments.



Marisol Cortez and Flora Cruz, Paterson Housing Authority (PHA) Section 8 caseworkers; Benny Ramos, City of Paterson (Paterson) Section 8 program deputy director; Elisa Griffin and Marie Rosa, Paterson Section 8 caseworkers; Princess Reaves, Paterson deputy court administrator; Lee Holland, Javier Nunez, Yolanda Lane, Victor Ortiz, and Stanley Williams, Paterson employees; Mark Hooks, a City of Passaic employee; and George Morgan and Robert Schweiderick, Passaic Valley Water Commission employees, were each arrested and/or charged in U.S. District Court, Newark, NJ, with soliciting and accepting bribes. The above defendants allegedly solicited and accepted bribes from an unnamed conspirator in exchange for steering Section 8 tenants to specific properties, expedited building inspections, or rejected tenant complaints filed in municipal court. HUD losses have not yet been determined.



Patricia Bobo, the former Gary Housing Authority (GHA) finance director, was indicted in U.S. District Court, Gary, IN, for embezzlement and Federal income tax evasion. From August 2002 through September 2003, Bobo allegedly embezzled about \$120,000 from GHA by creating and cashing duplicate salary checks for herself, removing the fictitious earnings checks from GHA records, prohibiting GHA employees from reconciling GHA accounts, and then failing to claim the embezzled funds on her Federal income tax forms.



Teresa Thomas, a fictitious Greensboro Housing Authority (GHA) Section 8 landlord, was sentenced in U.S. District Court, Greensboro, NC, to 2 months incarceration and 4 years probation and ordered to pay GHA \$54,000 in restitution for her earlier guilty plea to mail fraud and aiding and abetting. Thomas and previously indicted GHA intake specialist Serna Parker and fictitious GHA landlord Vivian Bailey conspired and caused the mailing of 48 fraudulent GHA housing assistance payment checks totaling more than \$70,000.



**GARY**

**Ex-housing aide indicted in theft**

The former finance director of the Gary Housing Authority has been indicted on federal charges of stealing more than \$100,000 from the agency, federal officials announced Monday.

Patricia A. Bobo of Chicago faces two counts of embezzlement stemming from alleged thefts in 2002 and 2003 as well as two counts of tax evasion after she was charged last week by a federal grand jury in Indiana. The indictments were unsealed Monday.

Bobo became interim finance director of the authority in 2002, and by late 2003 was the full-time director. The indictment alleges that during that period, Bobo wrote unauthorized checks to herself from authority funds, sometimes in the exact amounts of her regular paychecks.

Federal prosecutors also allege that she seized control of the authority's bank statements and canceled checks so staff members could not reconcile the amounts and that she failed to pay income taxes for 2002 and 2003.

Bobo was chief financial officer of the Chicago Housing Authority in the early 1990s.

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Larry Bell, the former executive director of Mound Bayou Housing Authority (MBHA), was sentenced in U.S. District Court, **Mound Bayou, MS**, to 6 months home confinement and 5 years probation and ordered to pay MBHA \$1,000 and Gallagher Basset Services \$5,135 in restitution for his earlier guilty plea to embezzlement. Bell stole approximately \$64,000 in MBHA funds by manipulating MBHA bank records.



Larry J. Caillier, the former Opelousas Police Department chief, was sentenced in U.S. District Court, **Lafayette, LA**, to 10 months home confinement and 5 years probation and ordered to pay HUD \$26,300 in restitution for his earlier guilty plea to filing a false claim. Caillier, 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 he was not entitled to receive.



Gregory Webb, a former manager at the Housing Authority for the City of New Haven (HACNH), and Corey Newton, a former HACNH employee, were each sentenced in U.S. District Court, **Bridgeport, CT**, for their earlier guilty pleas to conspiracy. Webb was sentenced to 2 years probation, ordered to perform 200 hours of community service and fined \$1000; Newton was sentenced to 6 months incarceration and 2 years supervised release. Webb and Newton created a fictitious company called Unlimited Horizons (UH), awarded UH approximately \$54,000 in HACNH maintenance and rehabilitation contracts, then used HACNH employees to complete the contracted work.

**Newton gets 6 months in fraud case**

By Randall Beach  
Register Staff

**BRIDGEPORT** — Former New Haven Housing Authority mechanic Corey Newton Monday was sentenced in federal court to serve six months in prison for conspiring to make false statements and misusing government funds.

Prosecutors said Newton conspired with Gregory Webb, who was a New Haven Housing Authority asset manager, and that they recruited other co-conspirators in the phony bids scheme.

Newton, 37, of 234 Crescent St., New Haven, earlier pleaded guilty to the two charges. He was sentenced by U.S. District Judge Janet C. Hall.

Webb, 55, a West Hartford resident, has pleaded guilty to the same charges as Newton. He faces sentencing Dec. 7.

According to court documents, Webb was responsible for managing properties owned by the Housing Authority in District 1 and so had authority over a multi-million dollar line-item budget consisting primarily of federal funds. Newton worked under Webb's supervision.

Prosecutors said that between October 2002 and August 2003, Webb and Newton conspired to obtain funds from the U.S. Department of Housing and Urban Development and the Housing Authority through Unlimited Horizons, an entity the two men secretly controlled. Documents showed the pair concealed their involvement with Unlimited Horizons through fraud and omissions.

Webb and Newton recruited co-conspirators to serve as "owners" of Unlimited Horizons and Webb recommended the firm be placed on the Housing Authority's approved list of work contractors, the prosecutors noted.

Newton submitted bids on behalf of Unlimited Horizons for Housing Authority projects that were under Webb's authority, according to court documents.

After that, Newton would submit claims under the names of the "owners" of Unlimited Horizons for payment by the Housing Authority. Webb authorized payments on the claims. Webb and Newton directed co-conspirators to open bank accounts to receive funds paid to Unlimited Horizons by the Housing Authority, prosecutors said.

"This sentence sends the message that public employees who scheme and profit from the corrupt management of federally funded programs can expect to spend time in prison," said Kevin J. O'Connor, U.S. attorney for the district of Connecticut.

**Prosecutors said New Haven Housing Authority mechanic Corey Newton conspired with Gregory Webb, an authority asset manager, to run a phony bids scheme.**

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Faye Nystrom, the former Benson County Housing Authority (BCHA) executive director, pled guilty to an information filed in U.S. District Court, **Fargo, ND**, charging her with embezzling \$40,547 in HUD and \$23,984 in U. S. Department of Agriculture (USDA) Rural Development funds; Nystrom agreed to repay BCHA \$82,558 in restitution, including audit costs of \$18,000. From 2002 to 2004, Nystrom embezzled BCHA funds by paying herself excessive wages, issuing payments to relatives for services not performed, and disbursing funds for fabricated travel expenses.



# Feds indict leaders in scheme

Two Housing Authority officials are accused of stealing funds intended to refurbish apartments.

BY DAN DEWITT  
Times Staff Writer

BROOKSVILLE — Two long-time Brooksville Housing Authority employees face federal indictments charging them with stealing money intended to refurbish apartments for low-income residents.

Betty Trent, the authority's executive director, and Joe Ann

Bennett, the recently retired project manager, have each been accused of crimes including conspiracy, mail fraud and theft of public money. Bennett also has been charged with falsifying investigative records.

According to the indictment, they each owe the U.S. Department of Housing and Urban Development \$40,650 in funds

they are accused of stealing. They appeared in U.S. District Court on Monday and are both free on \$25,000 bond. If convicted, Bennett and Trent each could be sentenced to more than 40 years in prison.

Trent was on vacation this week, and the Housing Authority's board of directors has not decided whether to suspend her or take

any other disciplinary action, said board member Carl Pilcher.

"An indictment is not guilt. It's an accusation," Pilcher said.

The indictment states that Trent and Bennett used "an intermediary to make it appear that the intermediary was paid for services rendered," though no work was performed.

The indictment does not name any of the individuals or companies that were contracted but does say the payments were made between December 2001



DANIEL WALLACE | Times  
Betty L. Trent was indicted on mail fraud and theft charges.

INDICT continues on 12

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Betty Chandler Trent, Brooksville Housing Authority (BHA) executive director, was indicted in U.S. District Court, Tampa, FL, for conspiracy, mail fraud, theft concerning programs receiving Federal funds, false statements, false claims, and theft of public money. Joe Ann Bennett, a former BHA project manager, pled guilty to conspiracy to defraud and commit offenses against the United States. From December 2001 to September 2006, Bennett admittedly and Trent allegedly fabricated BHA purchases and obtained more than \$40,000 in BHA funds. HUD's Enforcement Center suspended both Trent and Bennett from HUD program participation.

James Lozano, a senior project manager at Honore Construction, a Housing Authority of New Orleans (HANO) contractor, pled guilty to an information filed in U.S. District Court, New Orleans, LA, charging him with theft or bribery concerning programs receiving Federal funds. Lozano solicited and accepted more than \$40,000 from individuals seeking subcontracts from Honore Construction after Honore Construction received a \$13 million HANO contract to build senior citizen housing.

George Flemming, a former Virgin Island Housing Authority (VIHA) contractor and owner of Mr. G's Maintenance, was sentenced in U.S. District Court, St. Croix, VI, to

## HANO ex-consultant admits taking bribes

*Company paid him \$45,000, officials say*

### West Bank bureau

A former consultant to the Housing Authority of New Orleans pleaded guilty to bribery, federal officials announced Wednesday.

James Lozano, 54, of Atlanta, pleaded guilty to bribery in connection with the use of federal funds, according to a press release from U.S. Attorney Jim Letten, Special Agent in Charge James Bernazzani of the New Orleans FBI office and Special Agent in Charge Thomas Luke of the Department of Housing and Urban Development's inspector general's office.

Lozano was a HANO consultant for the construction of the Fischer Senior Housing Village in Algiers. Federal officials say Lozano was paid about \$45,000

in bribes to influence HANO to pay invoices to a construction company that had been in a dispute with the housing agency.

Lozano faces up to 10 years in prison and a \$250,000 fine. Sentencing is scheduled for Feb. 13.

According to court documents, the construction company, which was not named, would receive money from HANO after it submitted payments for portions of the project that it completed and an architect inspected the work.

HANO hired Columbia Highlands, the consulting firm Lozano worked for, to try to clear the impasse when a conflict arose between the construction company and the architect.

The owner of the construction company and Lozano came to an agreement under which the company would send bribes to Lozano using third parties to hide the source of the funds, according to court documents.

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24 months incarceration and 3 years probation and was ordered to pay a \$15,000 fine and \$3,200 special assessment for his earlier conviction of conspiracy and Federal program and wire fraud. From June 1998 to September 1999, Flemming paid more than \$30,000 to former VIHA procurement specialist and previously indicted conspirator Walter John for John's assistance in securing a \$1.5 million VIHA public housing rehabilitation contract. John allegedly provided Flemming preferential treatment and expedited payments by circumventing VIHA payment procedures. HUD's loss is estimated at \$30,000.



Toni Hart, the former Lawrence County Housing Authority (LCHA) executive director, pled guilty in U.S. District Court, **Lawrenceville, IL**, to embezzlement and making false statements to a Federal agent. Hart used an LCHA credit card and obtained cash withdrawals used to purchase clothing, jewelry, and personal vacations, then provided false statements to Federal agents when questioned. HUD's loss is estimated in excess of \$24,000.



John C. Wolfe, Sr., the former Marionville Housing Authority (MHA) executive director, pled guilty in Missouri Judicial Circuit Court, **Marionville, MO**, to stealing and was sentenced to 5 years supervised probation and ordered to pay MHA \$23,117 in restitution. From April 2003 to August 2004, Wolfe embezzled \$23,267 from MHA by obtaining salary checks not reported to or approved by the MHA board of directors.



Glaister Brooks, the former Fort Pierce Housing Authority (FPHA) executive director, was sentenced in Nineteenth Judicial Circuit Court, **Fort Pierce, FL**, for his earlier conviction of grand theft and official misconduct. Brooks was sentenced to 60 days incarceration, 6 months community control, 4 years probation, and 250 hours community service and ordered to repay FPHA \$13,288 for salary payments he received during the investigation. Brooks used an FPHA purchase order to obtain tires for his personal vehicle, but FPHA withheld payment and terminated Brooks after his conviction



Frederick Demps, the former Housing Authority of the City of Austin (HACA) housing manager, was sentenced in U.S. District Court, **Austin, TX**, to 6 months house arrest with electronic monitoring and 3 years probation and ordered to pay HUD \$7,750 for his earlier conviction of theft from a federally funded program. Demps embezzled tenant rents and altered HACA accounting documents to hide stolen HACA funds.



Tara Louise Morrow, the former Wilburton Housing Authority (WHA) executive director, was charged in an information filed in Latimer County District Court,

**Wilburton, OK**, with embezzlement. From August 2002 to February 2004, Morrow allegedly charged personal items to WHA accounts. HUD's loss is estimated at \$7,531.



Kassandra Wakeman, a former Flandreau Santee Sioux Housing Authority (FSSHA) employee, was sentenced in U.S. District Court, **Sioux Falls, SD**, to 3 months home detention and 3 years supervised release for her earlier guilty plea to theft in excess of \$1,000 from an Indian tribal organization. Wakeman, while employed at FSSHA, embezzled FSSHA cash rental payments received from FSSHA housing assistance recipients; Wakeman repaid FSSHA \$7,485 of the stolen funds.



Stacey Yuma, a former Santa Fe Civic Housing Authority (SFCHA) Family Self-Sufficiency Program (FSS) case manager, was indicted in First Judicial District State Court, **Santa Fe, NM**, on numerous counts of fraud and conspiracy to commit fraud. Sarah Yuma, the previously indicted SFCHA FSS coordinator, and Leonard Tapia, a previously indicted SFCHA tenant and FSS recipient, each admitted wrongdoing, agreed to a preprosecution diversion, and were sentenced to 24 months supervised probation; Tapia was also ordered to pay SFCHA \$1,800 in restitution. Sarah Yuma assisted her sister, Stacey Yuma, who allegedly helped Tapia obtain \$3,800 in SFCHA FSS funds he was not entitled to receive.



Benita James, a former Housing Authority of the City of New Haven (HACNH) employee, pled guilty in Connecticut Superior Court, **New Haven, CT**, to trafficking in personal identifying information; James was sentenced to 2 years each incarceration (suspended), supervised release and probation. While employed at HACNH, James accessed HACNH computer databases, obtained identifying information on another HACNH employee/Section 8 landlord, and then sold the identification information to previously indicted Sean Gray. Gray, using the stolen identification information he purchased from James, allegedly opened residential and cellular telephone accounts in the name of the victim.

### *Rental Assistance Fraud*

Shirley Miles, Denise Bertrand, Linnette Stewart, Julia Jackson, Edna Johnson, Estella Ligon, Ivette Longsworth, Danny Carter, and Darnisha Eason, Inglewood Housing Authority (IHA) Section 8 recipients, were charged in Los Angeles County Superior Court, **Inglewood, CA**, with filing a false/forged instrument, grand theft, and/or perjury. The above defendants allegedly failed to report employment, income, or assets on IHA certifications and obtained more than \$231,000 in IHA housing assistance they were not entitled to receive. IHA terminated Bertrand, Stewart, and Eason from its rental assistance program.



Sheree Dozier, Andrea Greene, Liliana Barranco, Rosa Colon, and Luis Zayas, former Miami-Dade Housing Agency (MDHA) Section 8 tenants/landlord, were sentenced in U.S. District Court, **Miami, FL**, for their earlier guilty pleas to theft of government funds or conspiracy. Collectively, the defendants were sentenced to more than 12 years supervised release and 17 months home confinement and ordered to pay HUD \$122,199 in restitution. The above defendants failed to report Section 8 subsidies received from other housing authorities, employment income, actual household composition, or residency of a landlord on MDHA certifications and obtained \$122,199 in MDHA housing assistance they were not entitled to receive.



Donna James, Sheila Wittenberg, Anthony Travis, and Christine Carpenter, former Housing Authority of the County of San Mateo (HACSM) Section 8 recipients, were sentenced in U.S. District Court, **San Francisco and Sacramento, CA**, for their earlier guilty pleas to false statements to HUD. James was sentenced to 24 months probation and ordered to pay HUD \$29,916 in restitution; Wittenberg was sentenced to 24 months probation and ordered to pay HUD \$25,455 in restitution; Travis was sentenced to 12 months probation and ordered to pay HUD \$19,085; Carpenter was sentenced to 6 months home confinement and 3 years probation and ordered to pay HUD \$47,124 in restitution. The above defendants failed to report their receipt of San Francisco Housing Authority public housing assistance to HACSM and obtained \$121,580 in HACSM housing assistance they were not entitled to receive.



Judy Delora Bell, La'Vina Reed, Blondine Wynn, and Johnnie Mae Brooks, former Greensboro Housing Authority (GHA) Housing Choice Voucher program (HCVP) participants, pled guilty or were sentenced in U.S. District Court, **Greensboro, NC**. Bell pled guilty to false statements to HUD for failing to report her U.S. Postal Service employment or income on GHA certifications; Reed and Wynn each pled guilty to false statements to HUD and/or the U.S. Department of Health and Human Services (HHS) for failing to report employment or income on GHA or Guilford County Department of Social Services certifications; Brooks was sentenced to 5 years probation and ordered to pay GHA \$16,865 in restitution for her earlier guilty plea to false statements to HUD. Brooks failed to report income from businesses she owned on GHA certifications and obtained more than \$48,000 in GHA housing assistance she was not entitled to receive. In addition, Ebony Maness and Lidoris Ross, GHA public housing or HCVP participants, pled guilty and were sentenced in Guilford County District Court. Maness pled guilty to financial transaction card fraud, attempted financial card theft, and larceny and was sentenced to 18 months supervised release; Ross pled guilty to financial card fraud and was sentenced to 75 hours community service; Maness and Ross were each ordered to pay the victim \$135 in restitution. Maness and Ross used a victim's debit card and purchased more than \$800 worth of clothing, jewelry, and cellular telephone services. Collectively, the above defendants caused HUD losses of \$116,569; GHA terminated Reid and Wynn from its rental assistance program.



Josephine Ledbetter and her daughter Rebecca Heath, former City of Chandler (COC) HCVP participant/landlord, were indicted in Maricopa County Superior Court, **Phoenix, AZ**, for fraudulent schemes and forgery. Ledbetter allegedly concealed her ownership of two properties and her relationship to Heath on COC certifications and obtained \$90,166 in COC housing assistance she was not entitled to receive. Heath allegedly withheld her relationship with Ledbetter on COC certifications and obtained \$23,808 in COC rental contract payments she was not entitled to receive. HUD realized losses of \$113,974, and COC terminated both Ledbetter and Heath from its rental assistance program.



Rosaivette Baez-Colon, a former Everett Housing Authority employee and Metropolitan Boston Housing Partnership (MBHP) Section 8 tenant, was arrested in Plainville, MA, on outstanding warrants for identity and credit card fraud. Baez-Colon allegedly used multiple identities and fictitious Social Security numbers (SSN) to apply for and obtain about \$40,000 in MBHP housing assistance she was not entitled to receive. In addition, David Murray-McCarthy, also a former MBHP Section 8 tenant, was sentenced in U.S. District Court, **Boston, MA**, to 18 months incarceration and 3 years supervised release and ordered to pay HUD and others \$138,929 in restitution for his earlier guilty plea to false statements to HUD, the Social Security Administration (SSA), and the U.S. Department of Education (DOE). Murray-McCarthy assumed a false identity to obtain an SSN, DOE student loans, and employment; used his true identity to obtain MBHP housing assistance and SSA disability insurance benefits; failed to report earned income to either MBHP or SSA; and defaulted on his DOE guaranteed student loans. Collectively, the above defendants caused HUD losses of \$112,609.



Michael and Prudentia Taku, former City of Tucson (COT) HCVP participants, were charged in U.S. District Court, **Tucson, AZ**, with fraud against HUD and conspiracy to commit false statements. Estella, Vincent, Orlando, and Joseph Quihuis; Daisy and Tasha Harvey; Nelcy Harold; Patricia Tellez; and Sandra Garcia, former COT public housing or HCVP participants, each pled guilty to fraud against HUD and were each sentenced to 60 months probation and ordered to collectively pay HUD \$95,047 in restitution. From 1999 to 2005, Michael and Prudentia Taku allegedly and the remaining defendants admittedly concealed income or familial relationships on COT certifications and obtained \$101,896 in housing assistance they were not entitled to receive. COT terminated the above subjects from its rental assistance program.



Eugene and Wilma Hardney, Cook County Housing Authority (CCHA) Section 8 landlords previously barred from conducting business with HUD after their earlier convictions of false statements, were indicted in Cook County Circuit Court, **Chicago, IL**, on numerous counts of theft, forgery, loan fraud, and deceptive practices. Eugene and Wilma Hardney allegedly obtained two conventionally financed owner-occupied properties by providing false information and/or documents, leased the properties to CCHA, and then collected \$4,000 in CCHA housing assistance contract payments

after one property went into foreclosure and became lender owned. In addition, Terry Ann Littlepage, a CCHA landlord; Ruby Gethers, a CCHA Section 8 tenant; and Gregory Pope, a fictitious CCHA landlord, each pled guilty or were sentenced in U.S. District Court. Littlepage pled guilty to embezzlement of public funds for assisting her mother, previously indicted CCHA Section 8 tenant Aserine Blevins, conceal property ownership. Gethers and Pope were each sentenced to 6 months home confinement and 36 months probation and ordered to pay HUD \$69,950, jointly and severally, for their earlier guilty pleas to theft of government funds. Gethers and Pope concealed Gethers' ownership of her CCHA-subsidized housing unit. Collectively, the above defendants caused HUD losses in excess of \$101,800.



Takara Madkins, a Cuyahoga County adult probation officer and Cuyahoga Metropolitan Housing Authority (CMHA) Section 8 landlord, was charged in Cuyahoga County Court of Common Pleas, **Cleveland, OH**, with numerous counts of theft, tampering with records and securing writings by deception. Madkins allegedly provided false employment and income documentation to purchase 11 properties, then leased four properties to CMHA and obtained more than \$100,000 in CMHA housing assistance she was not entitled to receive.



Tina Harring and Barbara Singleton-Pradia, Rochester Housing Authority (RHA) Section 8 tenants, each pled guilty in U.S. District Court, **Rochester, NY**, to theft of government funds. Harring failed to report income on RHA certifications and obtained approximately \$22,000 in RHA housing assistance she was not entitled to receive. Singleton-Pradia and previously indicted Larry Pradia, an RHA landlord, failed to claim their joint residency on RHA certifications and obtained \$70,000 in RHA housing assistance they were not entitled to receive. The above defendants caused HUD losses of \$92,000.



Joan Glover, a Las Vegas Housing Authority (LVHA) Section 8 tenant, was charged in Clark County Justice Court, **Las Vegas, NV**, with theft. Glover allegedly failed to report income or actual household composition on LVHA certifications and obtained \$21,540 in LVHA housing assistance she was not entitled to receive. Deonna Degraffenreid, a former LVHA Section 8 recipient, was sentenced to 12 months incarceration (suspended), community service for an undetermined period of time, and probation not to exceed 3 years and ordered to obtain and maintain full-time employment and pay HUD \$14,988 in restitution for her earlier guilty plea to conspiracy to commit unlawful acts concerning food stamps. Degraffenreid failed to report income or actual household composition on LVHA or Nevada Welfare certifications and obtained \$65,823 in LVHA housing assistance she was not entitled to receive. The above defendants caused HUD losses of \$87,363.





Kim Carson, a former Santa Monica Housing Authority (SMHA) Shelter Plus Care Program recipient and an auditor with the U.S. Department of Defense, Defense Contract Audit Agency, was sentenced in U.S. District Court, **Santa Monica, CA**, to 60 months supervised release and 250 hours community service and ordered to pay HUD \$44,843 in restitution for her earlier guilty plea to theft of public money. From March 2002 to January 2005, Carson underreported her income by submitting altered employer earning statements to SMHA and obtained \$26,284 in SMHA housing assistance and \$14,100 in SMHA FSS program assistance she was not entitled to receive. In addition, Blanca Gomez, a SMHA HCVP participant, was sentenced to 60 months probation and ordered to pay SMHA \$44,503 in restitution for her earlier conviction of grand theft in Los Angeles Superior Court. Gomez failed to report employment or income on SMHA certifications and obtained \$44,503 in SMHA housing assistance she was not entitled to receive. The above defendants caused HUD losses of \$84,887.



Jerome Massey, a convicted felon and Detroit Housing Commission (DHC) Section 8 landlord, pled guilty in Wayne County Circuit Court, **Highland Park, MI**, to larceny, false pretenses, and delivery/manufacture of marijuana. Massey used his son's SSN to collect \$80,000 as a DHC landlord while occupying a DHC-subsidized unit with a DHC Section 8 tenant and produced and provided marijuana from the DHC-subsidized unit. Massey was sentenced to 3 years probation and 100 hours community service and ordered to pay \$1,100 in court costs and forfeit property seized as restitution.



Buck Thomas and his wife Gwenetta Atterberry, Maywood Housing Authority (MHA) Section 8 landlord/tenant, each pled guilty in Cook County Circuit Court, **Chicago, IL**, to theft by deception; Thomas and Atterberry were each sentenced to 30 months probation and ordered to pay HUD \$36,000 in restitution. Thomas and Atterberry failed to report their relationship, residency, employment income, and/or property ownership on MHA certifications and obtained \$72,000 in MHA housing assistance they were not entitled to receive.



Serena L. Priddy, a former Maricopa County Housing Authority (MCHA) Section 8 tenant, was indicted in Maricopa County Superior Court, **Phoenix, AZ**, for forgery and fraudulent schemes and practices. In addition, Stephanie M. Williams, a former MCHA HCVP participant, pled guilty to attempted fraudulent schemes and practices, and Kathy D. Woods, a former MCHA Section 8 tenant, was sentenced to 12 months imprisonment and 2 months probation and ordered to pay MCHA \$27,638 in restitution for her earlier guilty plea to attempted forgery. Priddy, allegedly and Williams and Woods admittedly omitted income on MCHA certifications and obtained \$71,450 in MCHA housing assistance they were not entitled to receive.



Tawanda Gulley, a former Pinellas County Housing Authority (PCHA) Section 8 tenant, was indicted in U.S. District Court, **Tampa, FL**, for false statements. From 2001 to 2006, Gulley allegedly failed to report ownership of real property on PCHA certifications and obtained \$20,225 in PCHA housing assistance she was not entitled to receive. In addition, Lamesha Ware, a former PCHA Section 8 tenant, pled guilty to false statements. Ware obtained two Florida drivers licenses showing different addresses and then conspired with her mother, previously sentenced Saint Petersburg Housing Authority (SPHA) Section 8 tenant Mary Martin, to obtain \$16,900 in PCHA and \$36,997 in SPHA housing assistance they were not entitled to receive. The above defendants caused HUD losses of \$71,122.



Felicia Tucker and Damaryes Villanueva, former Tampa Housing Authority (THA) Section 8 or HCVP participants, were charged in Tenth and Thirteenth Judicial Circuit Courts, **Tampa, FL**, with theft of government funds, false statements, or public assistance fraud. Tucker and Villanueva allegedly failed to report income on THA certifications and obtained \$18,358 in THA housing assistance they were not entitled to receive. La Gloria Timmons, a former THA Section 8 tenant, pled guilty in U.S. District Court to false statements. Timmons failed to report income to THA and obtained \$19,855 in THA housing assistance she was not entitled to receive. In addition, former THA Section 8 tenants Qwing Reed, Catrinia Parker, Gloria Dixon, and Angel Smith were each sentenced for their earlier guilty pleas to public assistance fraud. Reed was sentenced to 36 months probation, and, collectively, Reed, Parker, Dixon, and Smith were ordered to pay THA \$22,163 in restitution. The above defendants caused HUD losses of \$60,376.



Lucinda Brown and Cheryl and Lasalle Waldrip, Riverside County Housing Authority (RCHA) HCVP participants, were charged in Riverside County Superior Court, **Riverside, CA**, with welfare fraud, perjury, grand theft, and/or possession of marijuana. Brown allegedly failed to report the unauthorized residency of her adult son, and Cheryl Waldrip allegedly failed to report her husband's residency or income on RCHA certifications. In addition, Dionna Isreal, also an RCHA HCVP participant, pled guilty to welfare fraud and was sentenced to 7 days incarceration and 36 months probation. Isreal failed to report her previous arrests or the criminal history of an unauthorized tenant on RCHA certifications. Collectively, the above defendants obtained more than \$59,740 in RCHA housing assistance they were not entitled to receive.



April Oliver, Lillie Jackson, Keyonus Whaley, and Lakita Jones, former Georgia Department of Community Affairs (GDCA) Section 8 tenants, each pled guilty in U.S. District Court, **Macon, GA**, to false statements. Oliver, Jackson, Whaley, and Jones failed to report income on GDCA certifications and collectively obtained \$58,191 in

GDCA housing assistance they were not entitled to receive. GDCA terminated Whaley and Jones from its rental assistance program.



Melinda and Carrie Bailey, former Isle of Wight Department of Social Services (IOW) Section 8 tenants, were each sentenced in U.S. District Court or Isle of Wight Circuit Court, **Smithfield, VA**, for their earlier guilty pleas to conspiracy, false statements, and obtaining money by false pretenses from HUD, SSA, and the Virginia Department of Social Services. Melinda Bailey was sentenced to 21 years imprisonment (suspended), 10 years probation, and 200 hours community service and ordered to pay SSA \$134,315 in restitution; Carrie Bailey was sentenced to 22 years incarceration (20 years suspended) and indefinite probation, barred from receiving any public assistance, and ordered to pay HUD \$57,183 and various State and/or Federal agencies \$187,875 in restitution. Melinda and Carrie Bailey falsified household income and composition to obtain IOW housing assistance, Social Security payments, food stamps, Medicaid, and other social service benefits. Total loss to the government is estimated at \$250,000, including \$57,183 in HUD-funded housing assistance payments.



Sharmeitra Threatt, an Oklahoma Housing Finance Agency (OHFA) Section 8 tenant and U.S. Air Force employee, was charged in Oklahoma State District Court, **Oklahoma City, OK**, with obtaining money by false pretenses. Threatt allegedly failed to report income on OHFA certifications and obtained \$22,901 in OHFA housing assistance she was not entitled to receive. In addition, OHFA Section 8 tenant Kaudet Reed was convicted of obtaining money by false pretenses; Reed was sentenced to 15 years imprisonment (suspended) and ordered to pay OHFA \$31,753 in restitution. From 2001 to 2005, Reed failed to report income on OHFA certifications and obtained \$31,433 in OHFA housing assistance she was not entitled to receive. Collectively, the above defendants caused HUD losses of \$54,334.



Denise Darden, a Housing Authority of the County of Los Angeles (HACOLA) HCVP participant, was charged in Los Angeles County Superior Court, **Los Angeles, CA**, with grand theft, welfare fraud, and perjury. From 1998 to 2005, Darden allegedly failed to report income from her business or ownership of her subsidized unit on HACOLA certifications and obtained \$46,544 in HACOLA housing assistance she was not entitled to receive.



Patricia Bryant, a former City of Pittsburg Housing Authority (CPHA) Section 8 tenant, pled no contest in Contra Costa County Superior Court, **Martinez, CA**, to grand theft of personal property. Bryant was sentenced to 270 days imprisonment (suspended) and 60 months probation, ordered to pay restitution not yet determined, and fined \$200. From October 1997 through November 2001, Bryant allegedly failed

to report an unauthorized tenant or income on CPHA certifications and obtained \$46,000 in CPHA housing assistance she was not entitled to receive.



Charlene Philbrook, a former Malden Housing Authority (MHA) public housing tenant previously indicted in Malden District Court, **Malden, MA**, for larceny over \$250, was fined \$44,995 in a civil judgment. From September 2000 through September 2005, Philbrook allegedly failed to report income on MHA certifications and obtained \$41,691 in MHA housing assistance she was not entitled to receive.



Sharon Neely and her daughter, Chelsea Monks, Vancouver Housing Authority (VHA) Section 8 landlord/tenant, were indicted in Clark County Superior Court, **Vancouver, WA**, for theft. From December 2001 through February 2006, Neely allegedly disguised her ownership of and residency in a VHA-subsidized unit leased to her daughter; Monks allegedly failed to report her relationship to or Neely's residency in her VHA housing unit, and together they obtained \$40,000 in VHA housing assistance they were not entitled to receive.



Trang Pham, a Fairfax County Department of Housing and Community Development (FCHCD) HCVP landlord, pled guilty in U.S. District Court, **Alexandria, VA**, to false statements and was sentenced to 3 years supervised probation and ordered to pay FCHCD \$37,356 in restitution. Pham hid her ownership of property leased to her mother, a FCHCD HCVP participant.



Martha Garcia, a former Wichita Housing Authority (WHA) Section 8 tenant, was sentenced in U.S. District Court, **Wichita, KS**, to 18 months incarceration and ordered to pay HUD \$35,615 in restitution for her earlier guilty plea to possession and use of fraudulently obtained documents and theft of Federal funds; Garcia was also ordered deported to Mexico upon completion of her incarceration. From September 1999 to June 2006, Garcia used three SSNs to conceal her undocumented immigrant status and obtained \$35,615 in WHA housing assistance she was not entitled to receive.



Alexandra Triviz and Billy Reed, San Bernardino County Housing Authority (SBCHA) Section 8 tenants, were both convicted in San Bernardino County Superior Court, **San Bernardino, CA**, of fraud to obtain aid; Triviz was sentenced to 36 months probation and Reed was sentenced to 60 days incarceration and 24 months probation. Triviz and Reed failed to report unauthorized tenants residing in their SBCHA housing units and/or lifetime sex offender registrant status and obtained \$35,316 in SBCHA housing assistance they were not entitled to receive.



Terri Crawford, a Lee's Summit Housing Authority (LSHA) Section 8 recipient, pled guilty in Jackson County Court, Kansas City, MO, to theft of government funds; Crawford was sentenced to 60 months probation and ordered to pay LSHA \$6,000 in restitution. Crawford failed to report income on LSHA certifications and obtained \$33,853 in LSHA housing assistance she was not entitled to receive.



Latrice Carter, a former Clark County Housing Authority (CCHA) Section 8 tenant, pled guilty in U.S. District Court, Las Vegas, NV, to fraud involving HUD transactions. From 2001 through October 2005, Carter failed to report income or actual household composition on CCHA certifications and obtained \$33,091 in CCHA housing assistance she was not entitled to receive. Carter repaid the government \$33,091 after entering into a civil settlement agreement with the U.S. Attorney's Office.



Emad Duar, a San Francisco Housing Authority (SFHA) Section 8 tenant, was charged in U.S. District Court, San Francisco, CA, with false statements to HUD. From October 2001 through November 2003, Duar allegedly failed to report his receipt of U.S. Department of Veterans Affairs (VA) benefits on SFHA certifications and obtained approximately \$33,000 in SFHA housing assistance he was not entitled to receive.



Denise Peters, a former Mississippi Regional Housing Authority VII (MRHA) Section 8 tenant, was indicted in U.S. District Court, Jackson, MS, for false statements, theft of government funds, and aiding and abetting. Peters allegedly provided false employment or income information on MRHA certifications and obtained \$23,104 in MRHA housing assistance she was not entitled to receive. In addition, K'Hari Gowdy, a former MRHA Section 8 tenant, pled guilty in U.S. District Court, Gulfport, MS, to false statements, aiding and abetting, and theft of government funds. Gowdy reported false income information on MRHA certifications and obtained \$9,069 in housing assistance she was not entitled to receive. Collectively, the above defendants caused HUD losses of \$32,173.



Wilhermina Rodriguez, also known as Wilhermina Muriel, a former Portland Housing Authority (PHA) Section 8 tenant, was indicted in Cumberland County Court, Portland, ME, for theft by deception and unsworn falsifications. From March 2001 through September 2005, Rodriguez allegedly failed to report income to PHA or the Maine Department of Health and Human Services (DHHS) and obtained approximately \$31,000 in PHA housing assistance and \$42,000 in DHHS benefits she was not entitled to receive.



Kristal Allen, a Worcester Housing Authority (WHA) public housing tenant, was charged in Worcester District Court, **Worcester, MA**, with larceny over \$250 by false pretense and presentation of false claims. Allen allegedly failed to report income on WHA certifications and obtained \$30,313 in WHA housing assistance she was not entitled to receive.



Dorothy Hansen, a former Vermont State Housing Authority (VSHA) Section 8 tenant, was sentenced in U.S. District Court, **Burlington, VT**, to one year probation and ordered to pay VSHA \$24,552 in restitution for her previous guilty plea to false statements and theft of government funds. Hansen failed to report income on VSHA certifications and obtained \$24,552 in VSHA housing assistance she was not entitled to receive.



Elaine Bradfordt, also known as Robeana Ware, a Cuyahoga Metropolitan Housing Authority (CMHA) Section 8 landlord, and her son, Samuel Dickerson, the former managing agent of HCVP Properties, were each sentenced in U.S. District Court, **Cleveland, OH**, for their earlier convictions on theft of government funds and false statements to HUD and SSA. Bradfordt was sentenced to 41 months incarceration and 5 years probation and ordered to pay HUD \$20,000 and SSA \$100,000 in restitution; Dickerson was sentenced to 5 years probation and ordered to pay the above restitution jointly and severally with Bradfordt. Bradfordt and Dickerson used a fictitious name and SSN to obtain CMHA housing assistance contract payments and SSA benefits they were not entitled to receive. In addition, former CMHA Section 8 landlord Tonja Williams, also known as Latonya McKinley, was sentenced to 36 months incarceration and 5 years supervised release and ordered to pay HUD \$3,678, the Federal Emergency Management Agency (FEMA) \$2,823, and Ohio Savings Bank \$2,336 in restitution for her earlier guilty plea to misuse of an SSN, false statements to HUD, and mail and bank fraud. Williams used aliases and a false SSN to acquire credit cards, bank accounts, and a Federal Housing Administration (FHA)-insured mortgage on property she leased to CMHA but used as her personal residence and to file a fictitious nonhurricane storm damage claim with FEMA. The above defendants caused HUD losses of \$23,678.



Raquel Bonifacio, a former Broward County Housing Authority (BCHA) Section 8 tenant and support services technician with the Federal Bureau of Investigations (FBI), was sentenced in U.S. District Court, **Miami, FL**, to 6 months incarceration and 36 months supervised release and ordered to pay HUD \$23,647 in restitution for her earlier conviction of theft of government funds and false statements. From January 2003 through December 2005, Bonifacio failed to report her FBI employment or income on BCHA certifications and obtained \$23,647 in BCHA housing assistance she was not entitled to receive.



Juanzie Edwards, a Dallas Housing Authority (DHA) Section 8 tenant, admitted to theft of public money/property in a pretrial diversion agreement with the U. S. Attorney's Office, Dallas, TX, and agreed to pay HUD \$22,842 and DOE \$4,800. Edwards failed to report income on DHA certifications or DOE applications and obtained \$22,842 in DHA housing assistance and \$4,800 in DOE educational assistance she was not entitled to receive.



Kynia Morris, a former North Las Vegas Housing Authority (NLVHA) Section 8 tenant, pled guilty in Clark County Justice Court, Las Vegas, NV, to attempted theft. From January 2003 through October 2006, Morris allegedly failed to report correct income or actual household composition on NLVHA and Nevada Welfare certifications and obtained \$22,762 in NLVHA housing assistance she was not entitled to receive.



Adam Doyle, an Omaha Housing Authority (OHA) Section 8 landlord, pled guilty in Douglas County District Court, Omaha, NE, to theft of government funds; Doyle was sentenced to 60 months probation and ordered to pay OHA \$22,620 in restitution. Doyle resided with an OHA Section 8 tenant at his OHA Section 8 leased property and obtained \$22,620 in OHA rental contract payments he was not entitled to receive.



Awilda Negrón, a Hampton Redevelopment and Housing Authority (HRHA) Section 8 tenant, pled guilty in U.S. District Court, Newport News, VA, to false statements to HUD; Negrón was sentenced to 60 months probation and ordered to pay HUD \$22,340 and the Hampton Department of Social Services (HDSS) \$4,427 in restitution. From April 2002 to May 2006, Negrón failed to report income on either HRHA or HDSS certifications and obtained \$22,340 in HRHA housing assistance and \$4,427 in HDSS utility and food stamp assistance she was not entitled to receive.



Charles Woods, a fictitious Chicago Housing Authority (CHA) landlord, was indicted in Cook County Circuit Court, Chicago, IL, for theft by deception and forgery. Woods allegedly certified ownership of six properties, supplied fraudulent ownership certificates and other documents to CHA Section 8 contractor CHAC, Inc., then obtained \$22,000 in CHA housing assistance contract payments he was not entitled to receive.



Crystal Humphries and Dawn Maynor, Delaware County Housing Authority (DCHA) HCVP participants and employees of the VA or IRS, were indicted in Commonwealth of Pennsylvania District Court, Delaware County, PA, for theft by deception and theft of services. Humphries and Maynor allegedly failed to report

income on DCHA certifications and obtained approximately \$20,750 in DCHA housing assistance they were not entitled to receive.



Krista Kay James and Mckenzie Rachel Davis, former Davis County Housing Authority (DCHA) HCVP participants, were arrested after indictments were filed in Utah State Court, **Farmington, UT**, charging them with fraudulently obtaining housing benefits. James and Davis allegedly failed to report unauthorized tenants, including a registered sex offender, residing in their subsidized units and together obtained \$20,635 in DCHA housing assistance they were not entitled to receive.



James Bell, a former St. Louis Missouri Housing Authority (SLMHA) Section 8 tenant and owner of The Thomas Clinic, was sentenced in U.S. District Court, **St. Louis, MO**, to 1 year in prison and ordered to pay HUD and others \$753,810 in restitution for his previous guilty plea to false statements. From 1999 to 2004, Bell failed to disclose his business ownership or income to numerous agencies, including SLMHA and SSA, and obtained \$753,810 in SLMHA housing assistance, SSA disability, Medicaid, and food stamps he was not entitled to receive. HUD realized a loss of \$20,590.



Darrin Carmouche, a Long Beach Housing Authority (LBHA) Section 8 tenant, was charged in Los Angeles County Superior Court, **Long Beach, CA**, with fraud, grand theft, and perjury. From 2002 to 2004, Carmouche allegedly failed to report income, a residence in Perris, CA, or the subleasing of his LBHA-subsidized unit on LBHA certifications and obtained \$19,863 in LBHA housing assistance he was not entitled to receive.



Ramona Lee Emmett, a former Billings Housing Authority (BHA) Section 8 tenant, was sentenced in U.S. District Court, **Billings, MT**, to 12 months incarceration and 3 years probation and ordered to pay BHA \$19,382 in restitution, jointly and severally with previously convicted BHA landlord Kenneth Christenot. Emmett, previously convicted of false statements and theft of Federal funds, claimed absent children and failed to declare property ownership or the residency of Christenot on BHA certifications and obtained \$19,382 in BHA housing assistance she was not entitled to receive.



Lakisha Day, a former Phenix City Housing Authority (PCHA) HCVP participant, was indicted in U.S. District Court, **Phenix City, AL**, for false statements to HUD. Day allegedly failed to report income on PCHA certifications and obtained \$19,168 in PCHA housing assistance she was not entitled to receive.





Susie Williams, a former Springfield Housing Authority (SHA) Section 8 tenant, was indicted in U.S. District Court, **Springfield, FL**, for theft of government funds. Williams allegedly failed to report income on SHA certifications and obtained \$8,316 in SHA housing assistance she was not entitled to receive. Lashawn Renee Williams, also a former SHA Section 8 tenant, pled guilty to theft of government funds. Lashawn Williams failed to report employment or income on SHA certifications and obtained \$10,252 in SHA housing assistance she was not entitled to receive. Together, the above defendants caused HUD losses of \$18,568.



Loise Hall, a New Castle County Housing Authority (NCCHA) Section 8 Homeownership Program participant, and her husband Ayatta Hall, both employees of Wilmington Housing Authority (WHA), were indicted in Superior Court, **Wilmington, DE**, for theft, conspiracy, and filing a false instrument. Loise Hall allegedly failed to disclose her husband's residency or income on NCCHA certifications and obtained \$18,000 in NCCHA housing assistance she was not entitled to receive.



Caroline Gray, a former Housing Authority of Winston-Salem (HAWS) HCVP participant, pled guilty in U.S. District Court, **Greensboro, NC**, to false statements to HUD. From 2002 to 2005, Gray allegedly failed to report income on HAWS certifications and obtained approximately \$18,000 in HAWS housing assistance she was not entitled to receive. HAWS terminated Gray from its rental assistance program.



Wilhemenia Jefferson, a former Bucks County Housing Authority (BCHA) HCVP participant, was charged in Bucks County Court of Common Pleas, **Doylestown, PA**, with theft by deception, receiving stolen property, and tampering with public records. Jefferson allegedly submitted forged employment documents and fraudulent income amounts to BCHA and obtained \$17,406 in BCHA housing assistance she was not entitled to receive.



Cheryl Davis, a former St. Louis County Housing Authority (SLCHA) Section 8 tenant, was indicted in U.S. District Court, **St. Louis, MO**, for causing materially false, fictitious, and fraudulent statements and representations. Davis and others allegedly conspired to conceal property ownership from SLCHA, and Davis obtained an undetermined amount of SLCHA housing assistance she was not entitled to receive. In addition, Janet Buckner, a USDA employee and former SLCHA Section 8 tenant, was sentenced to 5 months probation and ordered to pay SLCHA and others \$33,775 in restitution for her earlier guilty plea to false statements to HUD, SSA and USDA. Buckner failed to report income on SLCHA certifications and obtained \$16,534 in

SLCHA housing assistance and more than \$109,000 in USDA and SSA benefits she was not entitled to receive.



Nancy Savitch, a former Fall River Housing Authority (FRHA) Section 8 tenant, pled guilty in U.S. District Court, **Boston, MA**, to theft of government funds and SSA fraud. From May 2000 to March 2004, Savitch failed to report income to FRHA or SSA and obtained \$16,411 in FRHA housing assistance and \$39,956 in SSA benefits she was not entitled to receive.



Cheryl Vaughan, a District of Columbia Housing Authority (DCHA) public housing tenant, pled guilty in Superior Court, **Washington, DC**, to fraud and was sentenced to 180 days confinement and 5 years supervised probation and ordered to pay DCHA \$12,000 in restitution. From 2000 through 2005, Vaughan falsified her income on DCHA certifications and obtained \$16,322 in DCHA housing assistance she was not entitled to receive.



Connie Wooten, a former Housing Authority of Kansas City, MO (HAKC), Section 8 tenant and U.S. Postal Service employee, pled guilty in Jackson County Circuit Court, **Kansas City, MO**, to stealing by deceit and was sentenced to 40 hours community service and ordered to pay HAKC \$5,000 in restitution. Wooten failed to report income on HAKC certifications and obtained \$16,294 in HAKC housing assistance she was not entitled to receive.



Lisa Phillip and Carl Johnson, Housing Authority of the City of Pottsville (HACP) HCVP participants, were each indicted in U.S. District Court, **Scranton, PA**, for conspiracy. Phillip and Johnson allegedly failed to report employment income or property ownership and rental income on HACP certifications and obtained \$15,473 in HACP housing assistance they were not entitled to receive.



Bobbie Smith, a former Fairfield Housing Authority (FHA) HCVP participant, pled no contest in Solano County Superior Court, **Fairfield, CA**, to false statements. Smith allegedly leased a dwelling in Suisun City, CA, failed to report her leased residence or live in her FHA subsidized unit as her sole residence, and obtained \$14,606 of FHA housing assistance she was not entitled to receive.



Philomina Shalo, an Olathe Housing Authority (OHA) Section 8 tenant, was charged in Johnson County Court, **Olathe, KS**, with stealing. From 2002 to 2006, Shalo

allegedly failed to report income on OHA certifications and obtained \$13,783 in OHA housing assistance she was not entitled to receive.



Linda L. Romero, a former Jefferson County Housing Authority (JCHA) Section 8 recipient, was sentenced in U.S. District Court, **Denver, CO**, to 5 years probation and ordered to pay HUD \$20,338 in restitution for her earlier guilty plea to false statements. From July 2003 to October 2004, Romero earned income using an alias and false SSN, failed to report the income to JCHA or SSA, and obtained \$13,745 in JCHA housing assistance and \$10,968 in SSA disability insurance payments she was not entitled to receive.



Tien Doan, a Santa Ana Housing Authority (SAHA) Section 8 recipient, was charged in Orange County Superior Court, **Santa Ana, CA**, with filing a false/forged instrument, perjury and grand theft. Doan allegedly failed to disclose his lifetime sex offender registrant status on SAHA certifications and obtained more than \$12,000 in SAHA housing assistance he was not entitled to receive.



Tamra Butler and Ray Eugene Jones, former Tooele County Housing Authority (TCHA) Section 8 tenants, pled guilty in Tooele County District Court, **Tooele, UT**, to public assistance fraud. Butler and Jones were each sentenced to 36 months probation and ordered to pay TCHA \$12,000 in restitution, jointly and severally. From 2004 to 2006, Butler failed to report that Jones resided in her TCHA housing unit and obtained \$12,000 in TCHA housing assistance she was not entitled to receive.



Jill Sulser, a Torrance City Housing Authority (TCHA) HCVP participant, was charged in Los Angeles County Superior Court, **Torrance, CA**, with welfare fraud and theft. From 2004 to 2005, Sulser allegedly failed to report self-employment income on TCHA certifications and obtained more than \$11,445 in TCHA housing assistance she was not entitled to receive.



Gail Bush, a former Area Housing Authority of the County of Ventura (AHACV) HCVP participant, pled guilty in Ventura County Superior Court, **Thousand Oaks, CA**, to grand theft and perjury. From June 2002 to February 2003, Bush failed to report income on AHACV certifications and obtained \$10,587 in AHACV housing assistance she was not entitled to receive. AHACV terminated Bush from its rental assistance program.



Iris Riley, a former Lakeland Housing Authority (LHA) Section 8 tenant, pled guilty in Polk County Tenth Judicial Circuit Court, Bartow, FL, to public assistance fraud and was sentenced to 5 years probation and ordered to pay LHA \$6,500 in restitution. From January 2003 to December 2005, Riley failed to report income on LHA certifications and obtained about \$9,975 in LHA housing assistance she was not entitled to receive.



Alisia Etheridge, a former Norfolk Redevelopment and Housing Authority (NRHA) Section 8 tenant, pled guilty in U.S. District Court, Norfolk, VA, to making false statements to HUD and was sentenced to 60 months probation and ordered to pay HUD \$9,744 in restitution. Etheridge failed to report income from her U.S. Postal Service employment on NRHA certifications and obtained \$9,744 in NRHA housing assistance she was not entitled to receive. NRHA terminated Etheridge from its rental assistance program.



Tamiko Lockett, a Section 8 tenant through Rental Assistance Corporation (RAC), a HUD-funded nonprofit, was sentenced in U.S. District Court, Buffalo, NY, to 60 months probation and ordered to pay HUD \$9,549 in restitution for her earlier guilty plea to false statements to HUD. From September 2003 to November 2005, Lockett failed to report income on RAC certifications and obtained \$9,549 in RAC housing assistance she was not entitled to receive.



Kathy Frazier, a former Richmond Redevelopment Housing Authority (RRHA) public housing tenant, was indicted in Richmond Circuit Court, Richmond, VA, for obtaining money by false pretenses. Frazier allegedly failed to report income on RRHA certifications and obtained more than \$9,300 in RRHA housing assistance she was not entitled to receive.



Sherry White, a former Fairfield Housing Authority (FHA) Section 8 tenant, was sentenced in U.S. District Court, Fairfield, AL, to 5 years probation and ordered to pay FHA \$9,115 in restitution for her earlier guilty plea to theft of government funds. From 2003 to 2004, White hid her familial relationship to her FHA landlord and obtained \$9,115 in FHA housing assistance she was not entitled to receive.



Teresa Reid, a former Franklin Redevelopment Housing Authority (FRHA) employee and Section 8 recipient, was indicted in Southampton County Court, Franklin, VA, for forgery. Reid allegedly underreported her FRHA income, forged the signature of another FRHA employee on employment verification forms, recertified herself on

FRHA housing assistance certifications and obtained \$7,400 in FRHA housing assistance she was not entitled to receive.



William M. Foster, a Kentucky Housing Corporation (KHC) Section 8 tenant, was arrested after his indictment in U.S. District Court, **Bullitt County, KY**, for wire fraud and false statements. Foster allegedly claimed a deceased household member on KHC certifications and obtained \$7,196 in KHC housing assistance he was not entitled to receive.



Marietta Sims, a former City of Houston Housing Authority (CHHA) Section 8 recipient and U.S. Postal Service employee, was arrested after her indictment in Harris County District Court, **Houston, TX**, for theft. From August 2004 to December 2005, Sims allegedly failed to report income on CHHA certifications and obtained more than \$5,000 in CHHA housing assistance and \$1,400 in food stamp benefits she was not entitled to receive.



Jacqueline Davis, a Pasadena Housing Authority (PHA) Section 8 tenant, was charged in Los Angeles County Superior Court, **Pasadena, CA**, with perjury, grand theft and obtaining money under false pretenses. Davis allegedly failed to report the unauthorized residency of her brother, a convicted felon and lifetime sex offender registrant, on PHA certifications and obtained more than \$4,700 in PHA housing assistance she was not entitled to receive.



Catherine M. Schlepp, a Mobridge Housing and Redevelopment Commission (MHRC) Section 8 tenant, was indicted in U.S. District Court, **Sioux Falls, SD**, for false statements. In 2005, Schlepp allegedly failed to report income on MHRC certifications and obtained \$4,622 in MHRC housing assistance she was not entitled to receive.



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



Tariq Ayyad, a former Housing Authority of the City of Napa (HACN) Section 8 landlord, was charged in Napa County Superior Court, **Napa, CA**, with grand theft.

From December 2003 through April 2004, Ayyad allegedly failed to report the transfer of his ownership interest in HACN-subsidized property and obtained \$2,780 in HACN housing assistance he was not entitled to receive.



Donald Leaper, a North Little Rock Housing Authority (NLRHA) Section 8 tenant and VA employee, was charged in Pulaski County District Court, **Little Rock, AR**, with theft of public benefits. Leaper allegedly failed to report income on NLRHA certifications and obtained \$2,296 in NLRHA housing assistance he was not entitled to receive.



Marwan Othman El-Hindi, a public housing tenant at Lucas Metropolitan Housing Authority (LMHA) previously indicted for theft of public funds, false statements, wire fraud, and conspiracy, was charged with others in a superseding indictment filed in U.S. District Court, **Cleveland, OH**, with conspiring to provide material support to terrorists, distributing information regarding the manufacture and use of explosives, and making and using false documents. El-Hindi and others, operating a nonprofit organization known as Educational Social Foundation Services, Inc. (ESFS), allegedly applied for and obtained a \$40,000 Low Income Taxpayer Clinic Program grant from the IRS to operate tax clinics and provide Federal income tax services but failed to operate any clinics and diverted and personally used the grant funds. In addition, El-Hindi allegedly provided false documents to LMHA and obtained \$2,270 in LMHA housing assistance he was not entitled to receive.



Joseph Barbieri, a former Waterbury Housing Authority (WHA) Section 8 landlord, was indicted in Connecticut Superior Court, **Waterbury, CT**, for larceny and forgery. Barbieri allegedly obtained about \$1,152 in WHA housing assistance contract payments on property he did not own.



Jeffrey St. Martin, Ayanna Israel, Renita Burke, Shirley Rogers, Carla Phillips, William C. Daniel, Blue and Son Contracting Co., Nehkayvah Enterprises, Inc., Regency Title Co., LTD., Dana Capital Group, and Artis D. White, doing business as Avinic Financial Group and Avinic Investment Group, LLC, were each indicted in Cuyahoga County Common Pleas Court, **Cleveland, OH**, for theft by deception, securing writings by deception, forgery, telecommunication fraud, tampering with records, receiving stolen property, acting as a mortgage broker or real estate agent without a license, and/or falsification. The above defendants allegedly provided false information and forged documents to obtain mortgage loans on overvalued properties, then leased the properties to Cuyahoga Metropolitan Housing Authority Section 8 or HCVF participants.



Five New York City Housing Authority (NYCHA) public housing tenants were arrested on outstanding State warrants charging them with theft and/or grand larceny at Marcy Green Homes in Brooklyn, NY. The above defendants, allegedly running an identity theft operation, obtained victims' SSNs, birthdates, and employment information; activated credit accounts in the victims' names; then used the fraudulent credit cards for purchases.



An individual identified as "John Doe" was arrested after his indictment in U.S. District Court, Worcester, MA, for making a false statement in the application for a passport and misuse of an SSN. Doe, whose real identity is unknown, allegedly used the identity of another to obtain a U.S. passport and DOE guaranteed loan while illegally residing in a Massachusetts Department of Housing and Community Development-subsidized unit.

### *Fugitive Felon Initiatives*

Section 903 of Public Law 104-193 is titled "Elimination of Housing Assistance with Respect to Fugitive Felons and Probation and Parole Violators." Signed into law in 1996, it allows for tenancy termination of public housing recipients who flee to avoid prosecution or confinement after conviction of a felony or when felons violate parole or probation conditions imposed under Federal or State laws. This law also authorizes law enforcement agencies to exchange information and perform data matches.

HUD assists approximately 4.8 million households through public housing and rental assistance including Section 8 and Housing Choice Voucher programs. Reducing overpaid rent subsidies is a HUD management improvement goal as stated in the President's Management Agenda and an OIG goal as stated in our strategic plan. The identification and termination of fugitive felons fleeing felony prosecution or probation and parole violators may impact HUD's housing assistance subsidies.

OIG continues to support Fugitive Felon Initiatives (FFI) by matching HUD housing assistance information with crime data from the National Crime Information Center, U.S. Marshals Service (USMS), and/or participating States. Since the inception of OIG's FFI, hundreds of cases have been opened and closed, resulting in more than 988 arrests. In addition, OIG provides tenant records matching USMS wanted persons lists and participates in "Operation FALCON," a USMS operation designed to apprehend fugitive felons living in public and assisted housing.

Operation FALCON (Federal and Local Cops Organized Nationally), a nationwide fugitive felon apprehension operation coordinated by the USMS, combines Federal, State, city, and county law enforcement resources in a joint effort to locate and apprehend criminals wanted for violent crimes. Conducted in most major cities throughout the United States and its territories, Operation FALCON places a strong emphasis on violent crimes involving gangs, weapons, homicides, and sexual assaults, along with crimes against children and the elderly. In addition to other locales, Operation FALCON targets wanted felons in public housing. OIG strongly supports

# 433 fugitives caught in state



Authorities knocked on the door of a Dorchester home last week. The suspect was not there, but 47 arrests were made in Boston in the sweep.

## Sex offenders, gang members held in sweep

By Shelley Murphy  
GLOBE STAFF

Deputy US marshals, federal agents, and local police tracked down and captured 433 fugitives in Massachusetts last week, targeting sex offenders, gang members, and other violent criminals.

In the third and largest multistate

sweep of its kind, deputy marshals teamed up with more than a thousand other law enforcement agencies to arrest 10,773 fugitives in 24 states east of the Mississippi River between Oct. 22 and 28, according to the US Marshals Service and the Department of Justice. Officials dubbed the sweep Operation Falcon III.

In Massachusetts, 67 of those arrested were convicted sex offenders, including 30 who were not registered as required by law, and 73 were reputed gang members.

"The results are staggering," said

Acting US Marshal William Fallon, adding that 241 deputy marshals, federal agents, and police fanned out to make arrests in cities and towns from Boston to Springfield and in communities as far north as Lawrence and as far south as New Bedford and Plymouth.

At a Washington press conference, US Attorney General Alberto R. Gonzales called those arrested the "worst of the worst" criminals on the run.

In Massachusetts, Caonabo Reyes, 23, a convicted sex offender who was wanted in New Hampshire for violat-

ing his probation, was walking with his 2-year-old daughter outside a Lawrence apartment building when a team came looking for him on Oct. 24.

"He saw us and bolted inside," said Deputy Marshal Scott Kimball. "He left his 2-year-old standing on the sidewalk."

Thirty minutes after he was spotted, Reyes was found around 7:30 a.m. hiding in the basement of his apartment building, wedged between two mattresses on the floor, Kimball said.

Acting Boston Police Commissioner  
**SWEEP, Page B8**

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Operation FALCON in an effort to make HUD-assisted housing a safe place for families to live.

OIG participated in "Operation FALCON III," a USMS action initiated to identify, locate, and apprehend violent fugitives, particularly those charged with sex crimes. As a result, 2,185 individuals were arrested on outstanding felony warrants in Hartford, New Haven, Waterbury, and Bridgeport, CT; Tampa, FL; Atlanta and Macon, GA; Boston, Worcester, Springfield, West Springfield, Holyoke, and Chicopee, MA; Greensboro, NC; throughout NJ; Lafayette, LA; Gulfport, MS; and the Vermont counties of Franklin and Chittenden. HUD OIG arrested 240 individuals; 116 of those arrested resided in HUD-assisted housing.





In conjunction with a Department of Justice Public Housing Safety Initiative, HUD OIG participated in an "Operation FALCON" in **Baltimore, MD**. As a result, 196 individuals were arrested on outstanding felony warrants. HUD OIG arrested 75 individuals; 25 of those arrested resided in HUD-assisted housing.



Chuck Rosenberg, U.S. Attorney for the Eastern District of Virginia; Bob McDonnell, Attorney General of the Commonwealth of Virginia; and members of the Metro-Richmond Identity Theft Task Force announced the indictments of 51 individuals on Federal charges of identity theft and other offenses in a press conference held in **Richmond, VA**. During the operation, dubbed "Operation Reconcile," HUD OIG participated in the arrest of 24 individuals indicted; seven of those arrested resided in HUD-assisted housing.



Seventeen Aurora Housing Authority (AHA) Section 8 tenants were arrested in **Aurora, CO**, on outstanding warrants for failure to appear and/or contempt of court; five of the above defendants were also issued citations for possession of drugs and/or drug paraphernalia. Belinda Foreman and Andrea Coleman, AHA Section 8 tenants, each pled guilty in Aurora Municipal Court to possession of drug paraphernalia and/or possession of cannabis.



Kaylene Elder, Charlotte Martinex, Michael Omal, Patricia Thompson, Ashlei Christopher, and Kimberly Shuffet, Salt Lake City Housing Authority public housing or HCVP participants, were arrested in **Salt Lake City, UT**, on outstanding warrants for possession of marijuana, carrying a concealed weapon, failure to appear, or traffic violations.



Howard Harrell, an unauthorized tenant in a Yonkers Municipal Housing Authority-subsidized unit and lifetime sex offender, was arrested on an outstanding State felony warrant in **Yonkers, NY**, for failing to register.



As part of a national Fugitive Felon Initiative involving law enforcement personnel from HUD OIG and the Salt Lake County Sheriffs Office, Loren Johnson, a Salt Lake City Housing Authority applicant, was arrested in **Salt Lake City, UT**, on an outstanding felony warrant issued by the State of Oregon.

### *Other Fraud/Crimes*

Mary K. Pedlow, also known as Mary Casey Ackerman, an employee of Ackerman Mechanical Services, Inc., a Buffalo Municipal Housing Authority (BMHA) contractor, was sentenced in U.S. District Court, **Buffalo, NY**, to 1 year probation for her earlier

guilty plea to submitting false documents to HUD. Pedlow and previously sentenced Eric Ackerman, president of Ackerman Mechanical Services, Inc., falsely certified their qualification as a Minority Business Enterprise (MBE) and their use and distribution of contract work to an actual MBE company on BMHA projects, then obtained approximately \$1.75 million in BMHA contracts they were not entitled to receive.



Kevin Timochenko, a Reading City Housing Authority (RCHA) landlord and owner of Metropolitan Management Corporation, was sentenced in U.S. District Court, **Reading, PA**, to 15 months incarceration and 36 months supervised release and fined \$75,000 for his earlier guilty plea to theft of utilities from an interstate pipeline. Timochenko, representing that he paid tenant utilities in his RCHA housing assistance contract, installed bypass devices on utility meters and pilfered natural gas valued at approximately \$800,000 from UGI Utilities, Inc. HUD debarred Timochenko from the HCVP.



Forty-seven residential and commercial properties owned by Ida Carson, doing business as Carson Investments, Puritan Development, Inc., and Wyoming-Fenkell Investment Corporation, were named in a Federal civil forfeiture action filed in U.S. District Court, **Detroit, MI**. Ida Carson and her deceased husband, previously indicted Clarence Carson, allegedly obtained the above properties with proceeds derived from illegal narcotic transactions, then leased approximately 28 residential properties to Section 8 or HCVP participants through the Michigan Housing Development Authority, Detroit Housing Commission, or other HUD-funded organizations.



Hiram Lewis, owner of section8programs.com, was sentenced in U.S. District Court, **St. Louis, MO**, to 18 months supervision and ordered to allow unlimited oversight and review of his Internet Web site for his previous guilty plea to wire fraud. Lewis published false and misleading information on his Web site in an effort to solicit and obtain Internet subscriptions and application fees from HUD clientele and low-income families attempting to obtain fictional low-income grants.



## *Chapter 3*



## *HUD's Multifamily Housing Programs*

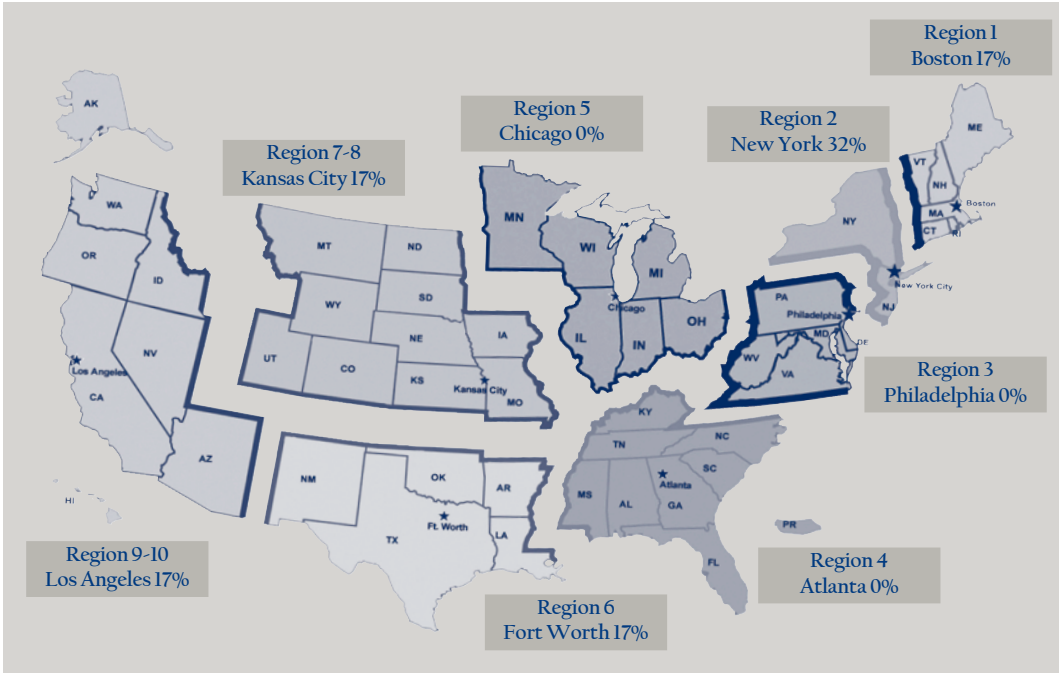
In addition to multifamily housing developments with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages, the Department owns multifamily projects acquired through defaulted mortgages, subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly and handicapped. In addition to the audits and investigations described in this chapter, OIG has also conducted numerous outreach efforts. (see chapter 8, page 124)

# 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	6 Audits	\$395,000	\$37 Million
Our Focus	<ul style="list-style-type: none"> <li>page 75</li> <li>page 75</li> </ul>	<ul style="list-style-type: none"> <li>- HUD's Use of Multifamily Residual Receipts</li> <li>- Owner and Management Agent Operations</li> </ul>	

Chart 4.1: Percentage of OIG Public and Indian Housing Audit Reports During this Reporting Period



## *HUD's Use of Multifamily Residual Receipts*

HUD OIG reviewed HUD's use of multifamily projects' receipts to determine whether HUD used multifamily projects' residual receipts to reduce housing assistance payments.

HUD did not provide detailed guidance to ensure that project managers and contract administrators understood that they could use residual receipts in lieu of subsidy payments. As a result, HUD did not use more than \$36 million in available residual receipts to reduce housing assistance payments for the 10 projects reviewed.

OIG recommended that HUD provide detailed guidance to its field offices and contract administrators that will identify when projects have sufficient residual receipts to fund housing assistance payments and provide and annually update a list of projects to the field offices and contract administrators that indicates when projects have sufficient residual receipts to fund subsidy payments. (Audit Report: 2007-KC-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 Associates Group Pioneer Pines Park, located in Bakersfield, CA, in response to a request from the HUD Departmental Enforcement Center.

Pioneer Pines failed to collect more than \$195,000 in rental payments from its mobile home dealers, paid more than \$133,000 in unsupported wages, made payments of more than \$373,000 for ineligible expenses, commingled funds and repaid advances while in a non-surplus-cash position, failed to maintain its vacant spaces in good repair and condition, and failed to make required mortgage payments.

OIG recommended that HUD require the owner to repay the uncollected rent and other ineligible and unsupported expenses. OIG also recommended that HUD pursue double damages remedies against the owner for the inappropriate disbursements that were used in violation of the regulatory agreement, pursue action under the Program Fraud Civil Remedies Act against the owner's president, and impose other civil money penalties and administrative sanctions against the president and owner. (Audit Report: 2007-LA-1001)



HUD OIG audited the Peregrine Health Management Company's, Syracuse, NY, management of the financial operations of Peregrine's Landing Senior Community in response to a complaint.

The agent used almost \$117,000 in project funds for items that were ineligible, unsupported, and/or not necessary or reasonable for project operations. Further, \$50,000 in project funds and more than \$35,000 in a bond and associated interest were held, in addition to a more than \$5,000 account payable, to cover non-project-related legal fees. In addition, the agent collected almost \$73,000 in excessive management fees that could have been avoided and used project funds to pay the salary and benefits of one of its employees, resulting in ineligible costs of almost \$40,000.

OIG recommended that HUD instruct the owner and agent to develop procedures to ensure compliance with its regulatory agreement and HUD rules and regulations and require the owner and agent to (1) reimburse the project for the ineligible and/or unnecessary costs, (2) submit supporting documentation to justify all unsupported costs and reimburse the project from nonproject funds all amounts determined to be ineligible, (3) unencumber the project by removing more than \$5,000 in accounts payable from the project's books and records and take appropriate action to prevent future payments of non-project-related legal expenses, (4) negotiate a management fee that is reasonable and commensurate with the services provided, and (5) reimburse the project from nonproject funds for the excessive supervisory salary paid. (Audit Report: 2007-NY-1003)



HUD OIG reviewed operations at Harris Health Center, 016-43106, a 34-bed nursing home located in **East Providence, RI**, because the mortgage was delinquent and final endorsement of a HUD-insured loan was delayed.

The Center did not ensure that renovations were completed properly. It also paid unnecessary interest and non-project-related costs and did not properly calculate and pay fees to its related management agent. As a result, the Center did not receive the full benefits of its renovations and spent money on unnecessary expenses, all of which contributed to operating losses and cash flow shortfalls.

OIG recommended that HUD require the Center's owner to correct the renovation deficiencies, develop a repayment plan to reimburse the project nearly \$22,000 for unnecessary and non-project-related costs, and establish a consistent management agent structure and method for computing and paying management agent fees. (Audit Report: 2007-BO-1004)



HUD OIG audited Asbury Square Apartments located in **Tulsa, OK**, in response to a request from HUD.

Sheltering Palms - Tulsa I, LLC, the owner and borrower, and Paramount Property Group, LLC, the management agent, spent almost \$35,000 on ineligible and unsupported costs.

OIG recommended that HUD require Sheltering Palms to support or reimburse HUD's Federal Housing Administration (FHA) insurance fund almost \$35,000 and take

appropriate administrative sanctions against Sheltering Palms and its principals/officers and Paramount and its owners. (Audit Report: 2007-FW-1006)



HUD OIG reviewed the management fees claimed by the management agent P.J. Alizio Realty, Inc., pertaining to six multifamily properties in Mineola, NY. For the fees tested, the agent generally calculated the management fees in compliance with applicable HUD requirements and did not claim payments in excess of those specified in the certifications. However, certifications for two projects were not submitted to HUD as required.

OIG recommended that HUD request that the management agent submit the certifications for the two projects to HUD and implement procedures to ensure that whenever management fees are revised, a new certification is submitted to HUD. (Audit Report: 2007-NY-1801)



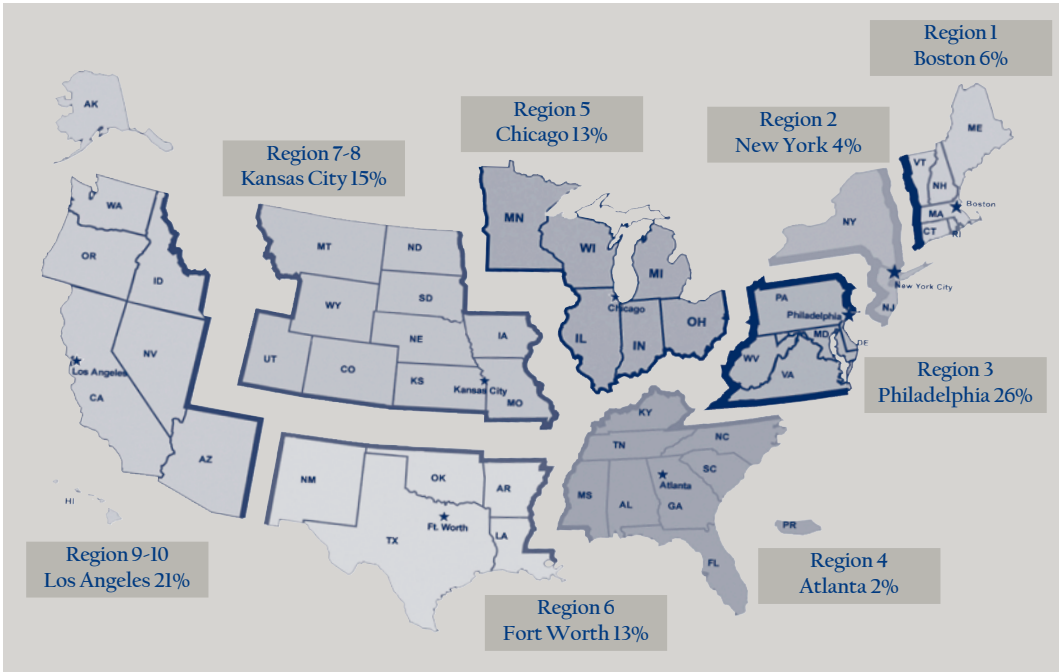
# Investigations

Some of the investigations discussed in this report were conducted jointly with Federal, State, and local law enforcement agencies. The results of OIG’s more 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	49	\$1.45 Million	46	57
Our Focus	<ul style="list-style-type: none"> <li>page 79</li> <li>page 81</li> <li>page 82</li> </ul>	<ul style="list-style-type: none"> <li>- Theft/Embezzlement</li> <li>- Rental Assistance Fraud</li> <li>- Other Fraud Crimes</li> </ul>		

Chart 4.2: Percentage of OIG Multifamily Housing Closed Investigation Cases During this Reporting Period\*



\*This does not include cases where funds misused came from Congress for the hurricane relief. (see chapter 6 for these cases)



## Theft/Embezzlement

David E. Forgy, chief executive officer of RM&G, doing business as Heartland Health Care Group of Oklahoma, was indicted in U.S. District Court, **Oklahoma City, OK**, for equity skimming, false statements, misapplication of health care benefit program funds, and aiding and abetting. From March 2001 through December 2002, Forgy allegedly disbursed funds from Heartland Health Care Center (HHCC) project accounts for his personal benefit while HHCC was in a non-surplus-cash position, then defaulted on HHCC's HUD-insured mortgage loan and caused HUD losses in excess of \$4.4 million.



Larry Lippman, a former managing agent for Republic Management at Eastwood Terrace Apartments (ETA), a HUD-subsidized multifamily housing complex, pled guilty in U.S. District Court, **Beaumont, TX**, to embezzlement. From August 2000 to June 2003, Lippman embezzled ETA funds by manipulating ETA accounts under his control. HUD realized losses of \$347,693.



Herbert Wright, Community Resource Management, Inc., and Ennis Francis Houses Associates were named in a \$3 million civil complaint filed in U.S. District Court, **New York City, NY**. The complaint seeks to recover funds and civil damages resulting from the unauthorized use and misuse of assets and income from a HUD-funded multifamily property known as Ennis Francis Houses (EFH) located in Harlem, NY. The defendants allegedly depleted \$150,000 in EFH funds for their personal use or political contributions and certified nonexistent tenants, causing approximately \$160,000 in rent subsidy overpayments. HUD loss is estimated at approximately \$310,000.



Wanda Mercado, a former Peabody Properties manager at Schoolhouse 77, a HUD-subsidized multifamily complex, was sentenced in U.S. District Court, **Boston, MA**, to 2 years incarceration and 3 years supervised release and ordered to pay Peabody Properties \$82,571 for her earlier guilty plea to bribery. Mercado solicited and received

**BROCKTON**

### Property manager gets two years in bribery case

ENTERPRISE STAFF REPORT

**BOSTON** — A former Section 8 property manager was sentenced Wednesday in federal court to two years in federal prison for accepting cash payments from applicants seeking subsidized housing.

Wanda Mercado, 38, formerly of 76 Brook St., Brockton, was sentenced by U.S. District Judge Reginald C. Lindsay to two years in prison to be followed by three years of supervised release for taking bribes in connection with the Section 8 housing program.

In addition to her prison sen-

tence, Mercado was ordered to pay \$82,571 in restitution to Peabody Properties, which reflects the rent subsidies that the U.S. Department of Housing and Urban Development paid.

Mercado pleaded guilty in September to accepting payments from five applicants who sought subsidized apartments in three buildings that Mercado managed in Mattapan, Dorchester and Roxbury.

Mercado was paid amounts ranging from \$4,500 to \$6,000 by each of the five applicants. At the time, Mercado was employed as a property manager for Peabody Properties Inc., which served as the management agent for the buildings.

There is a waiting list for financially eligible applicants to the Section 8 housing program, which provides rental subsidies for qualifying low-income families. It is illegal to solicit or accept payments from applicants for housing assistance.

In imposing the sentence, Lindsay emphasized the seriousness of Mercado's offense, pointing out that she allowed the bribe-payers to take apartments that were supposed to be set aside for the elderly and the handicapped.

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more than \$34,000 from unqualified Section 8 applicants seeking Schoolhouse 77 subsidized units. HUD realized losses in excess of \$151,478 when 10 unqualified applicants obtained subsidized housing units they were not entitled to receive.



Patricia Yats, the former site manager at Grange Acres Senior Citizen (GASC) complex, a HUD-subsidized multifamily housing development, was sentenced in U.S. District Court, Grand Rapids, MI, to 6 months incarceration and 2 years probation and ordered to pay HUD \$119,233 in restitution for her earlier guilty plea to embezzlement. Yats embezzled \$119,000 from GASC by writing, endorsing and cashing GASC checks, then used the GASC funds for gambling.



Joel Hernandez, a former contractor for United Housing Management (UHM), a HUD multifamily Section 8 contractor, pled guilty in U.S. District Court, Boston, MA, to conspiracy to defraud an agency of the United States. Hernandez solicited and received \$35,700 in bribes from five Section 8 applicants seeking HUD-subsidized housing units managed by UHM. HUD realized losses of approximately \$150,000 when three unqualified Section 8 applicants obtained subsidized housing units they were not entitled to receive.



Mary Spruell, the former treasurer of D. Edward Wells Federal Credit Union (DEWFCU) and owner/manager of Walnut Street Apartments, an FHA-insured multifamily project, was sentenced in U.S. District Court, Springfield, MA, to 12 months home confinement with electronic monitoring, 3 years supervised release, and 200 hours community service and ordered to pay National Credit Union Administration \$114,000 in restitution and file an amended Federal income tax return for her earlier guilty plea to embezzlement, filing a false Federal income tax return, and aiding and abetting. Spruell embezzled more than \$114,000 from DEWFCU, including more than \$65,000 from Walnut Street Apartments. Terms of her previous plea agreement include the forced sale of Walnut Street Apartments to repay HUD for unauthorized distributions, excessive management fees, and court ordered restitution.

**Plea nets home detention**  
*3 others accused in credit union case*

By **STEPHANIE BARRY**  
 sbarry@repub.com

SPRINGFIELD - A woman described by supporters as a pillar of the community yesterday was sentenced to a year of home detention for accepting \$114,000 in embezzled funds from a close friend who ran a now-defunct credit union.

Mary Spruell, 67, of Springfield, long active in local churches and civil rights circles, received the sentence in lieu of a traditional prison sentence after a federal judge was moved by her otherwise unblemished life and other factors.

Spruell pleaded guilty in July to one count of aiding and abetting embezzlement and one count of filing a false tax return.

The charges came in connection with a larger scandal at the D. Edward Wells Credit Union, a former Mason Square bank that was shut down in 2003 after federal regulators found alarming deficits.

Former top executive Carol Aranjó, her husband and son were charged in U.S. District Court in an 86-count indictment, accused of conspiracy to embezzle more than \$1.3 million from the tiny bank. It largely served low-income residents and social service agencies.

They pleaded innocent to the charges. Spruell's case is the first of the four to be resolved.

By contrast, Spruell's lawyer said she was voluntarily interviewed by investigators and quickly owned up to the \$114,000 windfall, which she admits was essentially gifted by Aranjó. Spruell was charged separately.

"She's a nice person. She's ashamed to be here today," defense lawyer Michael O. Jennings said yesterday in a courtroom filled with more than a dozen supporters.

Though Spruell faced up to 18 months in prison, Jennings argued for

Please see Credit, Page A13

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## *Rental Assistance Fraud*

Arinola Ajidele-Parlor, a former Section 8 tenant at Sheridan Gunnerson Apartments, a HUD-subsidized multifamily housing complex, was sentenced in U.S. District Court, **Chicago, IL**, to 6 months home confinement and 3 years probation and ordered to pay HUD \$47,348 in restitution for her previous guilty plea to false statements. Ajidele-Parlor failed to report income, her purchase of an FHA-insured home and two FHA-insured refinances, or her nonresidency and business use of the HUD-subsidized housing unit on annual certifications and obtained \$47,348 in housing assistance she was not entitled to receive.



Darlean Marcucilli, also known as Darlean Hall, a New York State Division of Housing and Community Renewal (HCR) Section 8 recipient and New York Police Department administrative aide, and her husband John Marcucilli, an HCR senior housing management representative, were each indicted in U.S. District Court, **New York City, NY**, on conspiracy and theft of government funds. Darlean Marcucilli allegedly failed to report her husband's income or residency on HCR certifications and obtained approximately \$37,464 in HCR housing assistance she was not entitled to receive.



Eight Section 8 tenants at Park 7 Apartments, a HUD-subsidized multifamily complex, were arrested on outstanding warrants issued by Johnson County District Court, **Olathe, KS**, for false statements. The above defendants allegedly failed to report income on housing certifications and obtained approximately \$32,000 in housing assistance they were not entitled to receive.



Elsa Ondina Herrera-Martinez, a former Section 8 tenant at High Point Village, a HUD-subsidized multifamily housing complex, was convicted in U.S. District Court, **Boston, MA**, of theft of government funds, aggravated identity theft, and illegally obtaining a Social Security number. Herrera-Martinez and previously charged Rafael Rosario illegally acquired and used the identity of another to obtain more than \$15,000 in housing assistance they were not entitled to receive.



Donald Pierce, a former Section 8 tenant at William Woods Apartments, a HUD-subsidized multifamily housing complex, was sentenced in U.S. District Court, **Portland, ME**, to 13 months incarceration and 3 years probation and ordered to pay HUD \$15,000 in restitution for his earlier guilty plea to false statements to HUD. Pierce falsified assets and income on annual certifications and obtained \$15,000 in housing assistance he was not entitled to receive.



Lashanda McLaughlin, Dollie Jamison, and Delores James, former HUD multifamily Section 8 tenants at Walnut Grove Apartments, each pled guilty in Clay County Court, Liberty, MO, to stealing. McLaughlin was sentenced to 5 years probation and ordered to pay HUD \$3,006 in restitution, Jamison was sentenced to 24 months probation and ordered to pay HUD \$1,153 in restitution, and James was sentenced to 24 months probation and ordered to pay HUD \$1,560 in restitution. The above defendants failed to report income on annual certifications and obtained \$5,719 in HUD housing assistance they were not entitled to receive.



Dris Mitchell, a Section 8 tenant at Crestview Apartments, a HUD-subsidized multifamily housing complex, was indicted in U.S. District Court, Jackson, MS, for false statements and claims. Mitchell allegedly provided false income information on annual certifications and obtained \$3,759 in housing assistance she was not entitled to receive.

*Other Fraud/Crimes*

Aaron Dare, a former owner of three FHA-insured multifamily properties, pled guilty in U.S. District Court, Albany, NY, to wire fraud, false statements to HUD, and conspiracy. Berne Watkins, the previous owner of the three FHA-insured multifamily properties sold to Dare, was indicted on conspiracy, wire fraud, false statements to HUD, and aiding and abetting. In 2000 and 2001, Dare and Watkins allegedly executed two promissory notes, creating the appearance that Dare held equity worth \$2.5 million and, thereby, enabling him to purchase the above properties from Watkins. Dare used the fraudulent promissory notes to obtain FHA-insured mortgages on the three properties, then failed to make mortgage payments as promised. HUD realized losses of \$1.9 million after the mortgages defaulted.



Edward Boppert, a former Section 8 tenant at Stony Crest Towers, a HUD-subsidized multifamily housing complex, was indicted in Middlesex Superior Court, Middleton, CT, on possession of child pornography. Boppert allegedly possessed 322 images of child pornography in his HUD-subsidized unit.



As a result of "Operation Justice," law enforcement personnel from the U.S. Marshals Service, Fort Worth Police Department, Fort Worth City Marshals, Tarrant County Sheriff's Office, and HUD OIG arrested 25 individuals on outstanding felony warrants in Fort Worth, TX; 16 of the individuals arrested resided in HUD-subsidized multifamily housing units.



Shirzad "Rocky" Mehrafiee was arrested on outstanding felony warrants charging him with bank and wire fraud at his grandmother's Section 8 unit in Ashbrooke Apartments, a HUD-funded multifamily complex located in Kansas City, MO.



## *Chapter 4*



## *HUD's Community Planning and Development Programs*

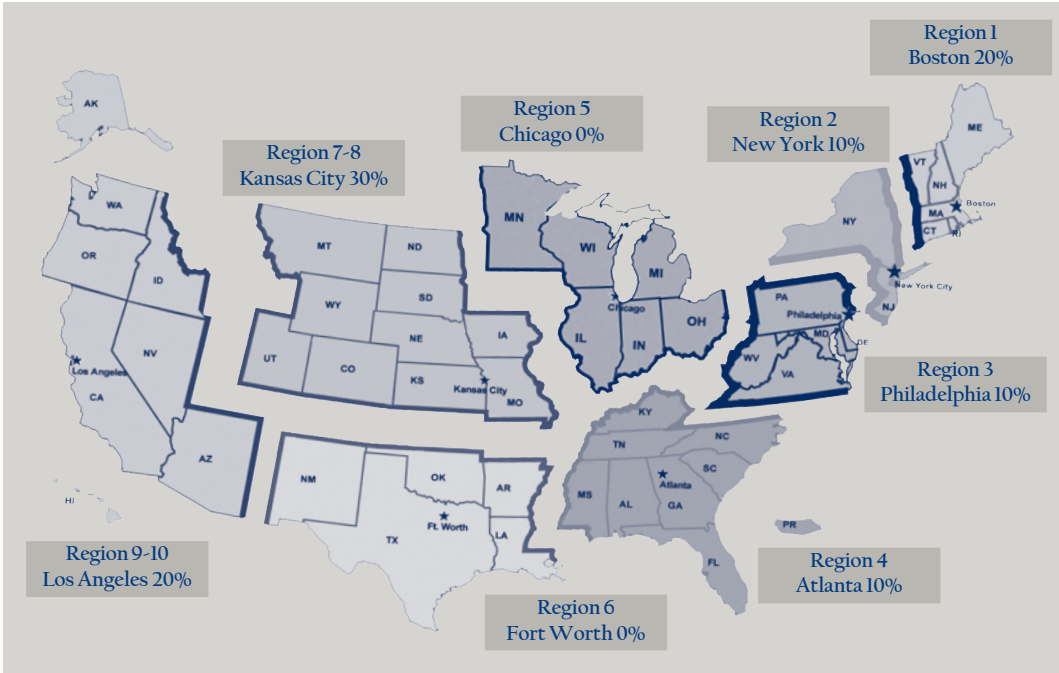
The Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. The primary means toward this end is the development 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 8, page 134)

# Audits

## Strategic Initiative 3: Contribute to the Strengthening of Communities

Key Program Results		Questioned Costs	Funds Put to Better Use
Audit	10 Audits	\$5 Million	\$4 Million
Our Focus	<ul style="list-style-type: none"> <li>page 85</li> <li>page 87</li> <li>page 88</li> </ul>	<ul style="list-style-type: none"> <li>- Community Development Block Grant Programs</li> <li>- Supportive Housing Program Grant</li> <li>- HOME Investment Partnerships Program</li> </ul>	

Chart 5.1: Percentage of OIG Community Planning and Development Audit Reports During this Reporting Period



OIG audits the Community Development Block Grant (CDBG) program, Supportive Housing Program Grant, and HOME Investment Partnerships Program (HOME) program. 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*

The U.S. Department of Housing and Urban Development (HUD) OIG audited the City of St. Louis, MO's use of its CDBG funds. OIG did not find any material deficiencies in the City's allocation of administrative costs to the CDBG program. However, the City provided loans totaling nearly \$4.5 million to 52 of 66 economic development projects that could not demonstrate that they met HUD's requirements for creating and retaining jobs. The City also did not require the St. Louis Development Corporation to properly report the number of jobs it created with the HUD funds it loaned to projects.

OIG recommended that HUD require the City to (1) provide sufficient documentation to show that the 52 projects created or retained at least the minimum number of jobs or repay \$1.7 million in forgivable loans provided to projects and create additional jobs to offset the \$2.8 million in repayable loans that did not properly create or retain jobs and (2) improve its control structure to ensure that the nearly \$1.7 million in underway projects creates the appropriate number of jobs and impose sanctions against its development corporation if poor performance continues.



HUD OIG audited the Office of Community Development, City of Chicopee, MA's administration of its CDBG and HOME programs. The City did not adequately administer more than \$2.2 million in housing rehabilitation contracts funded through its CDBG and HOME programs. It did not perform the required independent analysis of cost estimates submitted by developers before awarding rehabilitation contracts, did not always enforce procurement and financial management contract provisions included in written agreements with developers, did not adequately address performance problems on the part of developers identified during reviews performed by it, and approved final payments for unfinished projects. In addition, it approved more than \$1.2 million in unreasonable and unsupported rehabilitation contract costs. The \$1.2 million is part of the overall \$2.2 million, and the City's use of a \$700,000 community housing development organization set-aside from the HOME program was an ineligible use of these funds.

OIG recommended that HUD require the City to establish written policies and procedures for both the HOME and CDBG programs that meet HUD requirements for awarding, administering, and monitoring program funds. OIG also recommended that the City provide supporting documentation for the \$1.2 million in unsupported costs, including establishing the reasonableness of the costs, or repay the funds and be

directed not to use set-asides on the ineligible project, which will allow \$700,000 to be put to better use for other eligible projects. (Audit Report: 2007-BO-1003)



HUD OIG audited the operations of the City of **Amsterdam, NY**, regarding its administration of a Section 108 loan obtained in May 2002 under HUD's Canal Corridor Initiative. The grantee did not disburse Section 108 loan proceeds in accordance with CDBG and Section 108 loan rules and regulations. Specifically, some loan proceeds were not disbursed in accordance with the loan application, while other funds were disbursed without adequate support, and there is no evidence of compliance with labor standards. As a result, the grantee could not demonstrate that loan proceeds totaling \$535,000 were used for proper, reasonable, and eligible costs.

OIG recommended that HUD instruct the grantee to submit supporting documentation to justify all unsupported costs, so that HUD can make an eligibility determination, and reimburse the program from nonfederal funds for all amounts determined to be ineligible. OIG also recommended that the grantee develop administrative controls that will ensure compliance with all Section 108 loan guarantee regulations and requirements for all future CDBG-related funding. (Audit Report: 2007-NY-1002)



HUD OIG audited the Gwinnett County, **Lawrenceville, GA**, CDBG and HOME programs. The Block Grant and HOME projects reviewed were eligible and met HUD's national objectives, and the subrecipients operated the projects in accordance with their contract with the grantee. However, the grantee's subrecipients did not provide their share of the project funding as required by their contracts. As of October 31, 2006, the subrecipients had not provided more than \$278,000 toward the projects.

OIG recommended that HUD require the grantee to either collect the funds due from the subrecipients according to the contracts or amend the contracts appropriately. In the future, if the grantee does not require the subrecipients to provide funding to the projects, the contracts should not contain this requirement. Also, the grantee should establish controls to ensure that all contract requirements are enforced. (Audit Report: 2007-AT-1003)



HUD OIG audited HUD's **Hartford, CT**, Office of Community Planning and Development (CPD) due to indications of inadequate monitoring identified during a previous OIG external audit. The Hartford CPD office appeared to ensure that CDBG funds were used for activities that met one of the three primary national objectives and were eligible and properly classified. However, it did not always adequately monitor CDBG program participants or follow HUD requirements. It did not always issue required monitoring letters in a timely manner, maintain or complete required documentation, and perform adequate followup. Inadequate monitoring allows findings and concerns to go uncorrected, placing CDBG funds at unnecessary risk.



Further, the lack of an administrative record and required documentation negatively impacts HUD and makes enforcing sanctions more difficult.

OIG recommended that HUD implement additional oversight and a plan to ensure that (1) the CPD staff are familiar with and understand HUD monitoring requirements; (2) monitoring letters are prepared and provided to the program participants within 45 days; (3) correct handbook exhibits are used, completed, and prepared electronically before issuance of the monitoring letter; (4) all correspondence, documentation, and working papers relating to the monitoring and conclusions are maintained in the official field office files; (5) adequate followup is performed and documented; and (6) the director of the Hartford CPD office is complying with the procedures and policies described in these recommendations. (Audit Report: 2007-BO-0001)

### *Supportive Housing Program Grant*

HUD OIG audited the City of Long Beach, CA's Continuum of Care Supportive Housing Program to determine whether the City (1) monitored its project sponsors adequately to ensure compliance with HUD regulations, (2) closed out expired grants in compliance with HUD regulations, (3) provided the proper amount of administrative fees to its project sponsors, and (4) made timely reimbursements to its project sponsors.

The City failed to (1) monitor its project sponsors, which resulted in project sponsors being unable to support required cash match; (2) close out expired grants in accordance with HUD requirements; (3) provide at least 50 percent of the administrative fees to the project sponsors as Congress intended; and (4) make timely reimbursement payments to its project sponsors. As a result, the City failed to ensure that HUD funds were spent in the most effective and efficient manner, unnecessarily overburdened project sponsors, and put HUD funds at risk. Additionally, the City unnecessarily delayed nearly \$2 million in expired grant funds from being deobligated.

OIG recommended that HUD require the City to comply with HUD's and its own policies and procedures regarding on-site monitoring of its project sponsors, provide support for more than \$315,000 in cash match or repay HUD for more than \$1.1 million in expended grant funds, immediately close out nearly \$637,000 in expired grants so these funds can be put to better use, and reevaluate its payment process and establish and implement procedures to reduce the time it takes to reimburse its project sponsors. (Audit Report: 2007-LA-1003)



HUD OIG audited the YWCA of Seattle, WA, King and Snohomish Counties, to determine whether it administered its Supportive Housing Program grants in accordance with HUD requirements, Office of Management and Budget requirements, and the grant agreements.

The YWCA generally administered its Supportive Housing Program grants in accordance with HUD requirements. However, it received excess funds because it did

not provide a sufficient cash match for one of its grants. It was also unable to support labor costs charged to its grants.

OIG recommended that HUD require the YWCA to (1) repay more than \$118,000 in grant funds expended without the required cash match, (2) reimburse the grant and/or repay HUD from nonfederal funds for the nearly \$69,000 in unsupported labor costs unless it can provide adequate supporting documentation, and (3) implement policies and procedures so that its grants are carried out in accordance with applicable laws and regulations. (Audit Report: 2007-SE-1001)

*HOME Investment Partnerships Program*

HUD OIG reviewed the City and County of Denver, CO's HOME program to determine whether the City properly established, administered, and accounted for eligible HOME projects.

The City did not properly enter its data into the Integrated Disbursements and Information System, which resulted in its incorrectly reserving \$722,000 in HOME funds. In addition, the City did not have adequate controls over the administration of its HOME activities and funds. Therefore, HUD lacked assurance that management properly accounted for or realized maximum benefit from the HOME funds.

OIG recommended that HUD require the City to implement policies and procedures to ensure that it accurately and completely enters and maintains all required information in the HUD system and to ensure effective administration of the HOME program. (Audit Report: 2007-DE-1001)



HUD OIG reviewed the HOME program administered by the State of Nebraska's Department of Economic Development in Lincoln, NE. The audit objective was to determine whether the State closed HOME-funded projects in accordance with HUD requirements.

The State did not close HOME projects in HUD's computer systems in a timely manner. It has made progress in properly closing several hundred past-due projects, but many projects remain unresolved.

OIG recommended that HUD verify that the State has implemented appropriate controls to ensure that it closes HOME projects in HUD's data systems within the required timeframes, monitor the State's progress in closing projects currently exceeding HUD's required timeframes, and ensure that the projects are closed properly and expeditiously. (Audit Report: 2007-KC-1005)



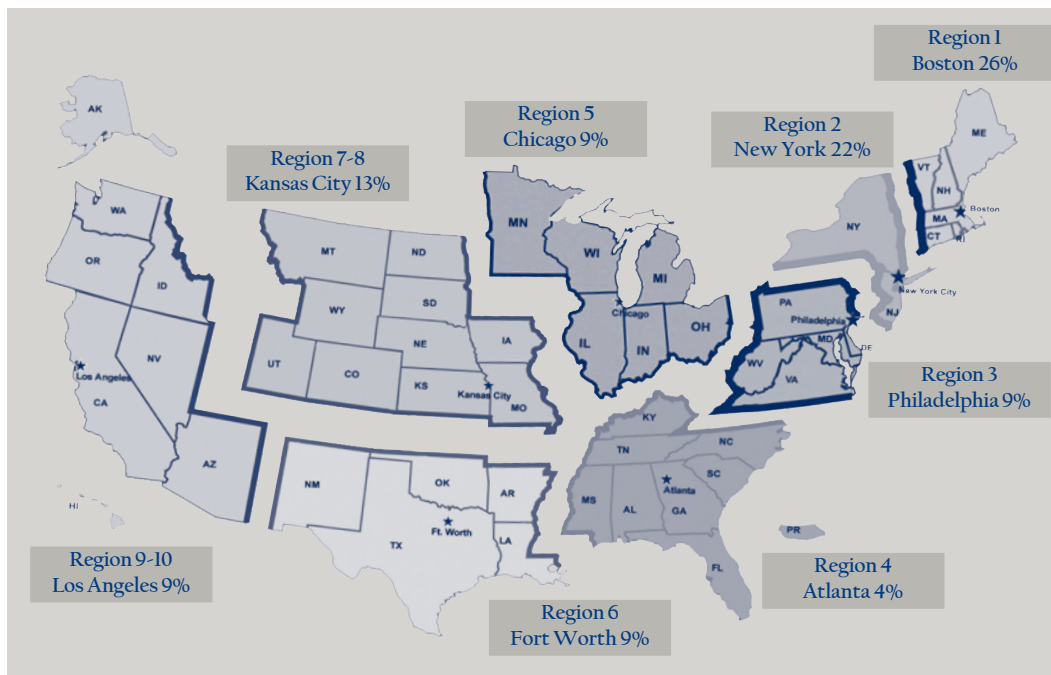
# Investigations

Some of the investigations discussed in this report were conducted jointly with Federal, State, and local law enforcement agencies. The results of OIG's more 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	34	\$1.6 Million	32	22
Our Focus	page 90 page 95	<ul style="list-style-type: none"> <li>- Theft/Embezzlement</li> <li>- Other Fraud Crimes</li> </ul>		

Chart 5.2: Percentage of OIG Community Planning and Development Closed Investigation Cases During this Reporting Period\*



\*This does not include cases where funds misused came from Congress for the hurricane relief. (see chapter 6 for these cases)

## Theft/Embezzlement

Derrick Earls and Johnnie Wright, board members of HUD-funded Gary Urban Enterprise Association (GUEA), each pled guilty in U.S. District Court, Hammond, IN, to conspiracy to commit mail fraud and theft concerning programs receiving Federal funds. Earls, Wright, and others diverted and personally used more than \$750,000 in GUEA funds.

Patti Buffington, the former executive director of Genesis House (GH), a HUD-funded emergency shelter providing housing, rehabilitation, and other services for prostitutes, and Valerie Lewis, the former GH chief financial officer, were arrested and charged in criminal complaints filed in Cook County Circuit Court, Chicago, IL. Buffington was charged with organizing a continuing financial crimes enterprise, and Lewis was charged with theft; together they were charged with embezzling HUD CPD and U.S. Department of Health and Human Services funds. Buffington and Lewis allegedly embezzled more than \$526,000 in GH funds and then used the money for vacations and vehicles and to pay private school tuition and previously assessed Federal income tax.

### Exec's favorite charity? Herself, authorities say

She's accused of pilfering \$479,000 from agency for haircut, SUV, trips



Patti Buffington Valerie Lewis

Partners in crime?

BY STEFANO ESPOSITO  
Staff Reporter

A \$1,000 haircut. A luxury SUV. Vacations in the Bahamas at the "ultimate getaway for tranquility, relaxation and pampered service."

In all, the "tyrannical" executive director of a West Side charity helping prostitutes to mend wrecked lives stole \$479,000 from the agency — all so she could pay for her gaudy lifestyle, authorities said Tuesday.

#### CEO also charged

"It's true that these funds were supposed to be used for a sanctuary — for an oasis of tranquility, but that sanctuary was supposed to be on the West Side of Chicago, not in South Beach or in the Bahamas," city Inspector General David Hoffman said at a press conference to announce criminal charges against 47-year-old Patti Buffington, the

former head of Genesis House.

On Tuesday, a Cook County Judge set bond at \$150,000 for Buffington, who is accused of pilfering city, state and federal funds from the charity between 2004 and 2006. If convicted as charged, Buffington faces a maximum 30 years in prison, prosecutors say.

Buffington had help, prosecutors say. Valerie Lewis, Genesis House's former CEO, allegedly stole \$47,000 from the charity. She is charged with theft and is expected to appear for a bond hearing today.

#### 'Her way or the highway'

Like the women who come to Genesis House, Buffington got a second chance in life when she was hired at the charity after doing community service there as part of a sen-

tence in a federal income tax fraud case. But as the agency's executive director, Buffington was a tyrant, employees have told investigators.

"It was her way or the highway," said Cook County assistant state's attorney John Mahoney. "She started cutting people's salaries, cutting people's health insurance." Others suffered so she could live extravagantly, Mahoney said.

#### Two signatures needed

At some point, Buffington and Lewis became friends. Investigators suspect Buffington enlisted Lewis' help because two signatures were often needed to cash Genesis House checks.

In early 2006, Genesis House employees contacted the city's inspector general's office and said Buffington and Lewis appeared to be using agency funds for personal use, prosecutors say.

In April, investigators removed dozens of boxes filled with documents and more than a dozen computers from the charity, 2815 W. 5th Ave. The agency remains open, providing limited services with reduced funds, prosecutors say.

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Murilda "Chris" Hayes, executive director of Love Social Services Center (LSSC), a HUD- and U.S. Department of Justice (DOJ)-funded nonprofit, and her husband James C. Hayes, the former LSSC treasurer, mayor of Fairbanks, AK, and current pastor of Lily of the Valley Church of God in Christ, were charged in a superseding indictment filed in U.S. District Court, Fairbanks, AK, with criminal forfeiture of funds up to \$825,000. Murilda and James Hayes were previously indicted for conspiracy, theft, fraud, misapplication from an organization receiving Federal funds, money laundering, and engaging in monetary transactions involving criminally derived property. From 2000 to 2005, Murilda Hayes allegedly wrote and negotiated LSSC checks payable to cash; obtained money orders or cashier checks with the LSSC funds; and in concert

with James Hayes, used LSSC funds to purchase personal items, pay for personal expenses, or provide furnishings and pay for Lily of the Valley Church of God in Christ construction and operating expenses. HUD and DOJ grant funds embezzled are estimated to exceed \$450,000.



Leroy Brown, a former financial manager for the Salvation Army, was sentenced in U.S. District Court, Newark, NJ, to 37 months incarceration and 3 years probation and ordered to pay the Salvation Army \$385,760 for his previous guilty plea to conspiracy to steal from an organization receiving Federal funds and Federal income tax evasion. Brown embezzled \$385,760 from a Salvation Army bank account, funded in part with HUD Housing Opportunities for Persons with AIDS (HOPWA) program funds, by creating fraudulent client files, check request forms, and court documents to support the issuance of bogus landlord payments to previously indicted and sentenced Susan Bigelow.



Francis Keough III, the former executive director of Friends of the Homeless (FOH), a HUD-funded nonprofit, was sentenced in U.S. District Court, Springfield, MA, to 3 years incarceration and 2 years probation, fined \$50,000, and ordered to pay FOH and others \$145,000 in restitution and forfeit \$145,000 in cash for his previous guilty plea to extortion, obstruction of justice, false statements, witness tampering, perjury, and filing a false Federal income tax return. In addition, Angel T. Guzman, the former FOH operations manager; Michael P. Hallahan, a former FOH intake supervisor; and Daniel J. McNamee, a former Springfield Housing Authority (SHA) maintenance supervisor, each pled guilty to mail fraud, conspiracy to commit mail fraud, obstruction of due administration of justice, and/or filing false Federal income tax returns. Keough lied to Federal agents while under oath, attempted to persuade witnesses, provided fabricated jobs or offered no-bid FOH contracts to family members, and diverted and used FOH inventory while building a personal residence in Rhode Island; Guzman assisted Keough in falsely certifying FOH unit occupancy information and obtaining approximately \$38,000 in FOH housing assistance for unqualified tenants; Hallahan, while employed at and during FOH working hours, assisted Keough with the construction of his

## Nonprofit center stopped drawing on grant in 2006

By SAM BISHOP  
News-Miner Washington Bureau

WASHINGTON — The nonprofit youth center led by former Fairbanks Mayor Jim Hayes and his wife Chris stopped drawing money on at least one of its earmarked federal grants after a search warrant was served at the organization's office a year ago.

The U.S. attorney's office on Wednesday announced that a grand jury had returned indictments against Jim and Chris Hayes, charging them with conspiracy, theft, fraud and money laundering. The grand jury accused the couple of improperly using \$450,000, out of \$2.9 million that Sen. Ted Stevens earmarked for the program from 2001 to 2005.

The most recent of those earmarks, for \$173,000, went through the U.S. Department of Housing and Urban Development.

Brian Sullivan, HUD spokesman in Washington, D.C., said LOVE Social Services still has a \$123,600 credit in the grant account.

That's the same amount the nonprofit group had one year ago when about 30 federal agents executed search warrants at LOVE Social Services, the Hayeses' home and the Lily of the Valley Church of God in Christ,



Matt Hage/News-Miner

**NEW CHURCH** — Pastor James Hayes and his wife, Chris Hayes, stand on the site for the new Lily of the Valley Church of God in Christ on Barnette Street in July 2000. A federal indictment alleges the couple used money from a federal grant for a social services center to help fund construction of the church.

where Jim Hayes is pastor.

The grand jury indictment released Wednesday accuses the Hayeses of using the

See INDICTMENT, Page A8

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Springfield Edition Today: High 62, Low 29 Complete forecast, Page B6 Weather anytime: MassLive.com

# The Republican.

Prizes ON 2 ENTER FOR YOUR CHANCE TO WIN ON PAGE 2

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## Ex-council president gets 3 years

By JACK FLYNN jflynn@repub.com

### Keough to pay \$145,000 in restitution

SPRINGFIELD - Former City Council President Francis G. Keough III was given a 36-month prison sentence yesterday for stocking his Rhode Island vacation home with televisions, refrigerators and other items looted from a taxpayer-financed charity.

The sentence, handed down by U.S. District Judge Michael A. Ponsor, means Keough, jailed for the past 20 months, will serve up to 16 more months before being released.

The judge also ordered the former director of Friends of the Homeless Inc. to pay \$145,000 in restitution and serve three years of probation after his release.

As one of the best-known public figures caught in a federal corruption dragnet, Keough pleaded guilty in January to conspiracy, extortion, mail fraud, witness tampering and perjury while running homeless charity.

In an apology moments before Ponsor issued the sentence, Keough, 48, expressed a mix of anguish and self-contempt.

"I've asked myself how I arrived at a place like this," said Keough, held since August 2005 at the Hampshire County Jail and House of Correction on self-admitted bail violations.

"Quite frankly, I don't have an answer," he added.

When dozens of friends and former supporters sent him letters in jail, Keough, a college football star and former five-term city councilor, said he could not bring himself to read them.

"They would just remind me of how grossly I have failed," he said.

Four of Keough's friends - including his brother Patrick and cousin Roy Anderson, a Springfield lawyer - sat behind him during the hearing.

As with previous court appearances, Keough, who once charged the shelter \$120 to replace shoes damaged in a flood, was sporting the same brown-patterned sweater over a dress shirt.

The outfit, according to defense lawyer Daniel D. Kelly of Springfield, represented a fashion upgrade from the orange jump he wears most days.

Before handing down the sentence, Ponsor said he was struck by the clashing versions of the defendant depicted in the 50-count federal indictment issued in 2005 and the nearly 50 letters sent by his friends and family in recent weeks.



File photo by CHRISTOPHER EVANS  
Former City Council President Francis G. Keough III was given a 36-month prison sentence yesterday.

Please see Keough, Page A12

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personal residence; and McNamee caused SHA to purchase heating components later installed in Keough's personal residence. HUD losses are estimated at \$145,000.



Theodore LeBlanc, the former Norristown Borough mayor; and Herbert Bagley, a former insurance broker and contractor for Norristown Borough, were each sentenced in U.S. District Court, Norristown, PA, for their earlier guilty pleas to mail fraud, bribery, conspiracy, bank fraud, filing a false Federal income tax return, and/or honest service mail fraud. LeBlanc was sentenced to 51 months incarceration and 36 months supervised release, fined \$2,000, and ordered to pay HUD \$83,000 in restitution; and Bagley was sentenced to 30 months incarceration and 24 months supervised release, fined \$1,200, and ordered to pay HUD \$43,845 in restitution. From 2002 through 2005, LeBlanc illegally awarded contracts to Bagley and others, allowed Bagley to submit false invoices for services not performed, ordered Norristown Borough finance department officials to pay the fraudulent invoices using HUD CDBG funds, and received approximately \$50,000 in bribery payments from Bagley. HUD realized losses of \$126,845.



Chang Sheng Yu, a Chinese national and president of American McKinley Venture Management, Inc., was sentenced in U.S. District Court, New York City, NY, to 15 months incarceration and 36 months supervised release and ordered to pay Empire State Development Corporation (ESDC) \$118,876 in restitution for his previous guilty plea to theft of government funds, mail fraud, and submission of false Social Security numbers. Yu, an undocumented immigrant, was also ordered deported when released from prison. Yu falsely obtained a Business Recovery Grant and attempted to obtain a Small Firm Attraction and Retention Grant through ESDC, a HUD-funded nonprofit established to provide assistance to businesses in lower Manhattan after the September 11, 2001, terrorist attacks.



Elischa Campbell, the former director of Just-a-Sister-Away House of Texas, Inc. (JASA), a HUD-funded supportive housing nonprofit, was indicted in State District Court, Houston, TX, for misappropriation of fiduciary property or property of a financial institution. Campbell allegedly submitted false documents to support the use of \$47,500 in JASA funding to purchase property, but no property was acquired.



Sharon L. Johnson, a former case manager at United Services Community Action Agency (USCAA), a HUD-funded organization, was sentenced in U.S. District Court, Kansas City, MO, to 3 months each incarceration and community confinement and 3 years supervised probation and ordered to pay HUD \$24,250 in restitution for her earlier guilty plea to theft of government funds. Johnson and others obtained \$24,250 in USCAA funds by issuing USCAA housing payments to fictitious landlords.



Kemeaka Martin-Thorton, a former program assistant at Athens-Clarke Human Economic Development (ACHED), a HUD-funded organization, pled guilty in U.S. District Court, Athens, GA, to theft by deception and was sentenced to 26 consecutive weekend incarcerations and 15 years probation and ordered to pay Clarke County \$16,331 in restitution. Martin-Thorton obtained and personally expended \$16,331 in ACHED funds.



Whitfield Jenkins, president of the Ocala Leased Housing Corporation (OLHC) board and the unofficial executive director of OLHC, a HUD-funded organization, was arrested after grand theft charges were filed in Fifth Judicial Circuit Court, Ocala, FL. Jenkins allegedly obtained and personally used \$10,043 in OLHC funds.

**Jenkins turns himself in, pays \$2,000 bail**

**Former housing agency head faces grand theft charges for debit card use.**

BY MILLARD K. IVES  
STAR-BANNER

OCALA – Whitfield Jenkins turned himself in to police Wednesday morning on charges that the former president of Ocala Leased Housing Corp. used the nonprofit organization's debit card for personal use.

Arriving in a gray Jeep Cherokee and wearing a tie and gray pinstripe suit, Jenkins, 66, walked into the booking area of the Marion County Jail at about 10 a.m. It took about 20 minutes for an affidavit on grand theft

charges to be completed, a mug shot and fingerprints to be taken, the names of next of kin to be given and other booking procedures to be completed.

With his bail bondsman waiting outside the door of the booking area with bail, Jenkins was not required to go to a cell or change into an inmate uniform. After making \$2,000 bail, he walked from the booking area straight to his vehicle.

Escorted back to his vehicle by deputies, Jenkins told reporters, "No comment."

The State Attorney's Office issued the arrest warrant for Jenkins on

■ **Affidavit continues:**  
Withdrawals at gambling facilities. 6B



Whitfield Jenkins, right, was released on bond from the Marion County Jail on Wednesday and was escorted by Deputy Thomas Moats, a Marion County correctional officer.

JANNET WALSH  
STAR-BANNER

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Mark Marcucilli, the former assistant director of housing management for New York State Division of Housing and Community Renewal (HCR); his father Fred Marcucilli; and Carmine Carpinone were each sentenced in U.S. District Court, New York City,

NY, for their earlier guilty pleas to conspiracy, conspiracy to commit mail fraud, mail fraud, and/or theft of government funds. Mark Marcucilli was sentenced to 1 year and 1 day incarceration and 2 years supervised release and ordered to pay Lower Manhattan Development Corporation (LMDC) \$10,863 in restitution; Fred Marcucilli was sentenced to 1 year probation; and Carpinone was sentenced to 24 months probation and ordered to pay South Bridge Towers \$15,870 in restitution. Mark and Fred Marcucilli and Carpinone conspired to obtain LMDC funds by falsely claiming a residence in the lower Manhattan World Trade Center area. LMDC is a HUD-funded organization created to coordinate the rebuilding and revitalization of lower Manhattan after the September 11, 2001, terrorist attacks.



Marilee Jackson, the former community development director of the City of Paterson, a HUD-funded local government organization, pled guilty in Passaic County Court, Newark, NJ, to official misconduct, theft by deception, and misapplication of property. Jackson, in a pretrial intervention agreement, agreed to pay the City of Paterson \$2,475 and a vendor \$350 for misusing HUD funds and purchasing unapproved merchandise.



Anthony Ardolino, the former chief of staff for the mayor of Springfield, MA, and his brother Chester Ardolino, a former Springfield police officer, each pled guilty in U.S. District Court, Springfield, MA, to conspiracy and filing false Federal income tax returns. Anthony Ardolino influenced the awarding of HUD CDBG funds earmarked for the City of Springfield's Façade program to various businesses, including businesses owned by Chester Ardolino and other family members.



John Cushmeer and Larry Radcliff, regional coordinators for Cleveland Housing Network (CHN), a HUD-funded organization, and Shiryl Chambers, a maintenance manager for CHN, were each indicted in U.S. District Court, Cleveland, OH, for conspiracy and theft or bribery concerning programs receiving Federal funds. Cushmeer, Radcliff, and Chambers allegedly obtained kickbacks from contractors securing CHN low-income rehabilitation contracts, created fabricated work orders for contracts never completed, and used CHN contractors to perform work at their personal residences. HUD losses have not yet been determined.



## Ex-officer Ardolino admits his guilt

The defense lawyer characterized the crime as a matter of neglect rather than corruption.

By **STEPHANIE BARRY**  
sbarry@repub.com

SPRINGFIELD – Chester J. Ardolino, a former president of the Springfield patrolmen's union, pleaded guilty to tax charges in federal court yesterday, and will soon earn a place among a handful of city officials to be sentenced twice in a long-running public corruption probe.



**Chester J. Ardolino**

Ardolino pleaded guilty to one count of conspiracy and four counts of failing to file accurate tax returns, admitting he skimmed money from two downtown bars he co-owned while on the police force.

Ardolino, 40, of Springfield, was convicted by a jury for his role in a real estate scam in 2004; he was sentenced to six months' house arrest.

He was charged in the tax case in 2005

Please see **Taxes, Page A6**

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Joseph McNulty, Sam K. John, and George Thomas each pled guilty in U.S. District Court, Newark, NJ, to bribery concerning programs receiving Federal funds and aiding and abetting. From January 2004 to September 2006, McNulty, John, and Thomas, under rehabilitation contracts with New Brunswick Department of Community Planning and Economic Development (DCPED), a HUD-funded organization, paid multiple DCPED employees in exchange for monthly rehabilitation contracts, expedited and lenient inspections, and accelerated contract payments. HUD losses have not yet been determined.



## Other Fraud/Crimes

The Eleventh Circuit U.S. Court of Appeals (appellate court) affirmed the convictions and sentencing of Steve Allen LaBrake, Paulette Lynne LaBrake, and Chester Maurice Luney in Atlanta, GA. Steve LaBrake, the former City of Tampa Community Redevelopment Agency (TCRA) director, his wife Paulette LaBrake, a former TCRA senior redevelopment counselor, and Luney, the former chief executive officer of Tampa Hillsborough Action Plan, a City of Tampa low-income housing contractor, were previously convicted of bribery, wire fraud, conspiracy, and other charges. The appellate court agreed that the trial evidence was sufficient to prove beyond a reasonable doubt that the above defendants were guilty of the above charges and further rejected the defendants' arguments challenging their indictment, the district court's conduct at trial, and Steve LaBrake's sentencing. Steve and Paulette LaBrake are currently serving 60 and 41 months imprisonment, respectively, and Luney is serving 33 months incarceration.

### Dateline Florida

**THIS GEM FIND COULD'VE BEEN EXPLOSIVE**  
Sometimes, pawnshop owner Frank Cafaro stumbles on a buried gem amid the junk. But a find last week, the *Orlando Sentinel* reports, drew a swarm to Gold Mine Pawn in Belleview, including Geiger-counter-waving members of a hazardous materials team. They focused on a lead container labeled with radioactive markings. Inside was a glass vial with about an ounce of yellowcake uranium. In larger quantities yellowcake can be used to make fuel for nuclear reactors or enriched for weapons. Cafaro, 40, said he paid a Miami estate about \$10,000 for natural crystals in which the uranium vial was found. "There's boxes in my warehouse from this particular sale that still haven't been opened," he said. That's reassuring.

**Bribe convictions hold for LaBrakes**  
Former Tampa housing chief Steve LaBrake and his wife, Lynne, are still guilty of accepting bribes, the 11th Circuit Court of Appeals ruled Monday. The court also affirmed the conviction of Tampa-Hillsborough Action Plan executive director Chester M. Luney, who was convicted of offering the LaBrakes a bribe. In their appeal, the defendants challenged the indictment, the district court's conduct of the trial and Steve LaBrake's sentence. But the court wasn't swayed. Steve LaBrake was sentenced in 2005 to five years, his wife received 41 months and Luney 33 months.

**No dean of marine science chosen**  
The search for a new dean for the University of South Florida's College of Marine Science could not be described as smooth sailing. The school has flown in three candidates for the job, all of whom hold key posts at other academic institutions. But USF could not agree on the terms with two candidates and did not offer the job to the third. USF Provost Renu Khator said these events are common in a search process, and that she is confident "the university is eventually going to land the person who is just right for the college."

**Catch the buzz**  
Get the latest news from Tallahassee at [blogs.tampabay.com/buzz](http://blogs.tampabay.com/buzz)

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Douglas Hersom was indicted in U.S. District Court, Portland, ME, for maliciously damaging or destroying a building by means of fire. Hersom and others allegedly 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.



James Joyce, a former HUD CPD employee in Manchester, NH, was sentenced in U.S. District Court, Concord, NH, to pay a \$1,000 fine for his earlier guilty plea to carrying a weapon into Federal space. In August 2004, Joyce transported and possessed a knife in the Manchester Federal Building. Joyce retired from HUD in January 2006.

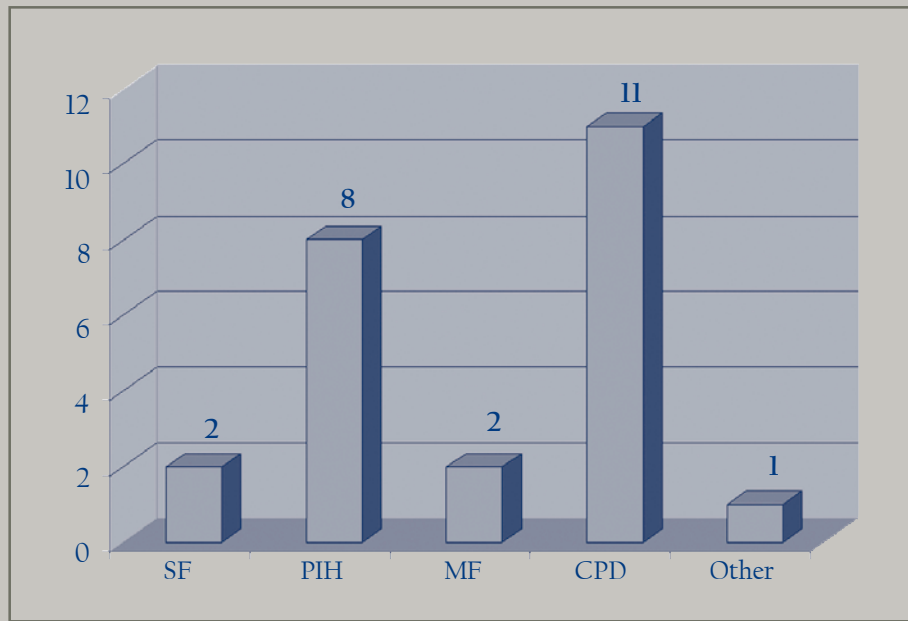


## *Chapter 5*



## *Hurricane Relief Oversight*

## Cases Closed by Program Area During this Reporting Period\*



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

## *Introduction and Background*

Since Hurricanes Katrina, Rita, and Wilma struck the Gulf Coast, the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), has established an audit and investigative presence in the disaster area to combat fraud, waste, and abuse. HUD has received supplemental appropriations of approximately \$17 billion



that have begun to flow to the States in the form of HUD Community Development Block Grants (CDBG) for housing and other needs. In addition, \$390 million was provided for emergency housing vouchers for households within the declared disaster area.

The HUD OIG Office of Audit (OA) responded quickly to establish Hurricane Katrina oversight to prepare for the long recovery process. The newly created regional office, Gulf Coast Region, is staffed by seven permanent employees and one additional auditor detailed from another HUD OIG regional office. As of March 31, 2007, OA has completed four audits of HUD's emergency disaster funding (two internal and two external) with a total contract value of \$22.8 million. Of this amount, auditors reported questioned costs of \$96 thousand. Currently, auditors are evaluating the control processes for the two largest contractors of the homeowner grant programs for the States of Louisiana and Mississippi, respectively.

The Office of Investigations (OI) created the HUD Headquarters Disaster Relief Oversight Division (DROD) to perform oversight responsibilities in the detection and prevention of waste, fraud, and abuse of all HUD funds in the five affected Gulf Coast States. DROD plays a significant role in monitoring and tracking the HUD disaster funds from HUD Headquarters program areas to the Gulf States, identifying fraud weaknesses and potential criminal and civil cases. OI has also established a new Gulf Region with offices in New Orleans, LA; Baton Rouge, LA; Houston, TX; Arlington, TX; Jackson, MS; and Hattiesburg, MS. The Gulf Region coordinates investigations with the U.S. Department of Justice (DOJ) Hurricane Katrina Fraud Task Force (HKFTF). OI is an active member of HKFTF in Baton Rouge, LA. DROD coordinates public corruption and contract fraud matters with DOJ. OI continues to provide training, presentations, and outreach on HUD disaster recovery funding matters to prosecutors, law enforcement, and State agencies.

## *Hurricane Financial Profiles of HUD Community Development Block Grant Funds*

The following provides a snapshot of the HUD CDBG disaster funds appropriated to the five Gulf States and a summary of the programs for two of the five Gulf States, Mississippi and Louisiana. These funds are aggressively being tracked and monitored for waste, fraud, and abuse, from HUD to the State Agencies and to the contractors,



consultants, homeowners, and evacuees by HUD OIG Office of Audit and Office of Investigations.

### *Disaster Community Development Block Grant*

- \$16.6 billion authorized to five Gulf Coast States (disbursed \$1.828 billion)
  - Alabama \$ 95,613,574 (disbursed \$1.2 million)
  - Florida \$ 182,970,518 (disbursed \$33,000)
  - Louisiana \$ 10,410,000,000 (disbursed \$525.4 million)
  - Mississippi \$ 5,481,221,059 (disbursed \$1.3 billion)
  - Texas \$ 503,194,849 (disbursed \$1.3 million)

### *State of Louisiana*

**The Road Home Program**  
(authorized \$3.5 billion; disbursed \$503.6 million)

The purpose of The Road Home program is 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. Also note that 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 Federal Emergency Management Agency (FEMA) repair funds. The State received 119,297 homeowner applications and held 4,373 closings that averaged an award of \$76,900 per homeowner.

**Housing for Renters**  
(authorized \$845.9 million; disbursed \$3.8 million)

The Louisiana Recovery Authority (LRA) will allocate funds for the Workforce and Affordable Rental Programs (by formula) to ensure that those parishes with the most damaged or destroyed rental housing have adequate resources to replace significant numbers of affordable rental units.

**Restoration Homeless Support**  
(authorized \$25.9 million; disbursed \$55,200)

The proposed \$25.9 million will support the State's goal to immediately restore and expand capacity in hurricane-impacted areas and provide permanent supportive housing and assistance for persons and families who are homeless and persons at risk of becoming homeless.

**Other Housing Activities**  
(authorized \$32.1 million; disbursed \$0)

This program is to provide special incentives to attract new mixed-income housing development to restore both the rental and owner-occupied housing stocks. The plan proposes several developer incentives, with a special focus on the New Orleans metropolitan area and other communities with major losses to their housing stock.

**Infrastructure**

The storms severely affected the infrastructure of many of our communities, some of which continue to suffer from the lack of electricity, telephone, and gas service. The total impact on roads, bridges, and utilities, including debris removal, is estimated at \$15 to \$18 billion.

*- Local Government Emergency Infrastructure*  
(authorized \$595 million; disbursed \$0)

This program will provide local governments with the required FEMA match for emergency infrastructure projects. The method of distribution will be on a first come, first served basis, as public assistance projects are approved by FEMA.

*- State Infrastructure*  
(authorized \$142.5 million; disbursed \$9.3 million)

Louisiana has developed a process to determine the priorities and timing in restoring State buildings because it is impossible to repair all 1,528 damaged facilities at the same time.

**Economic Development**  
(authorized \$332.5 million; disbursed \$3.1 million)

The economic development programs (\$332.5 million) are designed to provide capital, provide technical assistance, rebuild the customer base and provide trained

employees for existing businesses, and rebuild the base for developing new, higher wage jobs for both the short-term and long-term economic recovery of Louisiana.

**Public Services**  
(authorized \$46.7 million; disbursed \$0)

The fully funded program will support an estimated 3,000 units with supportive housing services. Other HUD programs, such as the McKinney Vento Act, project-based Section 8 vouchers, and Sections 811 and 202 program funds, may supplement supportive efforts.

Supportive services will be provided in 30 percent of the 6,000 to 9,000 rental units targeted to households with incomes at or below 40 percent of area median income. To provide that level of services, the State proposes to allocate \$46.7 million of the currently available CDBG funds to help pay for the services. This program component and use of CDBG funds for supportive services is proposed with the recognition that the number of supportive housing units that can be developed in Louisiana over the next few years will be severely limited by the scarcity of public and private funding for the necessary resident services.

**Planning**  
(authorized \$9.5 million; disbursed \$1.85 million)

LRA will develop priorities for the use of CDBG Disaster Recovery Assistance funds. LRA is organized into task forces in the areas of economic development, workforce development, health, human services, infrastructure, environmental, housing, and education. The roles of these groups include the development of best practices based on strategic plans to guide the recovery and rebuilding process and the efficient use of funds as well as to make recommendations to the LRA board on programs funded through the CDBG program (\$9.5 million).

**Technical Assistance**  
(authorized \$12.42 million; disbursed \$20,900)

LRA will provide assistance to units of local governments to help plan and implement long-term recovery strategies. Louisiana's Office of Community Development will provide preapplication workshops for local governments as well as implementation workshops. Technical assistance programs will be developed to assist in areas where it has been determined that a need exists. Training and materials on various topics will be provided to assist homeowners, inspectors, contractors, etc. One-on-one technical assistance will be provided to those units of local governments experiencing performance problems. Currently, \$12.4 million is being set aside for technical assistance activities.

**Administrative Costs**  
(authorized \$148.6 million; disbursed \$3.5 million)

These funds will be used to pay reasonable administration costs related to the planning of disaster recovery community development activities. Program



administration costs will include staff and related costs required for overall program management, coordination, monitoring, reporting, and evaluation. This category includes both the State's cost of administering the program and units of general local governments' costs of administering grants awarded by the State. For administration, \$148.6 million is being set aside.

**Restricted Balance**  
(authorized \$450 million; disbursed \$0)

Funds held in reserve.

**2nd Supplemental Funds**  
(authorized \$4.2 billion; disbursed \$0)

Plans not yet approved.

## *State of Mississippi*

**Homeowner Grant Assistance Program**  
(authorized \$3.25 billion; disbursed \$878.4 million)

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 Assistance program is designed to provide compensation to



those impacted by the hurricane. The State received 18,465 homeowner applications, and paid 11,894 grants that averaged an award of \$70 thousand per homeowner.

Also noted - There is no requirement that the homeowner occupy the property after replacement/rehabilitation work is completed. After certain deductions, the homeowner has complete discretion of the use of grant funds, as allowable by State and Federal law, as they work through their personal disaster recovery situation.

**Public Housing**  
(authorized \$100 million; disbursed \$482,600)

The purpose of this public housing program is to provide funding, in an amount up to \$100 million, to the five housing authorities that suffered damages to their facilities on August 29, 2005, from Hurricane Katrina.

**Building Permit-Inspections**  
(authorized \$5 million; disbursed \$205,500)

The Mississippi Development Authority will establish a \$5 million grant pool (for local governments in Hancock, Harrison, Pearl River, and Jackson Counties) for costs of additional permitting and building inspector officials for 1 year due to the significant amount of construction taking place on the Mississippi Gulf Coast.

**Gulf Coast Regional Infrastructure Program**  
(authorized \$31.5 million; disbursed \$3.4 million)

The purpose of the plan is to provide infrastructure (water, sewer, and storm water utility service) for long-term growth and recovery in Hancock, Harrison, George, Jackson, Pearl River, and Stone Counties.

**Privately Owned Utilities**  
(authorized \$440 million; disbursed \$420 million)

The Ratepayer and Wind Pool Mitigation Plan will help utility and gas companies defray excessive costs associated with damaged infrastructure, provide emergency response services, and help the Mississippi Windstorm Underwriting Association offset insurance premium increases.

**Economic Development**  
(authorized \$500 million; disbursed \$0)

The Economic Development Program is designed to assist local governments affected by Hurricane Katrina (Pearl River, Stone, George, Hancock, Harrison, and Jackson Counties) in providing infrastructure to support economic development (grants or loans to assist companies in creating or retaining jobs - \$340 million, a community revitalization program to rebuild the downtown areas - \$150 million, and \$10 million for planning).

**Administrative Costs**  
(authorized \$169.2 million; disbursed \$2.1 million)

Up to 5 percent (or \$169.2 million) of a State's allocation is authorized for planning and administrative activities.

**Restricted Balance**  
(authorized \$562.4 million; disbursed \$0)

Funds held in reserve.

**2nd Supplemental Funds**  
(authorized \$423 million; disbursed \$0)

Plans not yet approved.

# Audit

During this period, OIG issued an audit memorandum, dated December 8, 2006, regarding HUD's procedures and controls over the Katrina Disaster Housing Assistance Program (KDHAP) and Disaster Voucher Program (DVP).

## *Emerging Oversight Trends*

OA is in the process of starting other reviews of the States' (specifically Louisiana, Mississippi, and Alabama) system of controls over the issuance of the \$16.7 billion in CDBG funding. The following is a list of planned audits:

- Homeowner Grant Assistance Program (MS)
- Elevation Grants Program (MS)
- Local Assistance Grants Program (MS)
- Fraud Prevention and Investigation Program (MS)
- Housing Programs - The Road Home, Small Rental Program, Tax Credit
- Supportive Housing and Predevelopment Loan Program (LA)
- Infrastructure Programs (LA)
- Economic Development - Bridge Loan Program (LA)
- Disaster Relief Program (AL)
- Restoration of Infrastructure Program (AL)
- Long-Term Recovery Program (AL)

Also, on January 30, 2007, the HUD Secretary stated that the Department would provide \$27.3 million in funding to help five Mississippi housing authorities continue repairing thousands of public housing units damaged by Hurricane Katrina. Last year, HUD issued additional guidance that allowed eligible public housing authorities (PHA) to convert regular Housing Choice Voucher (Section 8) program funds to the DVP, which made voucher program funding available. PHAs were then permitted to use these funds to repair public housing units. OIG is monitoring the progress of this rebuilding effort and will schedule a review at the appropriate time.

## *Final Audit Products*

**Evaluation of HUD's Procedures and Controls for the Katrina Disaster Housing Assistance Program and Disaster Voucher Program:**

HUD OIG audited the KDHAP and DVP programs. HUD and FEMA developed KDHAP in response to Hurricane Katrina. HUD replaced KDHAP with DVP on January 31, 2006, and included HUD participants affected by both Hurricanes Katrina and Rita. KDHAP and DVP provided rent to participants up to the fair market rent and housing authority payment standard, respectively. The objective was to evaluate the adequacy of the two programs' operational procedures and controls. HUD OIG only noticed minor mistakes in the operational procedures and controls review and did

not disclose any major findings. However, the second phase of the review, which involves recipient eligibility, has initial indications of possible problems. (Audit Report: 2007-AO-0001-CM)



# Investigations

HUD OIG DROD supports the Gulf Region and conducts a variety of important activities on HUD OIG OI directives and initiatives associated with disaster assistance and recovery. DROD implemented fraud prevention programs in the affected States of the Gulf Coast Region. OIG officials have coordinated with State agencies and their contractors, HUD program officials, and industry groups. HUD OIG also hosted and participated in law enforcement meetings and conferences held throughout the Gulf Coast region. HUD OIG continues to be an active member of the DOJ HKFTF Command Center in Baton Rouge, LA. The Gulf Region consists of 10 special agents (including a Special Agent in Charge), six forensic auditors (including a Supervisory Forensic Auditor), and one administrative officer. One of the forensic auditors is assigned full time to the Command Center in Baton Rouge, coordinating requests for information between HUD OIG and outside agencies.

During this reporting period, OIG opened 90 and closed 24 investigations in the Gulf Region Disaster Relief program areas. Judicial action taken on these cases include 41 arrests, 21 indictments/information, 11 convictions/pleas/pretrial diversions, \$4,829 in investigative recoveries, and 14 administrative actions.

Some of the investigations discussed in this report were conducted jointly with Federal, State, and local law enforcement agencies, including the DOJ HKFTF. Following the Attorney General's policy of "zero tolerance" for Hurricane Katrina-related fraud, OIG pursues each allegation of waste, fraud, and abuse in HUD's Hurricane Katrina, Rita, and Wilma-related benefit programs. The results of various significant investigations are described below.

## *Hurricane-Related Benefit Fraud*

Trudy Davis, Naisha Davis, Lawrence Williams, Jerry Davis, Gilbert Gasice, and Larry McDaniel, Sacramento Housing and Redevelopment Agency (SHRA) public housing, Housing Choice Voucher program (HCVP), or unauthorized tenants of SHRA housing assistance recipients, were indicted, arrested, pled guilty, or were sentenced in U.S. District Court, Sacramento, CA, on various charges including aggravated identity theft, false claims, false representation of a Social Security number (SSN), theft of government property, false statements, or mail and wire fraud. Trudy Davis, Naisha Davis, and Lawrence Williams allegedly applied for FEMA disaster assistance, claiming they resided in a Louisiana declared disaster area, but actually resided in California during the storm; Naisha Davis also allegedly used the name and SSN of another when she filed her FEMA claim. Jerry Davis allegedly applied for and received \$4,787 in SHRA public housing and FEMA disaster assistance, claiming he resided in Monroe, LA, and was displaced by Hurricane Katrina, but Monroe, LA, was not declared a disaster area. Gasice, who pled guilty to false statements and wire fraud, claimed he was a Hurricane Katrina victim, secured lodging and monetary aid from the Red Cross and other charitable organizations, failed to report that he vacated his SHRA subsidized residence, and obtained \$1,140 in SHRA housing assistance he was not entitled to receive. McDaniel was sentenced to 36 months probation and 300 hours community service and ordered to pay FEMA \$12,251 in restitution for his earlier guilty plea to

false claims. McDaniel claimed he resided in a Louisiana declared disaster area and applied for FEMA disaster assistance but actually resided in an SHRA subsidized housing unit. Collectively, the above defendants caused HUD losses of \$5,927.



Phillip A. Winchester and Dominic T. Leperi, Jr., were each indicted in U.S. District Court, Jackson, MS, for filing fraudulent applications and claims. Winchester and Leperi allegedly filed fraudulent applications with FEMA, the Small Business Administration (SBA), and the HUD-funded Mississippi Development Authority (MDA), claiming their primary residences suffered hurricane damage, and obtained more than \$29,992 in FEMA assistance and SBA disaster loan funding, but neither properties damaged by Hurricane Katrina were Winchester's or Leperi's primary residences.



Ernestine Lewis, a Mississippi Regional Housing Authority VII (MRHA) Section 8 tenant at Canal Street Apartments (CSA), and Willie Lewis, Willie Blackmon, Jr., Stacey Lewis, Lisa Lewis, and Claudette Luckett, unauthorized tenants at CSA, were each indicted in U.S. District Court, Jackson, MS, on false statements, aiding and abetting, theft of government funds, and mail fraud. The above defendants allegedly filed for FEMA assistance and claimed residency in separate Biloxi Housing Authority (BHA) subsidized units during Hurricane Katrina and collectively obtained \$25,485 in FEMA assistance, but none of the defendants were BHA tenants during the storm. In addition, Ernestine Lewis allegedly falsified household composition and obtained \$1,023 in MRHA housing assistance she was not entitled to receive.



Tina Marie Winston was sentenced in U.S. District Court, Belleville, IL, to 48 months incarceration and ordered to pay FEMA and others \$23,982 in restitution for her earlier guilty plea to mail fraud, misuse of an SSN, aggravated identity theft, false statements, and concealment of information from the Social Security Administration (SSA). Winston submitted fraudulent applications to HUD and FEMA, claiming she lost her New Orleans home, possessions, and two children during Hurricane Katrina, but Winston resided in Belleville, IL, during the storm and did not have any children.

**Belleville woman sentenced to four years for Katrina fraud**

By BETH HUNSDORFER  
*News-Democrat*

EAST ST. LOUIS — She said she watched as her two daughters floated away in the Hurricane Katrina storm surge in New Orleans and needed help from the Federal Emergency Management Agency, but Tina Marie Winston rode out the hurricane in Belleville.

Her daughters never drowned. She didn't even have any daughters.

On Wednesday, a judge sentenced Winston to four years in federal prison for fraud and identity theft, saying Winston attempted to defraud taxpayers "by every means that came to her."

It wasn't just FEMA. Winston also pleaded guilty to charges of making false reports to the U.S. Department of Health and Human Services, Department of Agriculture and Social Security Administration, and using someone else's Social Security number to commit identity theft.

She nabbed \$23,982 from various government agencies, by "systematically lying to get handouts," Assistant U.S. Attorney Suzanne Garrison said Wednesday during Winston's sentencing hearing.

"These are the types of crimes that outrage taxpayers," Garrison said. "It undermines their confidence in the government."

Federal Public Defender Stephen Williams argued

*Please see SENTENCE, A2*

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Antoinette Perea, a San Francisco Housing Authority (SFHA) Section 8 tenant; Kaneshaeia Boyd and Lawana Wyatt, SFHA public housing recipients; Tania Hill, a former unauthorized Housing Authority of the County of Santa Clara (HACSC)

Section 8 tenant; and Merolyn Wilson, a Section 8 tenant at All Hallows Garden Apartments, a HUD-subsidized multifamily housing complex, were each charged in U.S. District Court, **San Francisco, CA**, with theft of government funds. The above defendants allegedly applied for and received FEMA funds after claiming to be displaced victims of Hurricane Katrina but actually lived in the San Francisco area and received HUD housing assistance during the storm.



Jay Landers was indicted in U.S. District Court, **New Orleans, LA**, on theft of government funds. Landers, while incarcerated during Hurricane Katrina, allegedly filed for and obtained \$14,750 in FEMA assistance by claiming residency at his mother's Housing Authority of New Orleans subsidized unit, thus preventing his mother from obtaining legitimate FEMA evacuee and property damage assistance.



Ashley Clark and Shannon Sylvester, Morgan City Housing Authority (MCHA) Section 8 tenants, each pled guilty in U.S. District Court, **Lafayette, LA**, to theft of public monies. Clark and Sylvester applied for and received \$6,665 in FEMA disaster assistance, but MCHA sustained no damage, nor were MCHA residents evacuated during any hurricane.



Morris Singleton and Jermaine White were each sentenced in U.S. District Court, **New Orleans, LA**, for their earlier guilty pleas to false statements. Singleton was sentenced to 10 months confinement and 3 years supervised release and ordered to pay FEMA \$2,000 in restitution, and White was sentenced to 6 months incarceration and 2 years supervised release and ordered to pay FEMA \$2,000. Singleton and White applied for and received \$2,000 in FEMA assistance by claiming residency in Terrebonne Parish Housing Authority (TPHA) housing units and Hurricane Katrina evacuee status, but neither Singleton nor White resided in TPHA housing units, nor did TPHA suffer any hurricane damage.



Shantelle Griffin, a Section 8 tenant at Himbola Manor Apartments, a HUD-subsidized multifamily housing complex, was indicted in U.S. District Court, **Lafayette, LA**, for wire fraud and false claims. Griffin allegedly filed for and received \$2,000 in FEMA disaster assistance, claiming she sustained personal property damage and evacuated as a result of Hurricane Katrina, but Himbola Manor Apartments sustained no hurricane damage, nor were residents forced to evacuate during the storm.



Sheila Davis was sentenced in U.S. District Court, **Harrisburg, PA**, to 4 months home detention and fined \$350 for her earlier guilty plea to making false statements to HUD. Davis filed a false application for emergency housing with the Housing Authority of the County of Dauphin, claiming she was a Hurricane Katrina evacuee

forced to relocate from New Orleans, LA, to Harrisburg, PA, but Davis actually resided in Harrisburg, PA, and was facing eviction from her apartment during the storm.



Latoya Dunn, a Section 8 tenant at Scotland Square Apartments, a HUD-subsidized multifamily housing complex, was indicted in U.S. District Court, **Baton Rouge, LA**, for making a false statement and submitting a false claim. Dunn allegedly filed a claim with FEMA requesting \$2,000 in FEMA funds as a result of Hurricane Katrina damages to her personal property, but Scotland Square Apartments suffered no structural damage, and residents were not forced to evacuate during either Hurricane Katrina or Rita.



Joy Promise, a Housing Authority of Snohomish County (HASC) Section 8 tenant, was indicted in U.S. District Court, **Seattle, WA**, for false statements. Promise allegedly applied for FEMA assistance, claiming to be a displaced victim of Hurricane Katrina, but actually lived in HASC subsidized housing during the storm.

### *Hurricane-Related Outreach*

#### **Louisiana Outreach:**

Deputy Assistant Inspector General for Investigations (DAIGI) Ruth Ritzema and Special Agent in Charge (SAC) Thomas Luke provided the current status on Louisiana Road Home Program, multifamily, and Louisiana tax credit efforts and Federal Housing Administration (FHA) single-family issues facing southeastern Louisiana during briefings held in **New Orleans and Baton Rouge, LA**. HUD Departmental Enforcement Center (DEC) Director and Senior Advisor to the Secretary Stephen B. Hollingshead, DEC Deputy Director Henry Czauski, Associate Regional Counsel for DEC Enforcement Programs Sakeena Adams, and DEC Operation Oversight Analyst Tommy Visage attended.



SAC Thomas Luke introduced DEC Director and Senior Advisor to the Secretary Stephen B. Hollingshead, DEC Deputy Director Henry Czauski, DEC Associate Regional Counsel for Enforcement Programs Sakeena Adams, and DEC Operation Oversight Analyst Tommy Visage to Eastern District of the Louisiana U.S. Attorney's Office (USAO) staff in **New Orleans, LA**. A round table discussion involving issues related to civil and criminal prosecutions of HUD violations followed.



Supervisory Forensic Auditor (SFA) Windell Durant and Hotline Director Robert Ashworth met with Kathleen Wylie, Director of Law Enforcement Online (LEO) and HKFTF Hotline personnel at the HKFTF Command Center on the Louisiana State University campus in **Baton Rouge, LA**. Hotline Director Ashworth and SFA Durant



reviewed the HKFTF Hotline system, provided recommendations to capture additional data in hotline complaint forms, and emphasized the need for accurate and timely referrals to OIG and other Federal law enforcement agencies.



SFA Windell Durant and Special Agent (SA) Aimee Peralta met with Mary Langston, U.S. Bankruptcy Court Assistant United States Trustee, in New Orleans, LA. SFA Durant and SA Peralta discussed developing a working relationship with both Louisiana and Mississippi United States Trustee Offices to identify potential bankruptcy fraud investigations involving HUD programs.

### Mississippi Outreach:

SAC Thomas Luke introduced DEC Director and Senior Advisor to the Secretary Stephen B. Hollingshead, DEC Deputy Director Henry Czauski, DEC Associate Regional Counsel for Enforcement Programs Sakeena Adams, and DEC Operation Oversight Analyst Tommy Visage to Southern District of the Mississippi USAO staff in Gulfport, MS. A round table discussion involving issues related to civil and criminal prosecutions of HUD violations followed.

### Texas Outreach:

DROD SAC Larry Amaker and HUD OIG Region VI SAC Daniel Salas provided a fraud awareness briefing to the Houston HUD Manager and Office of Community Planning and Development (CPD) staff in Houston, TX. The briefing addressed fraud concerns relating to \$74.5 million in CDBG Disaster Recovery Program and \$428.6 million in Hurricane Rita Disaster Recovery funds managed by the State of Texas. SAC Salas introduced HUD OIG Region VI Assistant Special Agent in Charge (ASAC) Juan Juarez and indicated that ASAC Juarez was available to work with Houston HUD personnel in preventing, identifying, and prosecuting fraud related to HUD disaster funding. DROD Senior Special Agent (SSA) Kevin Whalen assisted with the briefing.



SACs Larry Amaker and Daniel Salas provided a fraud awareness briefing to officials of the Texas Department of Housing and Community Affairs (TDHCA) and Houston/Galveston Area Councils of Government (H/GACOG) in Houston, TX. The briefing addressed fraud concerns relating to \$74.5 million in CDBG Disaster Recovery Program and \$428.6 million in Hurricane Rita Disaster Recovery funds earmarked for H/GACOG and managed by TDHCA. OIG will work with TDHCA and H/GACOG in preventing, identifying, and prosecuting fraud related to HUD disaster funding. SSA Kevin Whalen and ASAC Juan Juarez assisted with the briefing.



SACs Larry Amaker and Daniel Salas provided a fraud awareness briefing to Southern District of Texas USAO staff and other Federal law enforcement agencies in Houston, TX. The briefing addressed fraud concerns relating to \$74.5 million in CDBG

Disaster Recovery Program and \$428.6 million in Hurricane Rita Disaster Recovery funds earmarked for H/GACOG and managed by TDHCA. OIG will work with TDHCA, H/GACOG, and the USAO in preventing, identifying, and prosecuting fraud related to HUD disaster funding. SSA Kevin Whalen and ASAC Juan Juarez assisted with the briefing.



SACs Larry Amaker and Daniel Salas provided a fraud awareness briefing to Eastern District of Texas U.S. Attorney Matthew D. Orwig and his staff in **Plano, TX**. The briefing addressed fraud concerns relating to \$74.5 million in CDBG Disaster Recovery Program and \$428.6 million in Hurricane Rita Disaster Recovery funds earmarked for H/GACOG and managed by TDHCA. OIG will work with TDHCA, H/GACOG, and the USAO in preventing, identifying, and prosecuting fraud related to HUD disaster funding. SSA Kevin Whalen and ASACs Mike Wilson and Juan Juarez assisted with the briefing.



SACs Larry Amaker and Daniel Salas provided a fraud awareness briefing to HUD program personnel in **Fort Worth, TX**. The briefing addressed fraud concerns relating to \$74.5 million in CDBG Disaster Recovery Program and \$428.6 million in Hurricane Rita Disaster Recovery funds earmarked for H/GACOG and managed by TDHCA. OIG will work with HUD, TDHCA, H/GACOG, and the USAO in preventing, identifying, and prosecuting fraud related to HUD disaster funding. SSA Kevin Whalen and ASACs Mike Wilson and Juan Juarez assisted with the briefing.



SAC Daniel Salas and ASAC Juan Juarez met with Assistant U.S. Attorney Greg Costa, Hurricane Fraud Coordinator, and supervisory representatives of the U.S. Postal Inspection Service and Department of Homeland Security at the USAO in **Houston, TX**. SAC Salas and ASAC Juarez described HUD OIG's objectives for hurricane relief investigations in the Southern District of Texas.



SAC Daniel Salas and ASACs Juan Juarez and Mike Wilson met with Acting CDBG Disaster Recovery Program Director Jennifer Molinari and Bill Dally, TDHCA Deputy Director, in **Austin, TX**. SAC Salas discussed the coordination of hurricane funding information, the monitoring of hurricane relief contracts, and outreach and training efforts to prevent fraud, waste, and abuse.

**Washington, DC, Outreach:**

SAC Larry Amaker and ASAC Kevin Whalen met with HUD Office of Single Family Asset Management Deputy Director Laurie Maggianno at HUD Headquarters in **Washington, DC**. SAC Amaker and ASAC Whalen obtained HUD real estate owned

(REO) portfolio information to proactively identify possible fraud related to HUD REO properties housing disaster victims in the Gulf Coast area.



SAC Larry Amaker and ASAC Kevin Whalen met with HUD Deputy Assistant Secretary (DAS) for Public Housing and Voucher Programs Milan Ozdinec, and Office of Public and Indian Housing, Housing Voucher Program (HVP), Director David Vargas at HUD Headquarters in Washington, DC. DAS Ozdinec and HVP Director Vargas provided a briefing on the current status of public housing in New Orleans, LA, and other information to proactively identify potential fraud as a result of the Gulf Coast disasters.



ASAC Kevin Whalen met with HUD Compliance Division Director Arthur Orton and DEC Liaison Officer Douglas Fischer at HUD Headquarters in Washington, DC. ASAC Whalen provided an overview of OIG Gulf Coast operations and described the type of investigations for potential referral to HUD DEC. Director Orton and Liaison Officer Fischer provided a briefing on DEC operations and systems and described DEC assistance available to HUD OIG when conducting disaster-related investigations.



ASAC Kevin Whalen and Disaster Oversight Liaison Director Patrick Bannon met with Associate Deputy Assistant Secretary (ADAS) Sherone Ivey, Office of Policy Development and Research (PD&R), Office of University Partnerships, at HUD Headquarters in Washington, DC. ADAS Ivey provided ASAC Whalen and Director Bannon an overview of PD&R disaster relief funding before ASAC Whalen and Director Bannon described OIG Gulf Coast operations and offered OIG assistance in preventing PD&R disaster funding fraud.



SAC Larry Amaker and ASAC Kevin Whalen established a Hurricane Fraud Working Group (HFWG) in Washington, DC. HFWG monthly meetings are held at the Federal Bureau of Investigation (FBI) headquarters to facilitate the dissemination of Gulf Coast recovery activities and intelligence information to member agencies. Those participating in the HFWG include Federal law enforcement managers from DOJ; the OIGs of the U.S. Department of Labor, Transportation, Homeland Security, Agriculture; and the Small Business Administration OIG.

### *Hurricane-Related OIG Hotline*

During this reporting period, the Hotline received and processed 179 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 8, pages 136 and 139)

## 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	--	\$671 Million
Our Focus	page 116	- Audit of HUD's Financial Statements	
	page 117	- FHA Financial Statements	
	page 118	- Audit of the Government National Mortgage Association's (Ginnie Mae) Financial Statements	
	page 118	- Review of HUD Firewall Implementation	
	page 118	- Review of HUD's Information Technology Services (HITS) Contracts	
	page 118	- Review of HUD's Procurement Systems	
	page 119	- Fiscal Year 2006 Review of Information Systems Controls in Support of the Financial Statements Audit	

### *Audit of HUD's Financial Statements*

HUD OIG provided additional details to supplement the Report on HUD's Fiscal Years (FY) 2006 and 2005 Financial Statements, which is included in HUD's FY 2006 Performance and Accountability Report.

The financial statements presented fairly, in all material respects, the financial position of HUD, Washington, DC, as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

OIG identified six reportable conditions regarding internal controls relating to the need to

- Comply with Federal financial management system requirements;
- Continue improvements made in the oversight and monitoring of subsidy calculations and intermediaries' program performance;

- Further strengthen controls over HUD's computing environment, including the enhancement of controls at the Federal Housing Administration (FHA) around the user access request (UAR) process and managing the FHA Subsidiary Ledger (FHASL) as a mission-critical system;
- Improve personnel security practices for access to the Department's critical financial systems;
- Improve processes for reviewing obligation balances; and
- Improve FHA's funds controls processes.

OIG's findings also included two instances of noncompliance with applicable laws and regulations and provisions of contracts and grant agreements:

- HUD did not substantially comply with Federal Financial Management Improvement Act system requirements and applicable accounting standards, and
- FHA and certain of its allotment holders did not have an approved funds control plan.

OIG's report discussed each of these conditions in detail, provided an assessment of actions taken by HUD to mitigate them, and recommended corrective actions. Several matters that were not material to the financial statements were separately communicated to HUD management. (Audit Report: 2007-FO-0003)

### *FHA Financial Statements*

Urbach, Kahn, and Werlin, LLP, audited the FHA, Washington, DC, financial statements for the years ended September 30, 2006 and 2005.

The financial statements presented fairly, in all material respects, FHA's financial position as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, and reconciliation of budgetary obligations to net cost for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. However, Urbach, Kahn, and Werlin identified three reportable conditions regarding internal controls:

- FHA should improve its funds control processes,
- FHA must enhance the controls around the UAR process, and
- FHASL needs to be managed as a mission-critical system at HUD's information technology services (HITS) data center.

and one instance of noncompliance with laws and regulations:

- FHA and certain of its allotment holders did not have an approved funds control plan as required by HUD policy.

OIG's report discussed each of these conditions in detail, provided an assessment of actions taken by FHA to mitigate them, and recommended corrective actions. Other

matters that were not material to the financial statements were separately communicated to FHA management. (Audit Report: 2007-FO-0002)

### *Audit of the Government National Mortgage Association's (Ginnie Mae) Financial Statements*

Carmichael, Brasher, Tuvell, and Company audited the Government National Mortgage Association's (Ginnie Mae), Washington, DC, financial statements for the years ended September 30, 2006 and 2005.

The financial statements presented fairly, in all material respects, the financial position of Ginnie Mae as of September 30, 2006, and September 30, 2005, and the results of its operations and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. There were no material weaknesses or reportable conditions in Ginnie Mae's internal controls and no reportable instances of noncompliance with laws, regulations, and provisions of contracts. Other matters that were not material to the financial statements were reported separately to Ginnie Mae's management. (Audit Report: 2007-FO-0001)

### *Review of HUD Firewall Implementation*

HUD OIG audited the HUD, Washington, DC, deployment and configuration of firewalls within its network to evaluate the configurations and effectiveness of the controls surrounding the firewalls. The audit was conducted in conjunction with the annual audit of HUD's consolidated financial statements and the annual evaluation of HUD's information system security program and practices required by the Federal Information Security Management Act of 2002. OIG has determined that the contents of this report are not appropriate for public disclosure and has, therefore, limited its distribution to selected officials. (Audit Report: 2007-DP-0001)

### *Review of HUD's Information Technology Services (HITS) Contracts*

HUD OIG audited the management and modifications of HUD's information technology services contracts. OIG examined contract compliance, service-level agreements, contract modifications, and implementation of information security controls. OIG has determined that its findings are not appropriate for public disclosure and has, therefore, limited their distribution to selected officials. (Audit Report: 2007-DP-0002)

### *Review of HUD's Procurement Systems*

HUD OIG audited the HUD Procurement System and Small Purchase System to assess their compliance with Federal financial management and Federal Information Security Management Act of 2002 requirements. OIG evaluated the systems and reviewed certain input and processing controls to determine (1) whether the HUD procurement systems comply with the requirements of the Joint Federal Management



Improvement Program publication, JFMIP SR-02-02, "Acquisition/Financial Systems Interface Requirements," and (2) the adequacy of the implementation of information security responsibilities and information security categorization.

The HUD Procurement System and Small Purchase System do not adequately support HUD's efforts to manage and monitor procurement transactions. They do not (1) adequately monitor the procurement process, (2) have adequate separation of duties controls, or (3) contain sufficient financial data to effectively manage and monitor procurement transactions. In addition, HUD did not design or implement information security controls or ensure that its information security responsibilities were fulfilled.

OIG recommended that HUD perform a cost benefit analysis to determine whether it is more advantageous to modify or replace the HUD Procurement System and Small Purchase System to comply with Federal requirements. OIG also recommended that HUD complete, design, and implement the required information security controls. (Audit Report: 2007-DP-0003)

### *Fiscal Year 2006 Review of Information Systems Controls in Support of the Financial Statements Audit*

HUD OIG reviewed general and application controls for selected information systems as part of the HUD OIG audit of HUD's financial statements for FY 2006. The review was based on the Government Accountability Office (GAO) "Federal Information Systems Controls Audit Manual" and information technology guidelines established by the Office of Management and Budget (OMB) and the National Institute of Standards and Technology (NIST).

There were weaknesses and deficiencies in controls that stem from HUD's noncompliance with (1) requirements for internal controls established by OMB, (2) guidance for securing information systems issued by NIST, and (3) HUD's own policies and procedures.

OIG recommended that HUD take steps to ensure compliance with OMB requirements, NIST guidelines, and HUD's own internal policies and procedures. (Audit Report: 2007-DP-0004)



# 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	33	\$4,884	1	165

Some investigations were conducted jointly with Federal, State and local law enforcement agencies. The results of a significant investigation is described below.

Timothy Eugene Benjamin, a defense witness who testified in the U.S. v. Isaac Woods trial, pled guilty in U.S. District Court, New Bern, NC, to attempted witness tampering, conspiracy, and aiding and abetting. Isaac Lee and Regina Bailey Woods, owners and officers of Woodbai, Inc., a mortgage lender doing business as Unlimited Financial Resources (UFR), were previously convicted of conspiracy, wire fraud, false statements, and money laundering for creating phony mortgages, electronically submitting the bogus mortgages to the secondary mortgage market, and causing the Government National Mortgage Association to guarantee \$1.4 million in counterfeit investments. Benjamin, prior to the appearance and testimony of a government witness, telephoned the witness and made false, misleading, and/or threatening statements in an attempt to influence or prevent the witness from testifying, then communicated his efforts to Woods. In addition, while testifying on the Woods' behalf, Benjamin uttered materially false declarations.



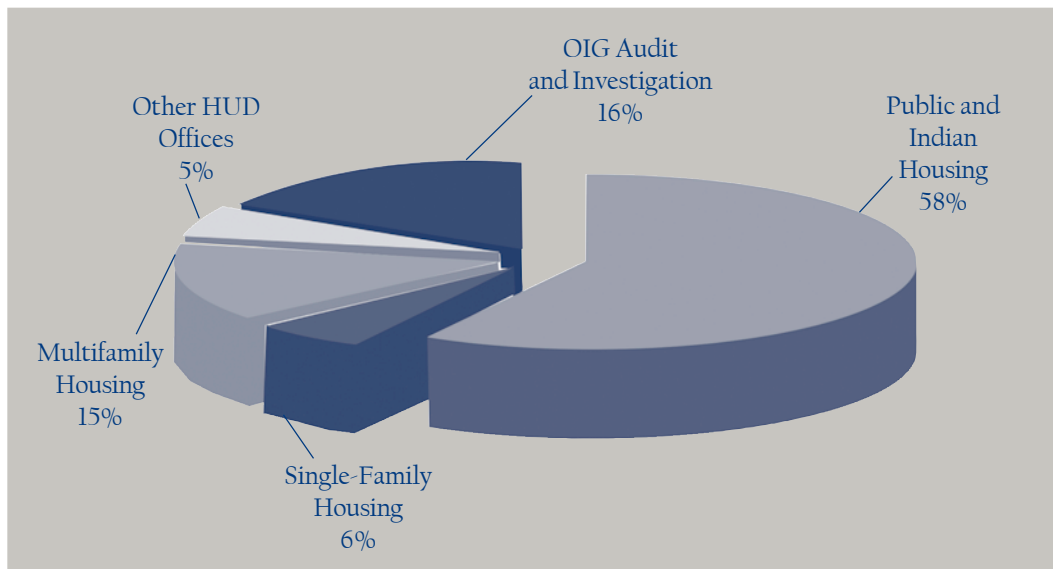
# OIG Hotline

The HUD OIG Hotline is operational 5 days a week, Monday through Friday, from 10:00 a.m. to 4:30 p.m. The Hotline is staffed by nine full-time OIG employees, who take allegations of waste, fraud, abuse, or serious mismanagement in HUD or HUD-funded programs from HUD employees, contractors, and the public and coordinate reviews with internal audit and investigative units or with HUD program offices.

During this reporting period, the Hotline received and processed 10,519 complaints--76 percent received by telephone, 17 percent by mail, and 7 percent by e-mail. Every allegation received by the Hotline is logged into a database and tracked.

Of the complaints received, 1,118 were related to the mission of OIG and were addressed as Hotline cases. Hotline cases are referred to OIG's Offices of Audit and Investigation or to HUD program offices for action and response. The following illustration shows the distribution of Hotline case referrals by percentage.

Chart 7.1: Hotline Cases Opened by Program Area



The Hotline closed 869 cases this reporting period. The closed Hotline cases included 134 substantiated allegations. The substantiated allegations resulted in three administrative sanctions against investors for improprieties involved in the purchase of a home. The Department also took 131 corrective actions that resulted in \$179,820 in recoveries of losses and more than \$2.5 million in HUD funding that could be put to better use. The recoveries included repayments of overpaid rental subsidies. Some of the funds that could be put to better use were the result of cases in which tenants were terminated from public housing or multifamily housing programs for improperly reporting their incomes or family composition to qualify for rental assistance.

Chart 7.2: Hotline Dollar Impact from Program Offices

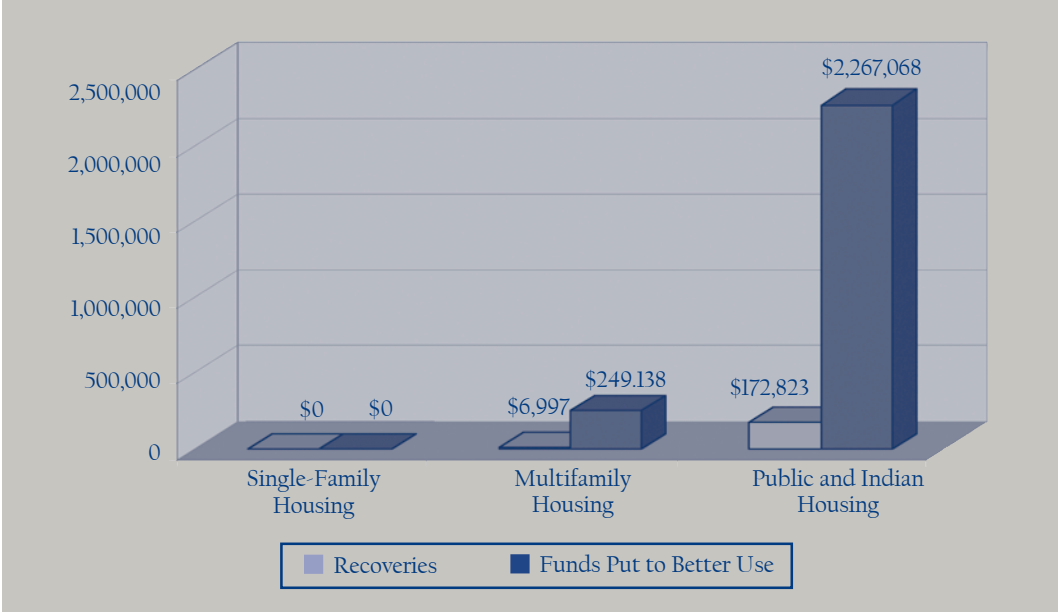
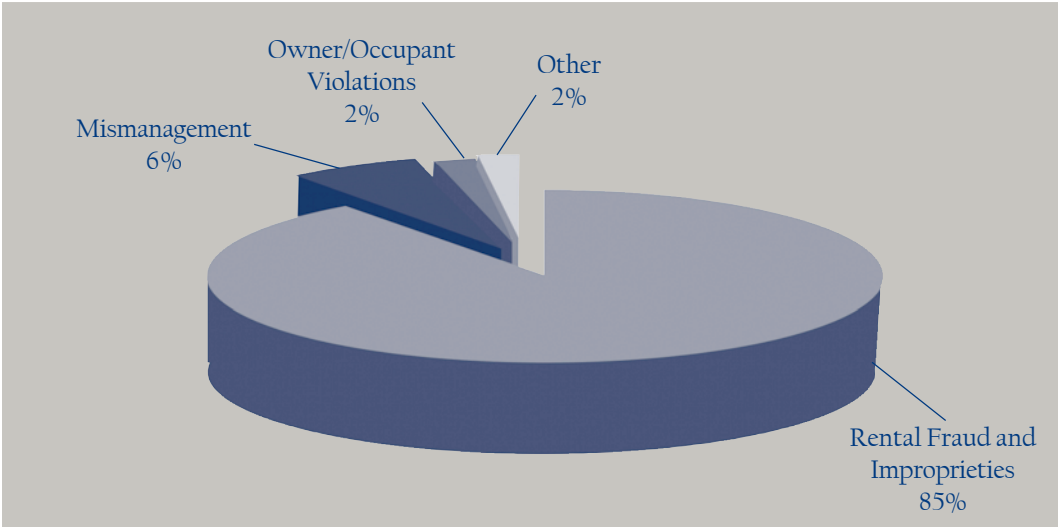


Chart 7.3: Substantiated Cases by Type of Complaint Received by Hotline



# *Chapter 7*



# *Outreach*

To foster a cooperative, informative, and mutually beneficial relationship 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) participated in numerous special outreach efforts. The outreach efforts described below complement routine coordination with Federal, State, and local law enforcement agencies; various congressional committees and subcommittees; and other OIGs.

### *Housing Outreach*

Special Agent in Charge (SAC) Barry McLaughlin hosted an Illinois Mortgage Fraud Working Group Task Force quarterly meeting in **Chicago, IL**. A representative of Freddie Mac provided an overview of its roles in mortgage fraud prevention, detection, and investigation to more than 30 mortgage regulatory and Federal, State, and local law enforcement personnel in attendance.



SAC Barry McLaughlin hosted a quarterly meeting of the Illinois Mortgage Fraud Working Group in **Chicago, IL**. A guest speaker from Neighborhood Housing Services provided information on the agency and its role in combating mortgage fraud. More than 30 individuals from the Illinois Department of Professional Regulation, Illinois Attorney General's office, U.S. Postal Inspection Service (USPIS), and Federal Bureau of Investigation (FBI) attended.



SAC Peter Emerzian, Assistant Special Agent in Charge (ASAC) Diane DeChellis, and Special Agent (SA) John Keane described HUD OIG's mission, priorities, and several HUD single-family investigations at the Connecticut Mortgage Bankers Association's annual conference in **Cromwell, CT**. More than 300 loan originators, underwriters, brokers, appraisers, and closing attorneys attended.



Acting SAC Brad Geary described rescue and foreclosure frauds and their affect on the mortgage industry, the Federal Housing Administration (FHA) insurance fund, and bankruptcy courts at a meeting held at the Northern District of Florida U. S. Attorney's Office (USAO) in **Tallahassee, FL**. Approximately 20 individuals representing the FBI, Internal Revenue Service (IRS), USPIS, and U.S. Secret Service attended.



ASAC Brad Geary provided a presentation on mortgage industry fraud to the Illinois Association of Mortgage Brokers in **St. Charles, IL**. ASAC Geary described rescue fraud, property flipping, and how straw buyers fuel fraudulent schemes. More than 50 people attended the seminar.



ASAC Rene Febles and SA Frank Aeillo presented HUD OIG's investigative process to officials and employees attending an Interstate Management Corporation (IMC) annual conference in **Chester City, PA**. SA Aeillo also provided an overview of recent HUD OIG investigations and prosecutions and hosted a question and answer forum for IMC officials. IMC, a private real estate management company, oversees HUD multifamily housing units in Pennsylvania, New Jersey, and Delaware.



ASAC Michael Powell and SA Kris Kanakares provided a real estate and mortgage loan training session at a regional meeting of Kansas City bankruptcy trustees in **Kansas City, MO**. ASAC Powell and SA Kanakares described single-family mortgage loan documentation and provided an overview of the real estate acquisition process to assist bankruptcy trustees in identifying possible mortgage fraud in bankruptcy petitions.



ASAC Ruth Valdes provided information on FHA program fraud at the State of Florida's Office of Financial Regulation annual training conference held in **Fort Lauderdale, FL**. ASAC Valdes discussed common FHA fraud schemes, including property flipping and equity skimming, and provided data on Government National Mortgage Association (GNMA) mortgage-backed securities fraud. More than 100 USAO, USPIS, and State of Florida Office of Financial Regulation investigators and/or analysts attended.



*ASAC Ruth Valdes speaking at the Office of Financial Regulation annual training conference.*



ASAC Brad Geary and a Northern District of Illinois Assistant United States Attorney (AUSA) provided a fraud presentation at a meeting of the Neighborhood Housing Services (NHS), a nonprofit organization designed to provide affordable housing for low- or moderate-income families, in **Chicago, IL**. ASAC Geary discussed bankruptcy and rescue fraud schemes, and the AUSA described methods used for fraud prosecutions. Approximately 50 loan officers, loan processors, and housing counselors attended.



ASAC George Dobrovic and SAs Patrick Jefferson and George Adams provided mortgage fraud prevention techniques and discussed current mortgage fraud schemes and investigations at a Mortgage Society of Ohio meeting held in **Independence, OH**. Approximately 25 mortgage loan professionals attended.



ASAC Brad Geary provided a mortgage fraud presentation at a "Bank Safety and Security Seminar" hosted by the Chicago Police Department in **Chicago, IL**. ASAC Geary discussed property flipping, equity theft, and rescue fraud schemes affecting the banking and mortgage industry. More than 150 detectives and financial institution loss prevention personnel attended.



ASACs Ray Espinosa and Brad Geary participated in an Illinois Mortgage Bankers Association mortgage fraud conference entitled "Solutions, Tools, and Strategies for the Mortgage Industry," in **Naperville, IL**. ASACs Espinosa and Geary provided information on rescue and foreclosure fraud and the role of gangs in mortgage fraud and identity theft, then participated in a panel discussion entitled "Mortgage Fraud Issues." More than 50 individuals attended the conference.



ASAC George Dobrovic and SA George Adams provided loan document due diligence training at Huntington National Bank in **Cleveland, OH**. Approximately 20 Huntington National Bank security employees attended.



ASAC Brad Geary provided a presentation on rescue and foreclosure fraud to U.S. Trustees attending a U.S. Department of Justice (DOJ) National Advocacy Center training seminar in **Columbia, SC**. ASAC Geary described the effects of current rescue and foreclosure frauds on the FHA insurance fund, bankruptcy court, and mortgage industry. More than 50 trial attorneys and assistant U. S. trustees attended.



Senior Forensic Auditor (SFA) Tony Putzulu and Forensic Auditor (FA) Jim Hoogioian spoke at the Western Intergovernmental Audit Forum's (WIAF) Winter 2007 Conference held in **Los Angeles, CA**. SFA Putzulu and FA Hoogioian provided an update on HUD OIG forensic auditing and discussed several housing and mortgage fraud investigations. The WIAF includes audit and accountability organizations at the Federal, State, and local levels in addition to nonprofit and private sector organizations in Arizona, California, Hawaii, Nevada, Guam, Samoa, and the Pacific Basin. Approximately 75 professionals attended the conference.





SA Heather Yannello, Auditor Patrick Anthony, and AUSA Robert Trusiak hosted a presentation entitled "Flipping and Fraudulent Flipping of Real Estate" at the Buffalo Mayor's Anti-Flipping Task Force seminar held at SUNY Erie Community College's North Campus in **Buffalo, NY**. The Mayor's Anti-Flipping Task Force was developed to curb real estate flipping and fraudulent activity in Buffalo, NY. More than 100 participants from the Western New York Bar Association, Buffalo Niagara Board of Realtors, and Appraisal Institute attended.



SAs Stan Mercer and Chumnan Jim Sangsvang Jr. attended a meeting of North Texas Housing Association members in **Denton, TX**. SAs Mercer and Sangsvang provided an overview of HUD OIG's mission and role and described housing fraud prosecutions to 15 North Texas housing authority representatives.



SA Frank Grillo participated in a panel discussion entitled "Working with Law Enforcement to Fight Mortgage Fraud" at a SourceMedia Mortgage Fraud conference held in **Las Vegas, NV**. SA Grillo discussed current mortgage fraud trends including identity theft, property flipping, equity skimming, and fraudulent appraisals. Individuals from across the country associated with the mortgage industry attended.



SA Brandon Gardner met with representatives from the USAO and various Federal law enforcement agencies in **Plano, TX**, to discuss mortgage fraud in Collin County, TX. As a result, a mortgage fraud task force, comprised of investigators from HUD OIG, the FBI, the U. S. Secret Service, the Federal Deposit Insurance Corporation (FDIC) OIG, the U.S. Department of Veteran Affairs (VA) OIG, the U.S Postal Service (USPS) OIG, and USPIS, was formed.



SAs Robert Jones, Brandon Gardner, and Stan Mercer provided identity theft and false Social Security number (SSN) mortgage fraud information and described current FHA-insured mortgage fraud schemes involving undocumented immigrants at an Eastern District of Texas Mortgage Fraud Task Force meeting in **Plano, TX**. The Eastern District of Texas Mortgage Fraud Task Force members include representatives from the Eastern District of Texas USAO, IRS, Social Security Administration (SSA) OIG, Immigration and Customs Enforcement (ICE), U.S. Secret Service, and HUD OIG.



SA Malinda Antonik provided a presentation entitled "Single Family Fraud Awareness" at a West Coast Florida Chapter of the Appraisal Institute (WCFCAI) training seminar held in **Tampa, FL**. SA Antonik supplied information on single-family fraud, the impact and consequences of loan origination and appraisal fraud, and recent

FHA reforms and mortgagee letters. Approximately 70 real estate appraisers from WCFCAI attended the seminar.



SA Carissa Barnes and Utah State Department of Insurance Fraud Division Investigators Doug LeDoux and Ken Benson presented FHA and conventional mortgage fraud information at a meeting of Utah Mortgage Lender's Association members in **Ogden, UT**. SA Barnes and Investigators LeDoux and Benson identified and explained the differences between FHA and conventional mortgage fraud investigations, provided information on recent investigations and prosecutions, and offered proactive prevention ideas and fraud reporting information for realtors and loan officers to implement in their day-to-day operations. Numerous loan officers, mortgage brokers, and real estate agents attended the presentation.



SA Scott Savedow provided FHA program fraud training at a South Florida Mortgage Fraud Task Force meeting in **Miami, FL**. SA Savedow discussed common FHA fraud schemes, to include property flipping and equity skimming, to law enforcement personnel representing the State of Florida Prosecutor Offices; the FBI; and other Federal, State, and local agencies in attendance.



SA Carissa Barnes and Utah State Department of Insurance Investigator Doug LeDoux presented FHA-insured and conventional mortgage fraud information at a Re/Max real estate sales meeting in **Salt Lake City, UT**. SA Barnes and Investigator LeDoux discussed recent fraud investigations, provided proactive prevention ideas, and described the process for reporting suspected fraud to real estate agents and loan officers attending.



SA Kimberly Studerus attended a mortgage fraud task force working group meeting comprised of representatives from the FBI, the Washington State Department of Financial Institutions and Department of Licensing, the Seattle Police Department, U.S. Attorneys, and King County prosecutors held at the King County Prosecutor's Office in **Seattle, WA**. During a round table discussion of mortgage fraud in western Washington, SA Studerus provided an overview of a current HUD OIG and FBI mortgage fraud investigations.

### *Public Housing and Rental Assistance Programs*

Bryan Saddler, Counsel to the Inspector General, and Regional Inspector General for Audit (RIGA) Heath Wolfe gave presentations at the Michigan Housing Directors Association's Winter Conference in **Houghton Lake, MI**. RIGA Wolfe presented information on OIG's common audit findings in Section 8 and public housing authority (PHA) nonprofit development audits. Counsel Saddler's presentation

covered ethics for PHA officials. There were approximately 70 PHA officials in attendance.



Deputy Assistant Inspector General for Audit (DAIGA) Robert Gwin, and Fred Smith, Assistant Regional Inspector General for Audit (ARIGA), presented a plaque signed by Inspector General Donohue to the **Denver, CO**, Housing Authority. The plaque was a special recognition award for "Superior service to the Denver community in providing low-rent affordable housing and administering the Section 8 subsidy program for low- and moderate-income people in the Denver area." Mr. Gwin presented the plaque to the Authority's board chairman. Also in attendance were the Authority's executive director and his staff.



SAC Joseph Clarke, ASAC Rene Febles, and Senior Special Agent (SSA) Daniel Ellis presented successful HUD OIG initiatives addressing violent crimes and fraud in central Pennsylvania public and assisted housing to the director of the Pennsylvania Commission on Crime and Juvenile Delinquency and Commission members in **Harrisburg, PA**. In addition, SSA Ellis discussed subsidized housing programs, public housing agencies, multifamily property owners, housing program participants' responsibilities, and recent investigations relating to HUD OIG's Fugitive Felon Initiative (FFI) and Rental Housing Income Integrity Program (RHIIP) initiative. The FFI and RHIIP initiatives in Pennsylvania are executed in conjunction with the USAO; Dauphin County District Attorney's Office; FBI; Drug Enforcement Agency (DEA); U.S. Department of Alcohol, Tobacco, Firearms, and Explosives (ATFE); Pennsylvania State Police; Harrisburg Police Department; and Dauphin County Sheriff's Criminal Investigation Division. Representatives from the Pennsylvania Attorney General's Office and State, county, and municipal law enforcement personnel attended.



SAC James Todak, ASAC Herschell Harvell, and SA John Rodriguez met with representatives from the San Diego Housing Authority, San Diego County Housing Authority, Southern District of California USAO, and San Diego District Attorney's Office and FBI personnel in **San Diego, CA**. SAC Todak presented HUD OIG's mission, goals, organizational structure, and investigative focus.



The HUD OIG Los Angeles field office conducted a PHA Section 8 investigative training seminar at a Southern California Housing Managers Association meeting hosted by the City of Long Beach Housing Authority in **Long Beach, CA**. The training was designed to give public housing caseworkers, inspectors, investigators, and other employees an overview of HUD OIG requirements for investigations and prosecutions. The training also focused on techniques for housing authority staff to use in identifying fraud during the initial phase of the Section 8 application process. SAC James Todak provided opening remarks, and RIGA Joan Hobbs discussed HUD OIG's organizational structure and mission. Additional guest speakers included HUD Los Angeles Acting



*ASAC Herschell Harvell speaking at the Southern California Housing Managers Association meeting.*



*Group photo from the Public Housing Authority Section 8 Investigative Training Seminar.*

Field Office Director Beverly Kendrick, Public Housing Director Anthony Sprowl, City of Long Beach Housing Authority Housing Bureau Manager Darnisa Tyler, and San Bernardino Housing Authority Executive Director Dan Nackerman. Training modules conducted during the seminar were developed and presented by Los Angeles HUD OIG ASAC Herschell Harvell and SAs Herminia Neblina, David Carter, John Rodriguez, Mary Jo Stauner, Matthew Gideon, Ira Long, and Vicky Lawson. Department of Homeland Security, ICE SA Bruce Kamei provided fraudulent document training. A question and answer forum concluded the seminar attended by approximately 103 Southern California housing authority executive directors, attorneys, caseworkers, inspectors, housing specialists, and investigators.



RIGA Joan Hobbs participated in the Fall Regional National Association of Housing and Redevelopment Officials (NAHRO) conference held in Tucson, AZ. RIGA Hobbs spoke on a panel with Stephen Schneller, Director of Public Housing, Region IX. The topic of the session was "Fraud Detection: Saving Public Dollars and Preserving Our Assets," and it was attended by housing authority boards of commissioners. One area of discussion involved ways in which the board can detect fraud without being involved in the day-to-day activities of the housing authority.



ASAC Tony Meeks and SAs Neil McMullen and Rene Bardales conducted a fraud awareness and investigation training session for approximately 20 Inglewood Housing Authority staff members in Inglewood, CA. ASAC Meeks described HUD OIG's mission, role, and function; and SA McMullen provided information on all facets of rental assistance violations and explained methods used to detect and prevent housing assistance fraud.



ASAC Herschell Harvell and SA Herminia Neblina met with Bakersfield/Kern County Housing Authority (B/KCHA) management staff and representatives from the Kern County District Attorney's office in Bakersfield, CA. ASAC Harvell discussed HUD OIG's mission, goals, and resources available to confront housing assistance fraud. The B/KCHA executive director and chief investigator expressed their commitment to working with HUD OIG in resolving housing assistance and other fraud issues affecting their organization. ASAC Harvell and SA Neblina toured all B/KCHA public housing developments and Sections 8 complexes.



ASAC Lori Chan and ARIGA Helen Sparks presented an overview of HUD OIG at a Northern California/Nevada Executive Directors Association (NCNEDA) quarterly meeting held in San Francisco, CA. In addition, ASAC Chan provided information on current housing authority fraud and other investigations and initiatives, and ARIGA Sparks described auditors' roles and audit procedures during housing authority audits. ASAC Chan and ARIGA Sparks held a brief question and answer forum following their presentations for approximately 25 individuals representing various housing authorities.



ASACs Ray Espinosa and Brad Geary provided fraud in assisted housing training sessions for both Chicago Housing Authority (CHA) and Cook County Housing Authority (CCHA) personnel in Chicago, IL. Topics included current fraud schemes, "red flag" indicators, investigations, recommendations, and the roles of both OIG and housing providers. More than 100 CHA and CCHA supervisors, inspectors, and caseworkers attended.



ASAC Kathleen Hatcher and SAs Charles Cherry, Linda Cisco, and Daniel Harding attended the Maryland NAHRO fall conference in Hagerstown, MD. SAs Cherry, Cisco, and Harding explained HUD OIG's authority, mission, and role; provided information on detecting, preventing, and reporting public housing fraud; described specific public housing investigations; and hosted a question and answer forum. More than 70 Maryland public housing authority representatives attended.



ASAC Herschell Harvell and SA Vicky Lawson discussed HUD OIG's mission and organizational structure, the investigative process and fraud complaint procedures, and housing assistance applications and "red flag" indicators and identified the benefits of developing a partnership at a Culver City Housing Authority staff meeting in Culver City, CA. ASAC Harvell and SA Lawson also hosted a question and answer forum for approximately 12 housing inspectors, caseworkers, and supervisors in attendance.



ARIGA Narcell Stamps participated with Region IV's Deputy Regional Director and Regional Counsel in presenting a training session to about 90 attendees at the national NAHRO conference held in Atlanta, GA. The presentation covered ethical issues in public housing with focus on nonprofit housing development corporations.



SA Louis J. Mancini, Jr., provided an overview of HUD's public housing programs and HUD OIG's role in public housing fraud at a Monroe County investigators meeting held in Tannersville, PA. In addition, SA Mancini described subsidized housing tenant/landlord schemes, provided examples of recent prosecutions, and hosted a question and answer forum. Investigators in attendance included members of the Pennsylvania State Police, Stroud Regional Police Department, Pocono Township Police Department, and the Monroe County District Attorney's office.



SAs James Waldron, Michael Catinella, and Matt Nutt presented fraud in HUD-assisted housing training at a Michigan State Housing Development Authority meeting in Detroit, MI. Approximately 45 managers, investigators, and other staff attended.



SA Daniel Harding attended a Madison Park and Reservoir Hill Community meeting in Baltimore, MD, to discuss illegal drug activities and the increase of violence in the area. Baltimore City Police Department Sergeant Edward Martini provided crime statistics deriving from Madison Park Apartments, a HUD-subsidized multifamily complex, and SA Harding joined Sergeant Martini in discussing current efforts to identify violent criminal offenders and those responsible for housing assistance fraud. Baltimore City Police Department personnel and members of local churches and neighborhood associations attended.



SA Anthony Troeger provided information on HUD OIG and housing assistance investigations conducted jointly with varied social service departments at a North Carolina Program Integrity Investigators meeting held in Greensboro, NC. In addition, SA Troeger discussed housing assistance, child care, and food stamp fraud issues appearing in current investigations; provided certification and advisement samples used to deter housing and welfare fraud; and supplied HUD OIG SA and Hotline personnel contact information. More than 30 social service and State program fraud investigators attended.



SA Neil McMullen conducted fraud awareness and investigation training for approximately 15 Pasadena Housing Authority staff members in Pasadena, CA. SA McMullen provided information on all facets of rental assistance violations and described steps to detect and prevent housing assistance fraud. At the conclusion of training, and

in an effort to limit criminal activity and assist HUD OIG in prosecuting violations, the Pasadena Housing Authority agreed to revamp and expand its housing assistance certification forms.



SA Cortez Richardson met with Tulsa Housing Authority employees in **Tulsa, OK**. SA Richardson explained the function of HUD OIG as it relates to housing authorities and encouraged a working relationship with the HUD OIG Oklahoma field office to address suspected housing authority fraud.



SA Anthony Troeger described recent housing assistance, child care, and food stamp fraud investigations conducted jointly with various social service departments at a North Carolina Program Integrity Investigators Region III network meeting in **Durham, NC**. In addition, SA Troeger offered suggestions to improve applicant certifications and advisements and provided contact information for HUD OIG's fraud Hotline and North Carolina SAs. More than 20 program integrity investigators from numerous North Carolina counties attended.



SA Alexander Rosania provided an overview of HUD OIG's mission/priorities and described successful public and Indian housing fraud investigations at a monthly meeting of the Section 8 Managers Association held at the Johnston, Rhode Island, Housing Authority in **Johnston, RI**. Approximately 26 individuals representing all Rhode Island public housing authorities attended.



SA Anthony Troeger provided information on HUD OIG, housing assistance fraud, and housing authority corruption at a North Carolina Housing Authority Director's Association conference in **Greensboro, NC**. SA Troeger also described tenant fraud investigations and housing authority employee conduct leading to public corruption investigations, provided contact information for HUD OIG's SAs and Hotline personnel, and hosted a question and answer forum for more than 100 North Carolina PHA executive directors and managers in attendance.



SA Jorge Reyes, Jr., presented a general overview of HUD OIG's mission and role in detecting, investigating, and preventing fraud, waste, and abuse to employees of the Beaumont Housing Authority (BHA) in **Beaumont, TX**. SA Reyes described how to identify, investigate, and prosecute fraud cases and provided proactive prevention ideas for BHA personnel to implement in their day-to-day operations and contacts with program participants.



SA Brian Rymill provided information on HUD OIG, housing assistance fraud, and housing authority corruption at a meeting of PHA and Department of Social Services (DSS) investigators and management personnel in **Charlotte, NC**. SA Rymill described successful tenant fraud investigations in North Carolina and the importance of PHA tenant file documents, explained the potential success from a partnership between PHA/DSS investigators and HUD OIG, and provided contact information for HUD OIG SA and Hotline personnel. More than 45 PHA/DSS fraud investigators and DSS management personnel from the western counties of North Carolina attended.



SA Nicholas Fasciglione met with Randy Thomason, the executive director of Shawnee Housing Authority (SHA), and Melissa Terrell, the director of SHA housing operations in **Shawnee, OK**. SA Fasciglione provided an overview of HUD OIG, housing assistance fraud, and the avenues available when reporting alleged violations.



SA Edward Redmond provided information on HUD rental assistance fraud investigations to approximately 20 New Hampshire housing authority managers attending a meeting at the University of New Hampshire, in **Durham, NH**.



SA Charles Grace conducted a fraud awareness briefing and training session for Portland Housing Authority (PHA) Section 8 staff members in **Portland, OR**. SA Grace explained rental assistance violations and described steps in detecting and preventing housing assistance fraud, while a PHA fraud investigator and Multnomah County deputy prosecuting attorney conveyed requirements necessary for successful investigations and prosecutions.

### *Community Planning and Development*

SAC James Todak, RIGA Joan Hobbs, and ASAC Herschell Harvell met with Los Angeles HUD Office of Community Planning and Development (CPD) Director William Vasquez and his staff to explore strategies for building a collaborative relationship and identifying CPD cases involving fraud in **Los Angeles, CA**. Director Vasquez discussed



*SAC James Todak and RIGA Joan Hobbs exploring strategies for building a collaborative relationship and identifying CPD cases involving fraud in Los Angeles, CA*



the CPD process as well as staff responsibilities and interaction with grantees. SAC Todak and RIGA Hobbs presented HUD OIG's role and mission, and SAC Todak emphasized HUD OIG's willingness to work with CPD staff in identifying those who defraud HUD. In addition, CPD staff and HUD OIG discussed solutions to various issues and building a cohesive relationship to further the mission of both entities and committed to providing assistance in identifying potential CPD fraudulent activities. Approximately 20 CPD staff members attended the meeting.



RIGA Heath Wolfe and SAC Barry McLaughlin made a presentation to 170 members of the Michigan Community Development Association at its annual conference held in **Lansing, MI**. Discussed at the conference was the OIG mission, role, and priorities; the Office of Audit and common audit findings; and the Office of Investigation and "red-flags" of fraud.



ASACs Brad Geary and Ray Espinosa provided a fraud presentation to HUD's CPD staff in **Chicago, IL**. ASACs Geary and Espinosa discussed common OIG misconceptions, "red flag" fraud indicators, and the process for fraud referrals before describing the investigative process and providing an illustration of a CPD investigative prosecution. Approximately 20 HUD employees attended the presentation.



ASAC Lori Chan presented an overview of HUD OIG and provided information on detecting and reporting fraud at a HUD CPD training session entitled "Homelessness 101 Training" in **San Francisco, CA**. Approximately 85 individuals representing nonprofit organizations and county governments attended the HUD-sponsored training.



SA Michele Simpson and Auditor Jacob Williams provided an overview of HUD OIG's mission and role in detecting, investigating, and preventing waste, fraud, and abuse in HUD's Community Development Block Grant (CDBG) programs at a CPD roundtable discussion held at the HUD office in **Houston, TX**. The CPD roundtable discussion provided HUD entitlement grantees and nonprofit subgrantees an overview of HUD programs and CPD services. Approximately 80 people attended the event.



SA Malinda Antonik was a guest speaker at the 2007 CDBG Disaster Implementation Workshop presented by the Florida Department of Community Affairs, CDBG Disaster Recovery Unit, in **Miami, FL**. The workshop provided detailed information on CDBG grants provided to the State of Florida to assist distressed areas recovering from Hurricanes Katrina and Wilma. SA Antonik provided general

information on HUD programs and HUD OIG oversight, along with specific information on criminal violations, investigations, partnerships with other law enforcement agencies, and avenues for reporting suspected fraud. Approximately 90 Florida State, county, and local government grantees attended.

*Outreach to Law Enforcement Partners*

SAC Peter Emerzian; ASAC Diane DeChellis; and SAs John Keaney, Samuel Ortiz-Diaz, and Bozena Schrank provided information on HUD programs vulnerable to fraud and corruption at a Housing Corruption Task Force (HCTF) meeting hosted by Connecticut U.S. Attorney Kevin O'Connor in New Haven, CT. The HCTF was initiated in response to a series of high-profile public corruption investigations involving HUD-funded entities in Connecticut and targets public corruption involving State and local agencies funded by HUD. Connecticut U.S. Attorney O'Connor; several AUSAs; and Federal, State, and local law enforcement officials attended.



SAC Daniel Salas presented HUD OIG's investigative priorities, described successful fraud investigations and prosecutions, and expressed his gratitude for law enforcement supportive efforts at a meeting held in Irving, TX. Approximately 30 Federal law enforcement SACs and prosecutors from the Northern and Eastern Districts of Texas attended.



SAC James Todak met with San Luis Obispo Sheriff Patrick Hedges, San Luis Obispo Police Department Chief Deborah Linden, District Attorney Gerald Shea, and approximately 20 local law enforcement supervisors and officials from San Luis Obispo universities and State correctional facilities in San Luis Obispo, CA. SAC Todak discussed jurisdictional authority and HUD OIG investigative trends and priorities for fiscal year (FY) 2007.



SAC Phyllis Grissom-Robinson and SA Melissa McFadden hosted a Western District of Missouri and District of Kansas Suspicious Activity Report (SAR) Review Team monthly meeting in Kansas City, KS. The review team evaluates SARs filed by financial institutions and coordinates joint investigations resulting from significant information. Those in attendance included AUSAs from both the Western District of Missouri and the District of Kansas.



SAC James Todak met with McGregor W. Scott, U.S. Attorney for the Eastern District of California, and approximately 20 OIG agency supervisors in Sacramento, CA. SAC Todak discussed current HUD OIG regional investigative trends in addition to FY 2007 investigative priorities. SAC Todak expressed his gratitude to U.S.

Attorney Scott for providing prosecutive support on recent hurricane Relief-related fraud investigations.



SAC Barry McLaughlin, Chairman of the Midwest Regional Inspector General Council (MRIGC), hosted a semiannual MRIGC meeting in **Chicago, IL**. During the meeting, MRIGC SACs discussed criminal justice issues within their jurisdictional areas, and a Northern District of Illinois AUSA provided current DOJ goals and initiatives.



RIGA John Buck and SAC Joseph Clarke participated in a meeting of the **Philadelphia, PA**, Regional Task Force on Procurement/Grant Fraud. The Task Force is part of a National Procurement Fraud Task Force established by DOJ to attack fraud in government procurements and grant programs. As Philadelphia is home to many government agencies and their regional offices, DOJ formed the Task Force to advance its national effort. Numerous other investigative agencies, regional inspectors general, and AUSAs were also in attendance to exchange ideas and best practices. The goals of the Task Force include strategizing about areas of potential fraud, identifying viable matters for investigation and prosecution, cooperating and deploying resources as intelligently as possible, developing strategies to streamline investigations and reach just results, and enhancing these efforts with needed training.



ASAC Nadine Gurley and Acting SAC Brad Geary attended a Procurement Fraud Working Group meeting sponsored by the Northern District of Georgia USAO in **Atlanta, GA**. ASAC Gurley and Acting SAC Geary provided brief presentations on the role of HUD OIG and how HUD funds are misused in procurement fraud schemes. ASAC Gurley agreed to serve on a "How to Detect Fraud" subcommittee with Department of Defense (DoD) OIG and FBI personnel. Representatives from more than 17 Federal law enforcement and prosecutor offices attended.



ASACs Brad Geary and Ray Espinosa provided a fraud presentation for approximately 20 financial analysts and FBI special agents in **Chicago, IL**. ASACs Geary and Espinosa described single-family fraud "red flag" indicators, subsidized housing landlord/tenant schemes, and recent prosecutions.



SA Nancy Valencic provided an overview of HUD OIG's mission and explained the FFI at a Regional Organized Crimes Enforcement Center training conference held in **Houston, TX**. More than 400 representatives of various State, local, and Federal law enforcement agencies attended.



SAs Cortez Richardson and Nicholas Fasciglione and Senior Auditor Tamara Wallinger met with AUSA Phil Pinnell, Affirmative Civil Enforcement Coordinator for the Northern District of Oklahoma, in **Tulsa, OK**. SAs Richardson and Fasciglione discussed various types of criminal cases, and Senior Auditor Wallinger provided information relating to possible civil actions. AUSA Pinnell expressed an interest in civil prosecution of HUD OIG cases.



SA Chumnan Sangsvang, Jr., provided HUD OIG's mission and role at a meeting with representatives from the Texas Department of Health and Human Services (HHS) Office of Inspector General in **Fort Worth, TX**. In addition, SA Sangsvang explained HUD OIG's role in public and assisted housing and agreed to corroborate investigative efforts.



SA Kimberly Studerus participated in a fraud investigators working group meeting held at the Federal Way Police Department in **Federal Way, WA**. SA Studerus discussed fraud trends and possible HUD OIG partnerships with Federal Way Police Department, Pierce County Sheriff's Office, DEA, Washington State HHS, Seattle Housing Authority, King County Housing Authority, and Snohomish County Housing Authority investigators and other law enforcement personnel in attendance.



SAs Charles Grace and Kimberly Studerus presented HUD OIG's mission and function to members of the Lakewood Police Department in **Lakewood, WA**. In addition, SAs Grace and Studerus provided information on HUD rental assistance fraud and a listing of public housing developments within the Lakewood jurisdiction and described avenues available for help in maintaining the integrity of HUD rental assistance programs.



SA Jorge Reyes, Jr., provided an overview of HUD OIG's mission, structure, and role in safeguarding HUD's rental assistance program to members of Richmond Police Department and Fort Bend County Sheriff's Office in **Richmond, TX**. SA Reyes also discussed HUD OIG's investigative process and Section 8 tenant fraud before proposing a joint Section 8 fraud initiative. Approximately 10 individuals attended the meeting.



Cliff Cole, Computer Audit Specialist (CAS) for the Information Systems Audits Division, wrote an excellent article on OIG's data mining initiatives entitled "Digging for the Gold" that was published in the Fall/Winter 2006-2007 issue of *The Journal of Public Inquiry*. 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 USPS employees who may have falsely reported their incomes in order to receive HUD-funded housing assistance. Also in 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>.

## *Outreach to HUD Staff and Others*

During the week February 26 through March 2, Inspector General Kenneth Donohue, SAC James Todak, and RIGA Joan Hobbs visited the **Honolulu, HI**, field office and briefed HUD staff (approximately 25 people) on the mission and organization of OIG. Meetings were also held with the FBI, USAO, Hawaiian Home Lands Staff, City Auditor, State Welfare Investigators, State Procurement Officer, and HHS OIG. In addition, RIGA Hobbs briefed about 15 CPD grantees on the OIG mission and organization and discussed the areas in which the Office of Audit has found problems in CPD grant activity in recent audits.



SAC Rene Febles and SA Joseph Bredehoft were invited guests at an "Ethics in Government" symposium held at Monmouth University in **West Long Branch, NJ**. This symposium addressed methods and strategies used to prevent, detect, and punish official misconduct and public corruption while maintaining an honest and accountable government at municipal, county, and State levels. SAC Febles and SA Bredehoft discussed HUD OIG's role, and Inspector General Donohue's commitment to investigating public corruption at the municipal, county, State, and Federal levels. State Attorney General Stuart Rabner was keynote speaker, and other attendees included State legislators, senators, freeholders, mayors, and council members and Monmouth County Federal, State, and local law enforcement personnel.



RIGA Ron Hosking, ARIGAs Carrie Gray and Kim Randall, and CAS Glenn Brock met with Susan Montee, State Auditor of the State of Missouri, and her Director of Audit in **Jefferson City, MO**. The purpose of the meeting was to explain the role of OIG, develop lines of communication, and discuss joint audits each agency has conducted in the past and how the two agencies might work together in the future. The RIGA and ARIGAs talked about mission and staffing; audit planning, selection, and reporting; and the success of prior joint efforts with the City Auditor of Kansas City, MO. CAS Brock briefly talked about the Information Systems Audit Division and described the CAS role, history, and some details of the data retrieval and analysis work conducted. He also talked about OIG's successes in working with the State of Missouri, which include data matching that the Division of Employment Security performed for the income analysis of subsidized housing tenants and data supplied by the Missouri Housing Development Commission for audit work on multifamily projects. The door was opened for possible joint efforts in the future regarding CDBG and HOME Investment Partnerships Program funds and cooperation between the offices in referring audit leads to each other.



RIGA John Dvorak, ARIGA Kevin Smullen, and ASAC Diane DeChellis met with the State Auditors from Maine on October 25 in **Bangor, ME**. The objectives of this meeting were to explain the role of HUD OIG, develop lines of communication, and provide information on the organizational structure and functions of the Offices of Audit and Investigation. The top management challenges were also discussed, and recent relevant HUD OIG audit and investigation results were shared. Additionally, the State Auditor was provided the OIG's Web site address for OIG external audit reports and other information. The State Auditors shared information regarding responsibilities of their offices and the types of audits conducted by their offices. In addition, they expressed interest in several OIG audits that involved overlapping HUD- and State-funded programs. This outreach effort provided the opportunity to explore the possibility of leveraging resources and sharing information between organizations.



RIGA Joan Hobbs, Regions IX and X, spoke before a group of Region X supervisors in the **Seattle, WA**, Regional Office on the topic "Supervising and Managing Staff in Remote Locations." There were 14 supervisors in attendance.



ASAC Timothy Mowery and SA Brian Rymill attended an annual law enforcement breakfast meeting sponsored by the Middle District of North Carolina USAO in **High Point, NC**. ASAC Mowery described HUD OIG's mission, expressed HUD OIG's appreciation to the USAO staff for their continued support, and provided contact information for the Greensboro HUD OIG office. More than 50 individuals representing 17 Federal law enforcement and prosecutorial offices throughout North Carolina attended.



ARIGA Charles Johnson presented the **Phoenix, AZ**, HUD program office staff with an overview of HUD OIG audit operations. This included information relating to the Office of Audit's authority and organizational structure, its relationship with the OIG Office of Investigation, the audit process, the audit reporting process, and the audit resolution process. Information relating to one ongoing audit was also provided, including why the auditee was selected for review, the audit objective, a brief overview of the work conducted as part of the audit, and a summary of the audit results. About 50 HUD program staff members attended the presentation.



ARIGA Michael Motulski and Senior Auditor Lloyd Currie spoke at the Association of Certified Fraud Examiners - Rhode Island Chapter 33 in **Warwick, RI**, on the topic "Procurement Fraud." The issues discussed included pricing proposal audits, incurred cost audits, and schemes by contractors on cost-type contracts to fraudulently inflate the cost of labor or materials. Also discussed was defective pricing (postcontract award reviews), which occurs when a contractor does not submit or disclose cost or pricing data to the government that is current, accurate, and complete

before reaching an agreement on the price on the negotiated sole source procurements. The final topic was the False Claims Act and remedies available for recovery. The conference was attended by just under 70 professionals comprised of certified fraud examiners, other antifraud specialists, internal and independent auditors, forensic accountants, lawyers and law enforcement personnel, detectives and private investigators, educators, and other professionals seeking knowledge of fraud in the procurement process.



*ARIGAMichael Motulski and Senior Auditor Lloyd Currie  
at the Association of Certified Fraud Examiners.*







## *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 99 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 FY 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

- Eliminate 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 March 15, 2007, the Inspector General testified on the modernization proposal before the United States Senate, Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. 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 Downpayment:** FHA has experienced higher default and claim rates on seller-funded nonprofit downpayment assisted loans. These loans are effectively zero downpayment loans (100 percent loan -to value), and as reported by the General Accountability Office (GAO), the probability of such loans resulting in an insurance claim was 76 percent higher than 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.

## Proposed Rules

### *Seller-Funded Downpayment Assistance*

OIG continues to express concerns that seller-funded nonprofit downpayment assistance providers 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 GAO. FHA was not responsive to GAO's and OIG's concerns even after the Internal Revenue Service (IRS) issued a revenue ruling 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 proposed 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. OIG concurs with the proposed rule which was published in the *Federal Register* on May 11, 2007.

### *Condominiums*

OIG objected to a proposed rule related to condominiums in Puerto Rico. OIG was concerned that the rule would preclude HUD from foreclosing on the properties. OIG lifted its nonoccurrence after HUD provided evidence that the proposed rule would not prevent HUD from foreclosing on the properties.

## Proposed Notices

### *Relocation Assistance*

HUD's Office of Community Planning and Development (CPD) proposed a notice pertaining to relocation assistance under section 104(d) of the Housing and Community Development Act of 1974. OIG objected to the proposed notice and continues to await HUD's revised proposal.

## *Waivers*

Notices Waivers for the State of Louisiana Community Development Block Grant (CDBG) Disaster Recovery Grant. OIG objected to HUD's proposed notice because the notice failed to include a provision in the public law. OIG continues to await HUD's revised proposal.



## *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 March 31, 2007."

### *Audit Reports Issued before Start of Period with No Management Decision as of March 31, 2007*

#### Office of Housing, Washington, DC

*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. However, the Office of Housing did not submit its plan to implement the Deputy Secretary's directive until March 30, 2007. OIG determined the proposed plan did not meet the Deputy Secretary's instructions. The Office of Housing's proposal does not provide for the development of procedures to take appropriate actions for all claims with inadequate documentation and essentially renders the recommendations ineffective. The recommendations remain open 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

## Office of Housing, Washington D.C.

*Issued June 14, 2006.* While HUD's system controls were effective in preventing most lenders from originating Federal Housing Administration (FHA) mortgage loans in areas where their approval had been Credit Watch-terminated, some lenders were still able to originate loans while they were terminated. As a result, in a 3-year period, HUD inappropriately insured 58 loans totaling \$6.2 million.

These loans were approved and endorsed for FHA insurance because the Office of Housing modified the programming of its automated systems to accommodate two changes to its loan approval policies. It changed its system business rules to allow a lender to originate streamline refinanced loans in any jurisdiction rather than limiting the lender to the specific HUD-approved area. A similar change was made for loans originated through a principal agent. These changes eliminated the system controls that prevented a Credit Watch-terminated lender from originating loans in the jurisdiction barred by the Office of Housing. The Office of Housing said that it would be cost prohibitive to modify the system so that the Credit Watch termination controls worked 100 percent of the time.

OIG recommended that HUD take appropriate administrative action against the lenders for the loans they were not authorized to originate. This action included requiring the lenders to indemnify HUD against future losses on 47 active loans with original mortgage amounts totaling about \$4.7 million, obtaining reimbursement from lenders for claims paid and losses incurred on four loans anticipated to be about \$164,000, and/or referring the lenders to the Mortgagee Review Board. No action was recommended for seven loans that were subsequently paid off.

The Office of Housing disagreed with the recommendation. It determined that the loans were originated under business rules established by the Department, paid in full, or originated during the update of its data system. It maintained that it could not take administrative action against the lenders because the issue raised in the report is not fully addressed in any of FHA's regulations, policies, handbooks, or mortgagee letters. However, it did agree to add language to its termination letter to address the issues raised in the audit.

OIG forwarded the disagreed-upon matters to the Deputy Secretary of Housing for resolution. The Deputy Secretary agreed with the Office of Housing's position. OIG disagrees with this determination and stands by the conclusion that HUD should hold the lenders accountable for the ineligible FHA loan originations. (Report No. 2006-KC-0002).

# Federal Financial Management Improvement Act of 1996

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 41 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

## *12 Audit Reports*

### **Chief Financial Officer (1 Report)**

2007-FO-0003 Additional Details to Supplement Our Report on HUD's FY 2006 and 2005 Financial Statements, 11/14/2006. Better Use: \$558,300,000.

### **Chief Information Officer (3 Reports)**

2007-DP-0001 Review of HUD Firewall Implementation, 10/11/2006.

2007-DP-0002 Review of HUD's Information Technology Services Contracts, 01/18/2007. Better Use: \$5,582,000.

2007-DP-0004 FY 2006 Review of Information Systems Controls in Support of the Financial Statements Audit, 02/22/2007.

### **Chief Procurement Officer (1 Report)**

2007-DP-0003 Review of HUD's Procurement Systems, 01/25/2007.

### **Community Planning and Development (1 Report)**

2007-BO-0001 The Hartford CPD Did Not Always Adequately Monitor CDBG Program Participants or Follow HUD Requirements, 02/12/2007.

### **Government National Mortgage Association (1 Report)**

2007-FO-0001 Audit of the GNMA's (Ginnie Mae) Financial Statements for FY 2006 and 2005, 11/07/2006.

### **Housing (4 Reports)**

2007-FO-0002 Audit of the FHA's Financial Statements for FY 2006 and 2005, 11/08/2006. Better Use: \$107,176,596.

2007-KC-0001 HUD Adequately Addressed the Increased Risk Associated with 20-year Loans Approved by Automated Underwriting Systems, 01/26/2007.

2007-KC-0002 HUD Can Improve Its Use of Residual Receipts to Reduce Housing Assistance Payments, 01/29/2007. Better Use: \$36,692,718.

2007-PH-0001 HUD Controls Prevented Multiple Sales to Owner-Occupant Purchasers but Did Not Ensure That Owners Occupied Residences as Required, 01/12/2007.

### **Public and Indian Housing (1 Report)**

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. Better Use: \$13,500,000.

## **Audit-Related Memoranda<sup>1</sup>**

### **Public and Indian Housing (1 Report)**

2007-LA-0801 Corrective Action Verification of Seattle Housing Authority's MTW Program Audit Report 2004-SE-1004, Seattle, WA, 11/16/2006.

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<sup>1</sup>The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government audit standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, to report results, or to report the results of civil actions or settlements.

# External Reports

## 46 Audit Reports

### Community Planning and Development (9 Reports)

- 2007-AT-1003 Gwinnett County Subrecipients Did Not Provide Funds Required by Their Contracts, Lawrenceville, GA, 01/31/2007. Better Use: \$278,418.
- 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. Questioned: \$1,388,600; Unsupported: \$1,105,960; Better Use: \$534,066.
- 2007-DE-1001 The City and County of Denver, CO, Did Not Comply with HOME Investment Partnerships Program Requirements, Denver, CO, 10/18/2006. Better Use: \$722,000.
- 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. Questioned: \$1,716,840; Unsupported: \$1,716,840; Better Use: \$1,662,210.
- 2007-KC-1005 The State of Nebraska Did Not Close HOME Projects in a Timely Manner, Lincoln, NE, 03/13/2007.
- 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. Questioned: \$1,185,740; Unsupported: \$1,185,740; Better Use: \$636,916.
- 2007-NY-1002 The City of Amsterdam Needs to Make Improvements in Administering Its Section 108 Loan Guarantee Program, Amsterdam, NY, 12/20/2006. Questioned: \$535,000; Unsupported: \$535,000.
- 2007-PH-1004 The City of Baltimore Generally Administered Uses of Block Grant Funds Reviewed in Accordance with Applicable Requirements, Baltimore, MD, 12/20/2006.
- 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. Questioned: \$186,990; Unsupported: \$68,783.

### Housing (10 Reports)

- 2007-AT-1002 Pine State Mortgage Company Did Not Always Comply with FHA Underwriting and Quality Control Requirements, Atlanta, GA, 11/03/2006. Questioned: \$151,687; Unsupported: \$85,262; Better Use: \$713,495.
- 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. Questioned: \$5,850; Better Use: \$49,416.
- 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. Questioned: \$37,634.
- 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. Questioned: \$219,229; Unsupported: \$20,457; Better Use: \$141,774.

- 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. Questioned: \$34,649; Unsupported: \$26,568.
- 2007-KC-1002 Manufactured Home Lending by Wells Fargo Home Mortgage, West Des Moines, IA, 10/25/2006. Questioned: \$64,612.
- 2007-KC-1003 PlainsCapital McAfee Mortgage Did Not Follow HUD Underwriting Requirements and Originated Loans from Unregistered Branch Offices, Lubbock, TX, 11/06/2006. Questioned: \$82,604; Better Use: \$215,954.
- 2007-LA-1001 The Associates Group Pioneer Pines Park Did Not Follow the Provisions of the Regulatory Agreement, Bakersfield, CA, 10/20/2006. Questioned: \$160,564; Unsupported: \$133,049; Better Use: \$195,202.
- 2007-LA-1002 First Magnus Financial Corporation Did Not Comply with HUD Guidelines When Operating and Managing Net Branches, Scottsdale, AZ, 12/12/2006.
- 2007-NY-1003 Peregrine Health Management Company Used Project Funds for Ineligible, Unsupported, and/or Unnecessary Costs, Syracuse, NY, 03/12/2007. Questioned: \$161,984; Unsupported: \$2,109; Better Use: \$126,922.

#### Public and Indian Housing (27 Reports)

- 2007-AT-1001 The Housing Authority of the Birmingham, AL District Did Not Ensure That Section 8 Units Were Decent, Safe, and Sanitary, Birmingham, AL, 10/25/2006. Better Use: \$10,428,048.
- 2007-AT-1004 The Wilmington Housing Authority Needs to Improve Internal Controls Over Its Program, Wilmington, NC, 03/09/2007. Questioned: \$1,632,505; Unsupported: \$887,589; Better Use: \$563,908.
- 2007-AT-1005 The Puerto Rico Department of Housing Did Not Effectively Administer Its Section 8 Housing Program, San Juan, PR, 03/29/2007. Questioned: \$5,451; Better Use: \$2,616,124.
- 2007-BO-1001 Lynn Housing Authority & Neighborhood Development Generally Administered its Section 8 Voucher Program in Accordance with HUD Requirements, Lynn, MA, 11/03/2006.
- 2007-CH-1001 The Marion Housing Authority Improperly Used HUD Funds for Nonprofit Development Activities, Marion, IN, 12/13/2006. Questioned: \$225,303; Unsupported: \$25,033.
- 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. Questioned: \$278,669; Unsupported: \$234,716; Better Use: \$527,731.
- 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. Questioned: \$76,550; Unsupported: \$20,716; Better Use: \$1,576,512.
- 2007-CH-1004 The Columbus Metropolitan Housing Authority Failed to Adequately Operate Its Section 8 Housing Choice Voucher Program, Columbus, OH, 03/15/2007. Questioned: \$1,971,984; Unsupported: \$886,763; Better Use: \$196,611.

2007-CH-1005	The Housing Authority of the City of Gary Lacked Adequate Controls over Refunding Savings, Gary, IN, 03/23/2007. Questioned: \$913,365; Unsupported: \$913,365; Better Use: \$1,054,990.
2007-DE-1002	The Lusk Housing Authority Improperly Awarded Its Administration and Management Contract, Lusk, WY, 02/27/2007.
2007-DE-1003	The Buffalo Housing Authority Improperly Awarded Its Administration and Management Contract, Buffalo, WY, 02/27/2007.
2007-DE-1004	The Cheyenne Housing Authority Improperly Awarded Its Administration and Management Contract, Cheyenne, WY, 03/05/2007.
2007-FW-1001	Lubbock Housing Authority's Lack of Management Controls Resulted in Section 8 Units Not Meeting Housing Quality Standards, Lubbock, TX, 10/16/2006. Better Use: \$1,205,989.
2007-FW-1002	The Lubbock Housing Authority Inappropriately Advanced Federal Funds to Support Its Nonprofit Entities, Lubbock, TX, 11/28/2006. Questioned: \$672,395.
2007-FW-1003	The Lubbock Housing Authority's Lack of Management Controls Resulted in Overhoused Tenants and Miscalculated Assistance Payments, Lubbock, TX, 11/28/2006. Questioned: \$15,096; Better Use: \$2,479.
2007-FW-1004	Oklahoma City Housing Authority Generally Complied with HUD's Standards, Oklahoma City, OK, 12/08/2006.
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. Questioned: \$107,658; Better Use: \$166,828.
2007-FW-1007	The Jacksonville Housing Authority Mismanaged Public Housing Capital Fund Program Funding, Jacksonville, AR, 03/30/2007. Questioned: \$164,203; Unsupported: \$164,203; Better Use: \$281,462.
2007-KC-1004	The Housing Authority of East St. Louis Improperly Used Public Housing Funds, East St. Louis, IL, 01/12/2007. Questioned: \$177,029; Better Use: \$58,285.
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. Questioned: \$165,892; Unsupported: \$82,659.
2007-LA-1005	Oakland Housing Authority Did Not Comply with Procurement and Contracting Requirements, Oakland, CA, 02/14/2007. Questioned: \$2,370,531; Unsupported: \$2,370,531.
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. Questioned: \$1,379,992; Unsupported: \$4,827.
2007-NY-1001	Utica Municipal Housing Authority Needs to Make Improvements in Administering Its Hope VI Revitalization Program, Utica, NY, 11/02/2006. Questioned: \$318,533; Unsupported: \$316,598; Better Use: \$7,540,777.
2007-PH-1001	The Housing Authority of the County of Beaver Needed to Improve Controls over HUD Assets, Beaver, PA, 10/31/2006. Questioned: \$339,493; Unsupported: \$292,576; Better Use: \$161,927.

- 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. Questioned: \$1,713,659; Unsupported: \$1,095,039; Better Use: \$1,615,730.
- 2007-PH-1003 The Housing Authority of the City of Weirton Needed to Improve Its Administration of Its HUD-Funded Programs, Weirton, WV, 12/18/2006.
- 2007-PH-1005 The Newport News Redevelopment and Housing Authority Did Not Always Follow HUD Requirements, Newport News, VA, 02/20/2007. Questioned: \$246,254; Better Use: \$489,522.

## Audit-Related Memoranda<sup>2</sup>

### Housing (1 Report)

- 2007-NY-1801 Management Agent Fees Claimed by P.J. Alizio Realty, Inc., Mineola, NY, 01/29/2007.



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<sup>2</sup>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 March 31, 2007

*\* Significant Audit Reports Described in Previous Semiannual Reports*

Report Number & Title	Reason for Lack of Management Decision	Issue Date/Target for Management Decision
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*See Chapter 9, page 147*



## Table B

### Significant Audit Reports Described in Previous Semiannual Reports Where Final Action Had Not Been Completed as of 03/31/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
1997-CH-1010	Major Mortgage Corporation, Section 203(K) Rehabilitation Home Mortgage Insurance Program, Livonia, MI	09/17/1997	01/06/1998	Note 2
2000-KC-0002	Housing Subsidy Payments	09/29/2000	02/21/2001	Note 2
2001-CH-1007	Detroit Housing Commission, Hope VI Program, Detroit, MI	05/16/2001	09/13/2001	06/30/2011
2001-FW-1005	Supportive Housing Program, Harmony House, Inc., Harrison, AR	08/27/2001	12/21/2001	08/03/2007
2002-BO-1003	Newport Resident Council, Inc., Newport, RI	04/30/2002	09/16/2002	01/15/2008
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-FW-1003	New Mexico Public Interest Education Fund, Outreach and Training Assistance Grant and Public Entity Grant, Albuquerque, NM	09/30/2002	03/31/2003	Note 1
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	Note 2
2003-AT-1001	Northwestern Regional Housing Authority, Public Housing Programs, Boone, NC	01/09/2003	06/02/2003	08/15/2007
2003-FW-1001	Low Rent Program, Housing Authority of the City of Morgan City, LA	02/21/2003	06/20/2003	12/31/2011

Report Number	Report Title	Issue Date	Decision Date	Final Action
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	Note 2
2004-KC-1001	East Meyer Community Association, Kansas City, MO	11/24/2003	03/29/2004	07/17/2007
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-AT-0001	Public Housing Agency Development Activities	01/13/2004	05/20/2004	04/20/2007
2004-AO-0001	Award and Administration of Lead-Based Paint Hazard Reduction Grants	02/06/2004	06/30/2004	08/01/2007
2004-DP-0002	Application Control Review of the Tenant Rental Assistance Certification System	02/25/2004	07/14/2004	01/30/2008
2004-PH-1008	Safe Haven Outreach Ministry, Incorporated, Washington, DC	06/03/2004	08/31/2004	06/29/2007
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	12/31/2007
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	09/27/2007
2004-FW-1009	Mays Property Management, Inc., Multifamily Management Agent, Little Rock, AR	09/17/2004	02/23/2005	05/15/2008

Report Number	Report Title	Issue Date	Decision Date	Final Action
2004-LA-1008	United States Veterans Initiative, Inc., Inglewood, CA	09/27/2004	03/31/2005	04/15/2013
2005-CH-1001	Prestige Mortgage Group, Inc., Non-Supervised Loan Correspondent, Springfield, OH	10/27/2004	10/29/2004	10/17/2007
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-PH-1004	Corrective Action Verification Review of the Housing Authority of Baltimore City, MD, Section 8 Certificate and Voucher Programs, Audit Report Number 2001-PH-1003	12/21/2004	04/20/2005	04/30/2007
2005-AT-1005	Pan American Financial Corporation, Non-Supervised Direct Endorsement Lender, Guaynabo, PR	01/27/2005	05/17/2005	05/31/2007
2005-FW-1004	American Property Financial, Non-Supervised Loan Correspondent, San Antonio, TX	01/28/2005	05/27/2005	05/31/2007
2005-LA-1002	Housing Authority of Maricopa County, Mixed Finance Development Activities, Phoenix, AZ	03/14/2005	07/11/2005	08/31/2007
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
2005-PH-1009	Richmond Redevelopment and Housing Authority Did Not Always Properly Use HUD Funds, Richmond, VA	04/08/2005	07/28/2005	04/30/2007
2005-BO-1003	Milford Housing Authority, Selected Programs, Milford, CT	04/25/2005	10/07/2005	04/17/2007

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	08/31/2007
2005-DE-0001	HUD's Controls Over FHA Claims Payments	05/12/2005	09/09/2005	Note 2
2005-LA-1003	First Source Financial USA, Henderson, NV	05/12/2005	09/08/2005	05/31/2007
2005-FW-1010	Broad Street Mortgage Company, Subsidiary of Fieldstone Mortgage Company, San Antonio, TX	05/26/2005	07/13/2006	07/16/2007
2005-NY-1005	The Housing Authority of the City of Newark, Bond Financing Activities and Section 8 Housing Choice Administrative Fee Reserves, Newark, NJ	05/26/2005	09/23/2005	07/31/2007
2005-LA-1006	Maricopa Home Consortium Home Program, Mesa, AZ	07/28/2005	11/22/2005	08/31/2007
2005-BO-1004	Housing Choice Voucher and Low-Income Public Housing Program Deficiencies at the Bridgeport Housing Authority Resulted in \$3.8 Million in Questioned Costs, Bridgeport, CT	07/29/2005	11/25/2005	05/24/2007
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	07/11/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
2005-NY-1007	Security Atlantic Mortgage Company, Inc., Did Not Always Comply with HUD/FHA Loan Origination Requirements, Edison, NJ	09/16/2005	01/13/2006	Note 2
2005-SE-1007	City Bank Puyallup, WA	09/16/2005	12/20/2005	06/20/2007
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
2005-NY-1008	Lower Manhattan Development Corporation, CDBG Program Disaster Assistance Fund, New York, NY	09/27/2005	08/22/2006	Note 2
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	09/30/2007
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
2005-KC-1009	Washington Mutual Bank Did Not Follow HUD Regulations When Underwriting Six Loans, Seattle, WA	09/30/2005	01/11/2006	Note 2
2006-BO-1001	The Division of Grants Management, City of Hartford, Paid \$1,039,296 for Ineligible CDBG Activities and Failed to Return Income to the Program, Hartford, CT	10/07/2005	02/02/2006	06/30/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-LA-1001	Ryland Mortgage Company Did Not Follow HUD Requirements in the Origination of Insured Loans, Tempe, AZ	10/31/2005	07/13/2006	07/16/2007
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	10/30/2007
2006-PH-0001	HUD Did Not Properly Award FY 2004 Healthy Homes and Lead Hazard Control Grants	12/07/2005	08/25/2006	06/30/2007
2006-FW-1002	Baytown Housing Authority Improperly Advanced, Transferred, and Encumbered Its Public Housing Funds, Baytown, TX	12/13/2005	04/07/2006	04/07/2007
2006-CH-1005	Fairfield Metropolitan Housing Authority Used Annual Contributions Contract Funds for Development Activities Outside Its Annual Contributions Contract, Lancaster, OH	12/30/2005	04/28/2006	04/27/2007
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	05/01/2007
2006-AT-1002	The Housing Authority of the City of Prichard's Controls Over the Sale of Affordable Housing Units, Use of Sales Proceeds, and Expenditure of Low-Income Funds Were Inadequate, Prichard, AL	01/11/2006	05/11/2006	05/11/2007
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

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-KC-1004	Major Mortgage Improperly Submitted Late Requests for Endorsement of FHA Loans, Cheyenne, WY	01/20/2006	05/08/2006	05/08/2007
2006-FW-1004	K Hovnanian American Mortgage, LLC, Violated Underwriting Requirements and Did Not Meet All Quality Control or Branch Requirements, Plano, TX	01/26/2006	5/25/2006	05/15/2007
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	04/30/2007
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-NY-1004	Mount Vernon Urban Renewal Agency, Section 8 Housing Choice Voucher Program, Has Administrative and Financial Management Weaknesses, Mount Vernon, NY	02/16/2006	06/23/2006	06/20/2007
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	05/15/2007
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	Note 2

Report Number	Report Title	Issue Date	Decision Date	Final Action
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	05/01/2007
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	04/30/2007
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
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	05/24/2007
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	10/31/2007
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



Report Number	Report Title	Issue Date	Decision Date	Final Action
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	07/30/2007
2006-PH-1010	The Housing Authority of the County of Butler Needed to Improve Administration of Its Section 8 Housing Choice Voucher Program, Butler, PA	04/20/2006	08/18/2006	08/01/2007
2006-FW-1010	Deer Creek Apartments' Previous Management Agent Paid Itself Unsupported Fees, Houston, TX	05/11/2006	05/11/2006	05/11/2007
2006-AT-1009	The Metropolitan Development and Housing Agency Did Not Ensure Section 8-Assisted Units Were Decent, Safe and Sanitary, Nashville, TN	05/18/2006	08/04/2006	04/30/2007
2006-CH-1010	The Benton Harbor Housing Commission Lacked Supporting Documentation and Did Not Follow Procurement Requirements Regarding Its Public Housing Capital Fund Program, Benton Harbor, MI	05/18/2006	09/08/2006	10/01/2007
2006-AT-1010	The Orlando Housing Authority Did Not Ensure That All Section 8 Units Met Housing Quality Standards and Paid Excessive Subsidies for Some Units, Orlando, FL	05/31/2006	09/21/2006	04/03/2007
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	06/30/2007
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	10/31/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
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	07/31/2007
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-NY-1007	First Suffolk Mortgage Corporation Did Not Always Comply with HUD Underwriting Requirements, North Babylon, NY	06/19/2006	09/14/2006	07/31/2007
2006-LA-1012	The Housing Authority of the City of Los Angeles Did Not Adequately Determine and Support Section 8 Tenant Eligibility, Los Angeles, CA	06/20/2006	10/11/2006	05/31/2007
2006-AT-1012	The Miami Dade Housing Agency Paid Housing Choice Voucher Program Funds for Some Overhoused Tenants, Miami, FL	06/28/2006	10/04/2006	06/25/2007
2006-KC-1011	The Owner of Wellston Townhouses in St. Louis County Violated Its Regulatory Agreement, Wellston, MO	06/29/2006	09/06/2006	10/30/2007
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	04/25/2007
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-CH-1011	The Columbus Metropolitan Housing Authority Did Not Effectively Operate Its Section 8 Housing Program, Columbus, OH	07/06/2006	11/02/2006	12/31/2007
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-1012	The Housing Authority of the County of Cook Needs to Improve Its Section 8 Housing Program Administration, Chicago, IL	07/11/2006	11/06/2006	03/31/2017
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-DE-1004	Juniper Communities Did Not Comply with Its Regulatory Agreement or HUD Regulations in Managing Its FHA-Insured Projects, Bloomfield, NJ	07/18/2006	10/04/2006	05/17/2007
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

Report Number	Report Title	Issue Date	Decision Date	Final Action
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	11/30/2007
2006-FW-1013	The Housing Authority of the City of Denton Made Subsidy Calculation Errors and Overhoused Tenants, Denton, TX	07/26/2006	11/08/2006	04/30/2007
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	06/30/2007
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	07/01/2007
2006-CH-1014	National City Mortgage Company, Nonsupervised Lender Did Not Comply with HUD's Requirements Regarding Underwriting of Loans and Quality Control Reviews, Miamisburg, OH	07/31/2006	01/31/2007	07/31/2007
2006-NY-1009	First Residential Mortgage Services Corporation Did Not Always Comply with HUD/FHA Loan Origination Requirements, Englewood Cliffs, NJ	08/14/2006	12/12/2006	08/31/2007
2006-SE-0002	The Office of Single Family Housing Expanded Late Endorsement Eligibility Without Studying Associated Risks	08/16/2006	03/30/2007	06/30/2007

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-BO-1011	The Portland Housing Authority Did Not Use Reserve Funds or Properly Allocate Employee Costs, Resulting in Questioned Costs of More Than \$850,000, Portland, ME	08/28/2006	12/19/2006	06/19/2007
2006-AT-0001	The Procurement Office Did Not Maintain Complete Contract Files	08/29/2006	12/22/2006	06/30/2007
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-DE-1006	Nexgen Lending, Inc.'s Lakewood Branch Did Not Follow HUD Requirements in Underwriting Two Insured Loans, Lakewood, CO	08/31/2006	11/08/2006	08/31/2007
2006-DP-0005	Review of HUD's Information Technology Contingency Planning and Preparedness	08/31/2006	11/17/2006	11/30/2007
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	07/01/2007
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	08/07/2007
2006-LA-1019	The City of Modesto Did Not Always Administer Its CDBG in Compliance with Government Regulations, Modesto, CA	09/07/2006	02/12/2007	01/31/2008
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

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-NY-1010	Orange City Housing Authority Has Weakness in Its Housing Choice Voucher Program, Orange, NJ	09/20/2006	01/18/2007	07/31/2007
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	07/31/2007
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	12/31/2007
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	10/01/2007
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

Report Number	Report Title	Issue Date	Decision Date	Final Action
2006-CH-1019	Lucas Metropolitan Housing Authority Did Not Effectively Operate Its Section 8 Housing Choice Voucher Program, Toledo, OH	09/29/2006	12/07/2006	06/01/2007
2006-CH-1020	Rockford Housing Authority Needs to Improve Its Controls Over Program Housing Assistance and Utility Allowance Payments, Rockford, IL	09/29/2006	01/25/2007	09/30/2052
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

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AUDITS EXCLUDED:

39 audits under repayment plans  
31 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 March 31, 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	47	63,410	32,392
A2 For which litigation, legislation or investigation was pending at the commencement of the reporting period	12	30,312	18,652
A3 For which additional costs were added to reports in beginning inventory	-	281	26
A4 For which costs were added to non-cost reports	0	0	0
B1 Which were issued during the reporting period	33	18,707	12,174
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	92	112,710	63,244
C For which a management decision was made during the reporting period	59 <sup>1</sup>	68,715	35,214
(1) Dollar value of disallowed costs:			
- Due HUD	23 <sup>2</sup>	45,038	19,893
- Due program participants	40	22,535	14,714
(2) Dollar value of costs not disallowed	12 <sup>3</sup>	1,142	607
D For which management decision had been made not to determine costs until completion of litigation, legislation or investigation	11	28,022	17,182
E For which no management decision had made by the end of the reporting period	22 < 68 > <sup>4</sup>	15,973 < 14,260 > <sup>4</sup>	10,848 < 9,754 > <sup>4</sup>

1 41 audit reports also contain recommendations with funds be put to better use.

2 7 audit reports also contain recommendations with funds due program participants.

3 9 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 March 31, 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	34	271,079
A2 For which litigation, legislation or investigation was pending at the commencement of the reporting period	10	117,298
A3 For which additional costs were added to reports in beginning inventory	-	23
A4 For which costs were added to non-cost reports	0	0
B1 Which were issued during the reporting period	32	755,015
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	76	1,143,415
C For which a management decision was made during the reporting period	49 <sup>1</sup>	675,955
(1) Dollar value of recommendations that were agreed to by management:		
- Due HUD	15 <sup>2</sup>	571,513
- Due program participants	32	83,823
(2) Dollar value of recommendations that were not agreed to by management	11 <sup>3</sup>	20,619
D For which management decision had been made not to determine costs until completion of litigation, legislation or investigation	9	116,946
E For which no management decision had been made by the end of the reporting period	18 < 29 > <sup>4</sup>	350,514 < 241,722 > <sup>4</sup>

1 41 audit reports also contain recommendations with questioned costs.

2 1 audit report also contains recommendations with funds due program participants.

3 8 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.



# *Appendix 3*



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