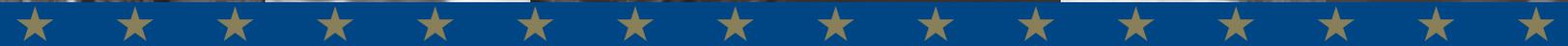


U.S. Department of Housing and Urban Development
Office of Inspector General



Semiannual Report to Congress



October 1, 2007, through March 31, 2008

Profile of Performance

Audit profile of performance for the period, October 1, 2007, through March 31, 2008

Results	
Recommendations that funds be put to better use	\$1,221,819,100
Recommended questioned costs	\$143,781,895
Collections from audits	\$21,752,264
Administrative sanctions	6

Investigation profile of performance for the period, October 1, 2007, through March 31, 2008

Results	
Funds put to better use	\$30,556,203
Recoveries/receivables	\$20,560,935
Indictments/informations	602
Convictions/pleas/pretrial diversions	444
Civil actions	26
Administrative sanctions ¹	422
Personnel actions	26
Arrests ²	754
Search warrants	97
Subpoenas issued	413

Hotline profile of performance for the period, October 1, 2007, through March 31, 2008

Results	
Funds put to better use	\$2,356,668
Recoveries/receivables	\$131,080

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

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

Inspector General's Message



I am pleased to present the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), Semiannual Report to the Congress for the first half of fiscal year 2008. Once again, HUD OIG employees—auditors, agents, attorneys, and support staff—have excelled in their oversight, audit, and investigative endeavors.

This is my twelfth report on HUD OIG's extraordinary activities, and our efforts continue to improve in both their reach and effectiveness. During the reporting period, we had \$1.25 billion in funds put to better use, questioned costs of \$143 million, and \$20 million in recoveries and receivables. This is exceptional work by our staff that has resulted in significant positive impact on fraud and misuse of taxpayer dollars. I am so proud of the men and women of HUD OIG and their achievements.

The Federal Housing Administration (FHA) continues to provide an essential product for the American homebuyer and is a recognized force for economic stability in uncertain times. However, of particular concern at this time, is the impact of the subprime mortgage situation on the overall health of FHA. We have applied our investigative and audit resources to this issue. We have audited at-risk mortgagees, and we have stepped up our participation in mortgage fraud task forces around the country. We want to acknowledge FHA for its cooperation in these efforts.

I direct your attention to our high profile audits and investigations. Audits to uncover single-family lenders and loan origination abuses were a particular priority during this period. Lenders were selected for audit through the careful analysis of data and various risk factors.

HUD OIG also focused on HUD's controls over the FHA appraiser roster to determine whether they were adequate to ensure that only qualified and eligible appraisers were placed on the roster and whether the oversight and maintenance of the roster were sufficient to ensure that only currently eligible appraisers remained on it. Oversight was lacking or faulty, and we recommended stronger internal controls.

Our Office of Investigation also continued its pursuit of fraud among buyers and lenders. Special attention was paid to loan origination fraud, identity fraud, false Social Security numbers, and/or bankruptcy fraud.

A good example of this work is the case against a former underwriter for First National Funding Company, who was sentenced in U.S. District Court, Newark, NJ, for making false statements to HUD and aiding and abetting. This person was also debarred from HUD and throughout the Executive Branch of the Federal Government for 3 years. At issue was the defendant's falsifying of employment verification documents used by unqualified borrowers to obtain FHA-insured mortgages, as a result of which, HUD paid out in excess of \$9.8 million after 66 mortgages defaulted.



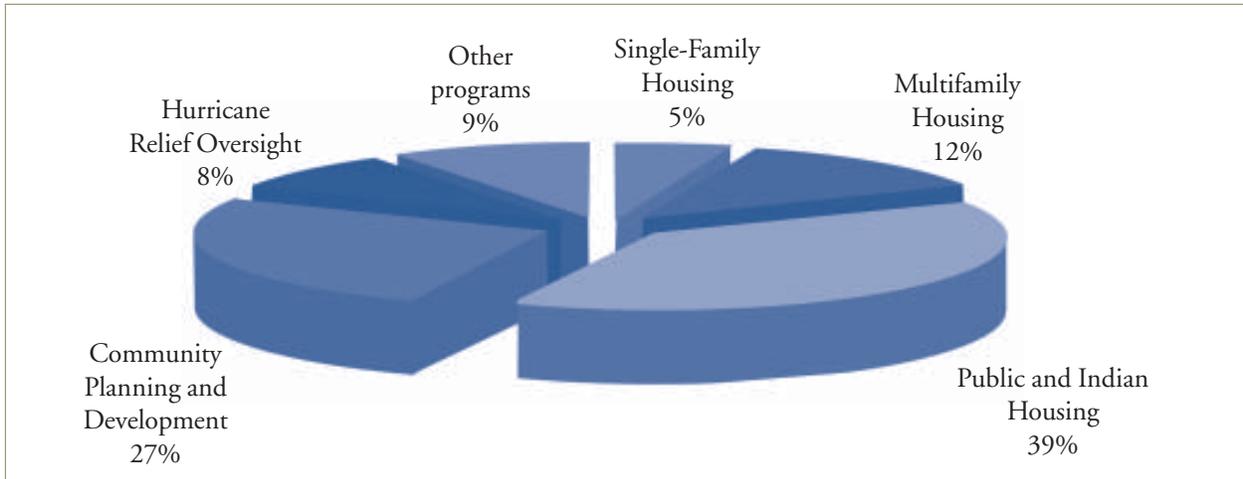
HUD OIG is dedicated and committed to becoming a more efficient and effective organization, to better recover taxpayer funds and bring those to justice who perpetrate crimes against the citizens and Government of this country.

I thank the staff of HUD OIG for their tireless work in their efforts to identify waste, fraud, and abuse in the Nation's housing and urban development programs, and I look forward to leading them to greater and higher accomplishments in the future.

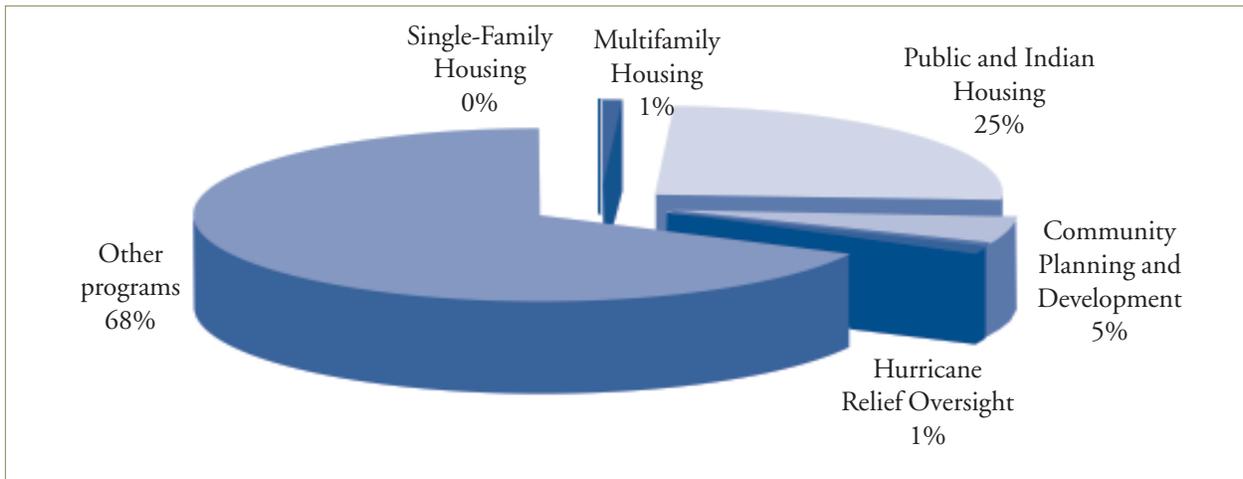


Kenneth M. Donohue
Inspector General

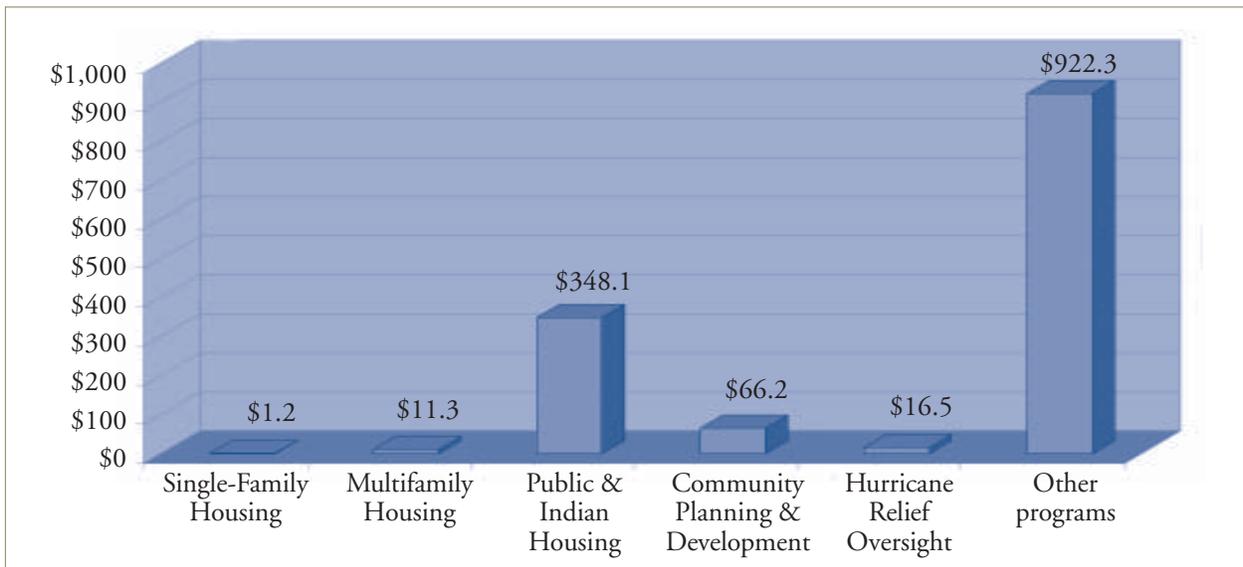
Audit reports issued by program



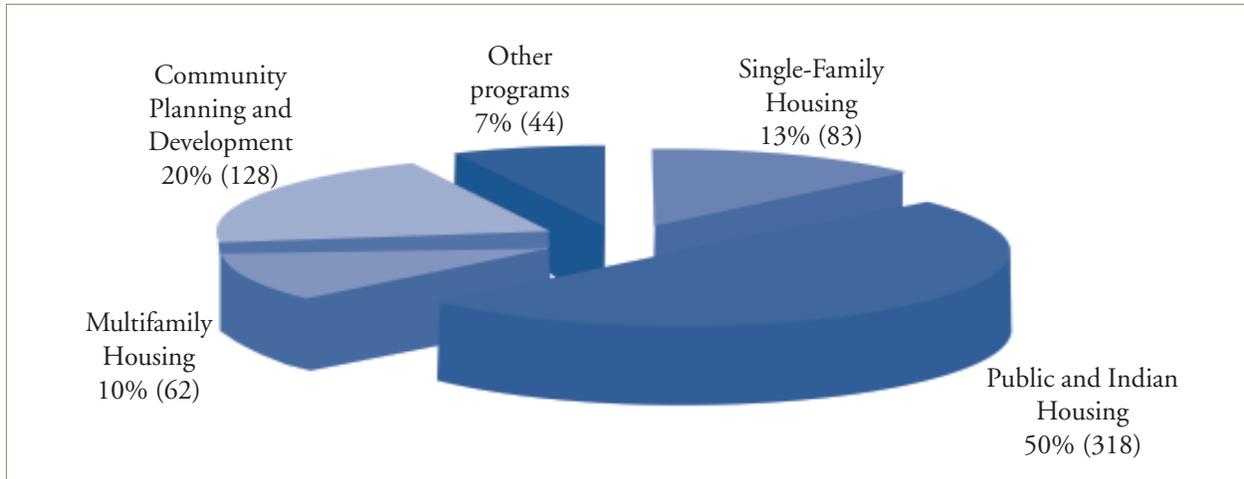
Monetary benefits identified by program



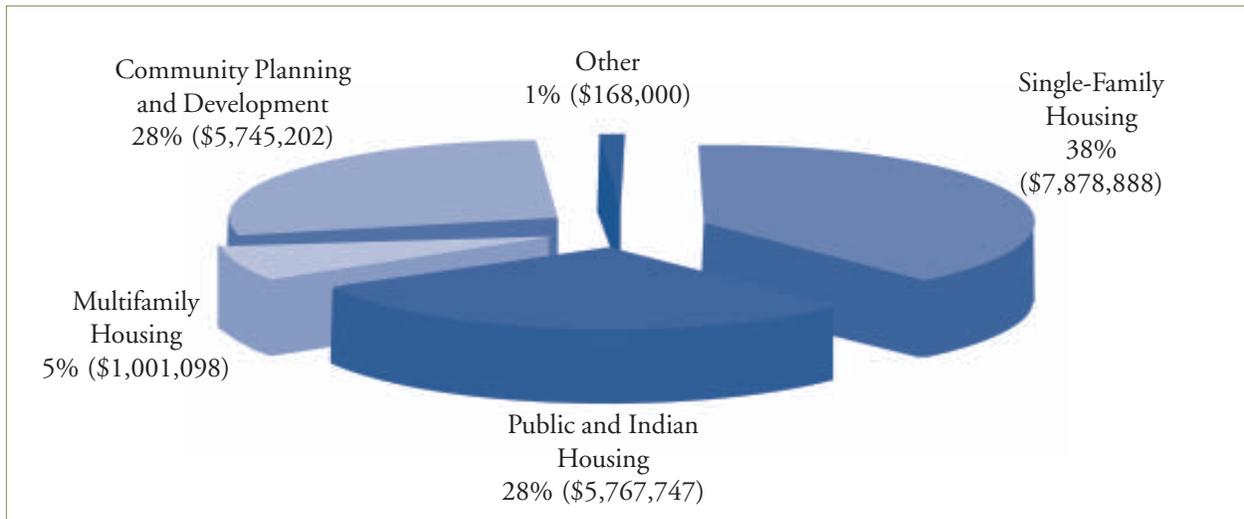
Monetary benefits identified in millions of dollars



Investigative cases opened by program area (total: 635)



Investigative recoveries by program area (total: \$20,560,935)





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	Office of Community Planning and Development
DAIGA	Deputy Assistant Inspector General for Audit
DAIGI	Deputy Assistant Inspector General for Investigation
DEA	Drug Enforcement Administration
DHAP	Disaster Housing Assistance Program
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
DVP	Disaster Voucher Program
EIV	Enterprise Income Verification
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FEMA	Federal Emergency Management Agency
FFMIA	Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FIRMS	Facilities Integrated Resources Management System
FISMA	Federal Information Security Management Act of 2002
FY	Fiscal year
GAO	Government Accountability Office
GNND	Good Neighbor Next Door
HHS	U.S. Department of Health and Human Services
HOME	Home Ownership Made Easy

HOPWA	Housing Opportunities for Persons with AIDS
HUD	U.S. Department of Housing and Urban Development
ICE	Immigration and Customs Enforcement
IG	Inspector General
IRS	Internal Revenue Service
KDHAP	Katrina Disaster Housing Assistance Program
MAP	Multifamily Accelerated Processing
MTW	Moving to Work
NAHASDA	Native American Housing Assistance and Self Determination Act of 1996
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 agency
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.	128
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-113, 128
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	7-113
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.	7-113
Section 5(a)(5)-summary of reports made on instances in which information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	<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.	7-113
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.	132
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	133

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

Highlights: Results or impact of significant OIG work

- Recommended HUD develop and implement procedures to uniformly resolve underwriting underwriting deficiencies and potentially fraudulent loans *page 9*
- Evaluation of the Federal Housing Administration (FHA) Preforeclosure Sales Program in Region III *page 11*
- Seven indicted for loan origination scam causing more than \$3.9 million in HUD losses *page 13*
- Appraiser sentenced to prison - HUD losses exceed \$2.7 million *page 13*
- Program Fraud Civil Remedies Act (PFCRA) settlements in New Jersey net more than \$200,000 *page 14*
- Identity theft and false Social Security numbers cause HUD losses in excess of \$5.2 million in Colorado and Illinois *page 16*
- Reported as a material weakness FHA's lack of system capacity to manage anticipated increased volume for the Home Equity Conversion Mortgage System *page 108*
- More than 550 mortgage and real estate professionals attend mortgage fraud presentation in Texas *page 118*
- Provided comments for HUD to tighten controls and risk over FHA Secure program which is intended to assist subprime or high-risk borrowers harmed by questionable loan terms *page 128*
- Provided nonconcurring comments on HUD's notice for preforeclosure sales which could impact the liquidity of the FHA insurance fund *page 128*

Emerging Issues: Areas of OIG interest

- Challenges resulting from an increase in FHA-insured home equity conversion mortgages (also known as "reverse mortgages")
- Risk-based premium pricing and FHA refinancing of subprime loans (FHA Secure)
- Gulf Coast States homeowner's assistance programs
- Downpayment assistance: seller-funded downpayments
- Risk involved in zero downpayment

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
- Audits of HUD's internal policies to determine whether controls are adequate
- Investigative initiatives involving corruption in the management of troubled public housing authorities and multifamily developments
- Section 8 fraud initiatives in each Office of Inspector General (OIG) region
- Public Housing Fugitive Felon and Sex Offender Initiatives - locate and remove
- Public and Department-wide outreach initiatives

Highlights: Results or impact of significant OIG work

- Recommended the Director of the Fort Worth Office of Public and Indian Housing require the Authority to support or repay more than \$32.4 million, void and properly reclassify \$648,530 in outstanding checks, and implement effective internal controls over the financial operations of its voucher program *page 23*
- Recommend HUD improve its controls to ensure that housing authorities properly administer the community service and self-sufficiency requirement, resulting in more than \$257 million being put to better use annually *page 23*
- Identified excessive assistance payments due to payments for units not meeting minimum housing quality standards (HQS), errors in tenant files, and lack of controls *page 27*
- Recommended housing authorities properly account for and utilize income-eligible Federal activities *pages 33*
- More than \$800,000 in Harrisburg housing funds diverted to failing credit union *page 35*
- Tampa housing counselors steal more than \$450,000 in housing subsidies *page 35*
- HUD's Enterprise Income Verification (EIV) system discovers local government employees fleecing the Miami-Dade Housing Authority *page 39*
- Sex offenders found in Atlanta public housing units *page 54*
- Fake tenants and equity skimming cause HUD about \$7.4 million in losses *page 64*
- Public housing fraud schemes described for 140 National Association of Housing and Redevelopment Officials in New Jersey, Connecticut, Nebraska, and Nevada *page 119*

Emerging Issues: Areas of OIG interest

- Adequacy of HQS inspections
- Implementation of Section 8 Management Assessment Program controls to ensure that HUD's Section 8 housing stock is in material compliance with HQS
- FHA-insured nursing homes and nursing home equity skimming
- Public housing corruption and multifamily mismanagement
- Evaluation of the Housing Authority of New Orleans (HANO) in carrying out its public housing activities, Section 8, procurement, and financial functions

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 Investment Partnerships (HOME) program
- Department liaison- Audits of Gulf Coast activities
- Investigative initiative involving corruption in the administration of State or local community planning and development programs in each OIG region
- Hurricane relief fraud in HUD CDBG-funded programs
- Inspections and evaluations of program areas
- Public dissemination of HUD OIG activities and outreach activities with State and local government agencies

Highlights: Results or impact of significant OIG work

- Recommended grantees reimburse the CDBG program and provide supporting documentation for unsupported expenditures *page 72*
- Inspection of the State monitoring efforts of local governments receiving CDBG program funds *page 78*
- A former nonprofit executive director in Gary, IL, sent to prison for embezzling HUD HOME funds *page 80*
- Crotched Mountain Foundation payroll supervisor embezzles more than \$1.6 million in HUD CDBG and other funding *page 80*
- Jury convicts Love Social Services Center treasurer and wife pleas guilty to stealing HUD Community Planning and Development and U.S. Department of Justice (DOJ) funds *page 80*
- Mayor of Brookshire, TX, indicted for taking bribes from contractor in exchange for CDBG-funded contracts *page 83*
- Hurricane relief fraud involving CDBG funding *page 98*
- About 300 HUD grantees and community development representatives briefed on HUD OIG's mission and authority in San Francisco, CA *page 121*

Emerging Issues: Areas of OIG interest

- Gulf Coast CDBG supplemental hurricane funding fraud

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
- Audits of Ginnie Mae activities
- Implementation of DOJ Procurement Fraud Task Force at HUD
- FedRent data match operation - identifying Federal employees who fraudulently receive housing assistance

Highlights: Results or impact of significant OIG work

- Federal employees who cheat the system (FedRent) *page 51*
- Recommended HUD revise Section 8 project-based recapture methodology to include recapturing funds from expired Section 8 contracts occurring in the current fiscal year with potential funds put to better use of \$580 million from these expired contracts *page 108*
- Identified \$342.3 million in excess unexpended funds that could be deobligated and put to better use *page 108*
- Identified two material weaknesses in internal controls related to FHA's home equity conversion mortgage (HECM) systems and credit subsidy cash flow model *page 108*
- Issued unqualified audit opinions of HUD's consolidated, FHA, and Ginnie Mae fiscal years 2006 and 2007 financial statements *pages 108, 109*
- Recommended HUD properly meet its information security responsibilities *page 109*

Emerging Issues: Areas of OIG interest

- HUD's information technology capacity
- Ginnie Mae's monitoring of issuers

Chapter 1

HUD's Single-Family Housing Programs



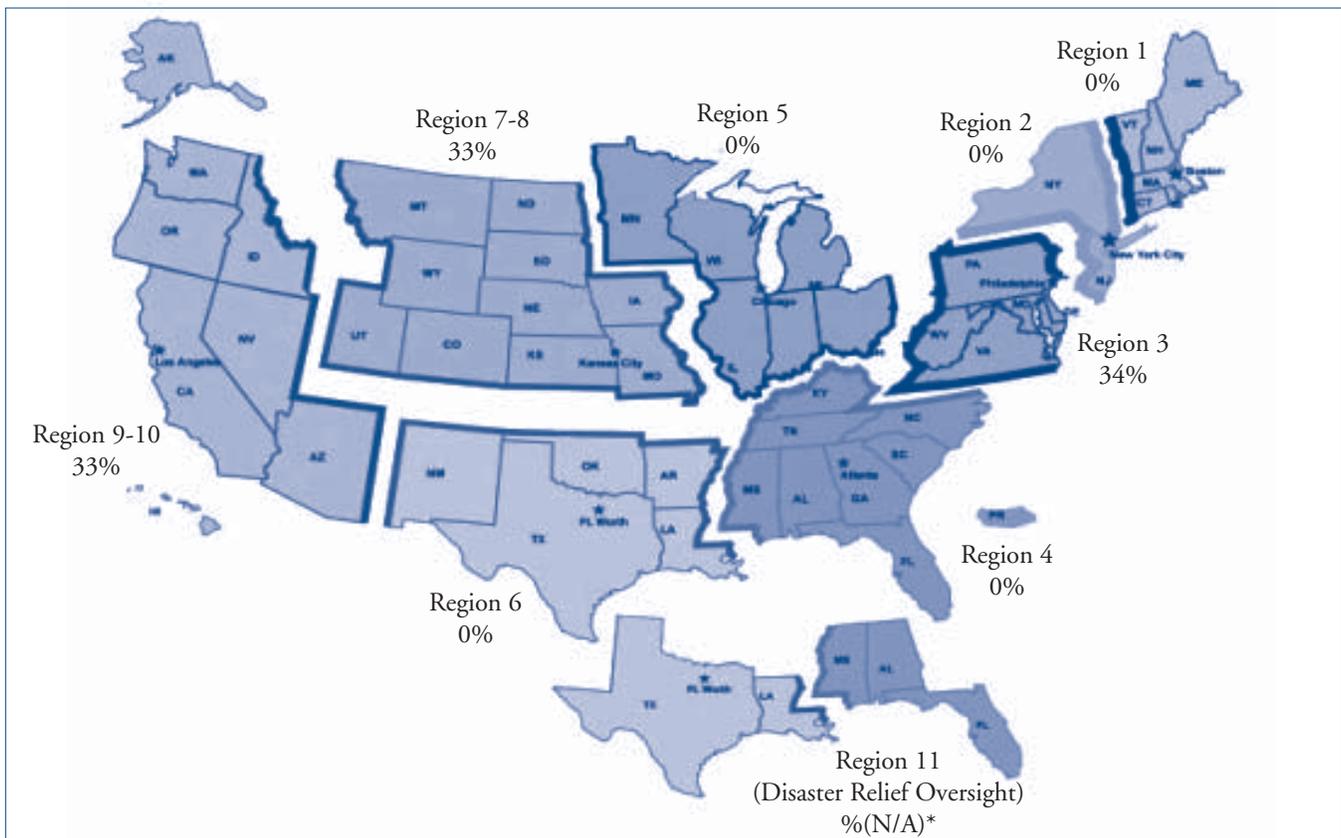
The Federal Housing Administration’s (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provides financing to enable individuals and families to purchase, rehabilitate, and construct a home. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 7, page 116).

Audits

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

Key program results		Questioned costs	Funds put to better use
Audit	3 audits	\$234,000	\$780,000
Our focus	Page 9	- HUD’s FHA appraiser roster	
	Page 9	- HUD’s Quality Assurance Division	
	Page 9	- Mortgagees, loan correspondents, and direct endorsement lenders	

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



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



HUD's FHA Appraiser Roster

HUD OIG audited HUD's controls over the FHA appraiser roster to determine whether they were adequate to ensure that only qualified/eligible appraisers were placed on the roster and whether the oversight and maintenance of the roster were sufficient to ensure that only currently eligible appraisers remained on the roster.

HUD did not conduct roster quality control reviews in accordance with its written roster quality control plan, perform regular monitoring of the roster to ensure data reliability, and retain initial application packages for all active appraisers listed on its roster as required by HUD's record disposition schedule. It also instructed and/or approved its contractor to use logic statements when developing the software program that updates the roster, which were not in accordance with HUD regulations and did not always work properly. As a result, the roster contained unreliable data including the listing of 3,480 appraisers with expired licenses and 119 appraisers that had been State sanctioned. Additionally, 28 of the appraisers listed with expired licenses and eight of the sanctioned appraisers conducted appraisals.

OIG recommended that HUD implement stronger internal controls to ensure that only eligible appraisers are placed on its roster and that oversight and maintenance of the roster are sufficient to ensure that only eligible appraisers remain on the roster. (Audit Report: 2008-LA-0002)

HUD's Quality Assurance Division

HUD OIG audited the HUD Quality Assurance Division, **Washington, DC**, to determine whether it consistently required Federal Housing Administration (FHA)-approved lenders to indemnify loans with similar material deficiencies and whether it appropriately handled potentially fraudulent loans.

HUD's Quality Assurance Division did not always resolve materially deficient or potentially fraudulent loans consistently. As a result, HUD increased its risk of treating lenders differently in similar situations. In addition, OIG did not have the opportunity to pursue actions against parties responsible for fraudulent loans, and the FHA insurance fund incurred unnecessary losses and remains at risk for additional losses on fraudulent loans.

OIG recommended that HUD (1) develop and implement effective policies and procedures to ensure uniform resolutions to loan underwriting deficiencies and the handling of potentially fraudulent loans, (2) coordinate with OIG to reevaluate the agreement between HUD and OIG regarding referring potentially fraudulent loans to OIG, and (3) require lenders to indemnify 16 insured loans that contained evidence of fraud. (Audit Report: 2008-KC-0001)

Mortgagees, Loan Correspondents, and Direct Endorsement Lenders

HUD OIG audited the Plymouth Meeting branch of National City Mortgage, **Plymouth Meeting, PA**, to determine whether the branch office complied with HUD regulations, procedures, and instructions in the origination and quality control review of FHA loans.

Although the branch office generally complied with HUD regulations, procedures, and instructions, for two of eight loans reviewed, it did not properly document borrowers' qualifying ratios and did not properly



verify assets for the loans, originally valued at more than \$181,000, thereby increasing the risk to the FHA insurance fund. The branch office also charged ineligible commitment fees and/or overcharged for credit reports for six loans, thus causing borrowers to incur unnecessary costs.

OIG recommended that HUD require National City Mortgage to indemnify more than \$198,000 for two loans that it issued contrary to HUD's loan origination requirements; reimburse borrowers nearly \$900 in overcharges; and emphasize its policies, procedures, and controls to branch office staff to ensure that the underwriters consistently follow HUD's underwriting requirements. (Audit Report: 2008-PH-1002)





Inspections and Evaluations

Evaluation of the FHA Preforeclosure Sales Program in Region III

A preforeclosure or "short" sale involves a delinquent FHA-insured property sale at fair market value but for less than the mortgage indebtedness. The lender accepts the net sales proceeds to satisfy the defaulted mortgage debt and can submit a claim to HUD for the difference plus certain costs, expenses, and debenture interest. An evaluation of the FHA preforeclosure sales program in Region III was initiated to determine whether lenders complied with FHA program requirements and whether these procedures limited the risk of program fraud and abuse.

The evaluation of the FHA preforeclosure sales program in Region III found that lenders technically complied with most FHA requirements in administering the program, but FHA program guidelines were inadequate to ensure that homes approved for preforeclosure sales were sold at fair market or optimum value. As a result, HUD may incur higher insurance claims on some properties sold through his loss mitigation program, and the program remains inherently vulnerable to investor exploitation and fraud schemes. HUD OIG provided HUD with this report as a management advisory without formal recommendations. (I&E Report: IED 07 007)



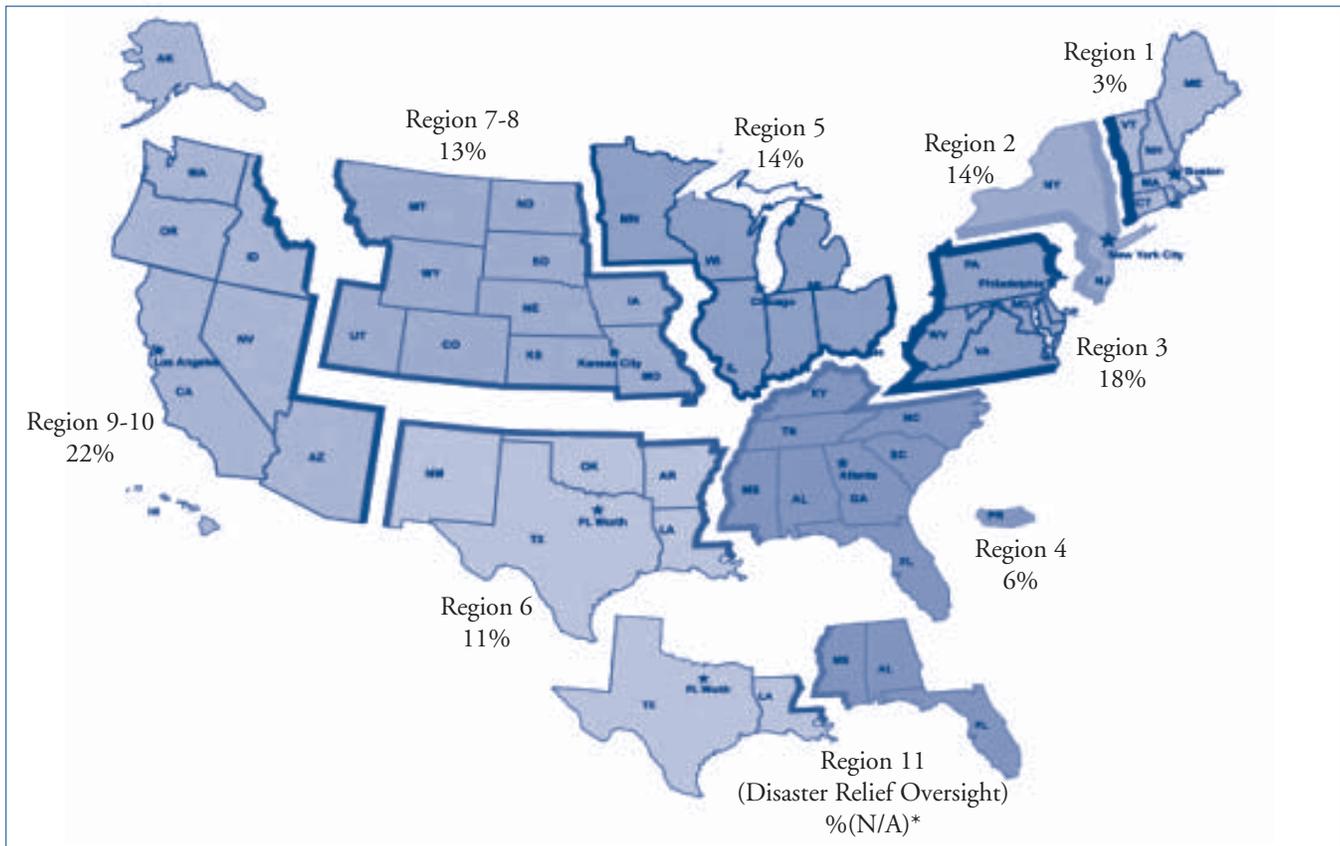
Investigation

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

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

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	99	\$7.9 million	62	53
Our focus	Page 13	- Loan origination fraud		
	Page 16	- Identity fraud and false Social Security number		
	Page 17	- Bankruptcy fraud		
	Page 18	- Other single-family fraud		

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



* This does not include hurricane relief cases. See chapter 5 for these cases.

Loan Origination Fraud

JeVenna Smith-Harris, a former underwriter for First National Funding Company, previously sentenced in U.S. District Court, Newark, NJ, for her guilty plea to making false statements to HUD and aiding and abetting, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. Smith-Harris falsified employment verification documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$9.8 million after 66 mortgages defaulted.



Darrell and Kandace Marriott, owners of One Way Home and Land Company, Inc. (One Way); Karen Hayes, Debra Grace, Linda Howard, and Brett Harwell, employees of One Way; and Gary Griffith, a loan officer for Guardian Nationwide Mortgage, were each indicted in Navarro County Court, Corsicana, TX, for engaging in an organized crime and securing execution of a document by deception. The above defendants allegedly created, provided, or certified fraudulent financial, identity, and other documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$3.9 million after 66 mortgages defaulted.



Kahala Hickoff, a HUD-approved appraiser, was sentenced in U.S. District Court, Los Angeles, CA, to 6 months incarceration and 3 years probation and ordered to pay HUD \$905,970 in restitution for his earlier guilty plea to making false statements. Hickoff prepared fraudulent appraisals for FHA-insured properties and used the names of others when he signed and submitted the documents. HUD realized losses in excess of \$2.7 million after 31 properties defaulted.



Wendy Barker, a Dallas County Community College computer instructor, pled guilty in U.S. District Court, Dallas, TX, to conspiracy to make false statements to a Federal agency. From July 2003 through September 2007, Barker and others electronically altered or created fraudulent income, employment, and other documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of about \$530,000 after 11 mortgages defaulted.



Marriotts indicted on state charges

Cases stem from CPD investigation of real estate deals

From Staff Reports

A Navarro County grand jury handed down indictments against three individuals Thursday, in connection with what prosecutors are calling "an organized mortgage fraud scheme."

Lynn Marriott, 54, and Kandace Y. Marriott, 51, both of One Way Home & Land, along with Karen Hayes, 56, of Kamp, were indicted for the first degree felony.

Cpl. Mark Nantz of the Corsicana Police Department uncovered the operation, subsequently bringing in the Housing and Urban Development department (HUD) to the investigation.

The defendants were doing business as One Way Home & Land, dealing with manufactured housing. Prosecutors allege the company falsified residential loan applications in order to assure the buyers' loans were approved by mortgage lenders.

According to authorities, the scheme involved predominantly low-income purchasers whose residential loans were guaranteed by HUD. As a result, when the unqualified buyers defaulted on their home loans, their mortgage lenders did not suffer financial losses. Instead, HUD had to cover the costs.

Investigators say they believe the scheme cost taxpayers more than \$3 million.

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Robert Green, doing business as Parkway Tax Service and Fast Tax, was sentenced in U.S. District Court, **New Orleans, LA**, to 5 years probation and ordered to pay HUD \$8,000 in restitution for his earlier guilty plea to conspiracy. Green prepared false Federal income tax returns used by unqualified straw borrowers to obtain FHA-insured mortgages. HUD realized losses of \$435,740 after six mortgages defaulted.



David Paul, the president of DCP Investment Properties, LLC, and Diane Flannery, a former loan officer for Source Mortgage Corporation, were each indicted in U.S. District Court, **Philadelphia, PA**, for committing mail fraud and aiding and abetting. Paul allegedly provided fraudulent documents and downpayment funds used by unqualified borrowers to obtain FHA-insured mortgages, and Flannery allegedly originated FHA-insured mortgages for the unqualified borrowers knowing Paul had provided fraudulent documents and downpayment assistance. HUD realized losses of \$280,000 after six mortgages defaulted.



Denise Baskerville, an administrative assistant for M.T. Real Estate Development, Inc., pled guilty in U.S. District Court, **Newark, NJ**, to conspiracy to make false statements. Baskerville and others created and submitted fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$242,981 after 16 mortgages defaulted.



AMS Mortgage Company (AMS), 1st and 2nd Mortgage Company of New Jersey, Inc., and National City Mortgage Company (National City), located in **Newark, NJ**, each entered into Program Fraud Civil Remedies Act (PFCRA) settlements and agreed to collectively pay HUD \$201,747. AMS, 1st and 2nd Mortgage Company, and National City certified fraudulent FHA-insured loan packages and submitted false claims for FHA-insurance benefits after the borrowers defaulted.



Steven Winter, a former realtor for King Thompson Realty, was sentenced in U.S. District Court, **Columbus, OH**, to 2 years incarceration and 3 years probation and ordered to pay HUD \$174,720 and the Internal Revenue Service (IRS) \$183,517 in restitution for his earlier guilty plea to making false statements and filing false Federal income tax returns. Winter falsified credit, employment, and other documents used by unqualified borrowers to obtain FHA-insured mortgages and failed to report income from real estate sales on his Federal income tax returns. HUD realized losses of \$174,720 after five mortgages defaulted.



Man gets probation in tax scheme

He prepared false income tax returns

By Susan Finch
Staff writer

A Lower 9th Ward man who has campaigned for rebuilding his neighborhood since losing his home, his mother and a granddaughter in flooding after Hurricane Katrina was ordered by a federal judge Wednesday to spend five years on probation and pay the government \$8,000 in restitution for his admitted role in a house-flipping scheme before the storm.



Robert Green
Enrolled in a drug abuse treatment center

Hurricane Katrina was ordered by a federal judge Wednesday to spend five years on probation and pay the government \$8,000 in restitution for his admitted role in a house-flipping scheme before the storm.

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Uto Essien, owner of Essien & Co Realty, Ltd. (Essien); Idara Ekiko, a realtor for Essien; Scott Hinkley and Jennifer Wolsey, a loan officer and processor for ABK Mortgage; and FHA-insured borrowers Cheri and Jessica Decker and Heather Etuk were each indicted in Colorado District Court, **Denver, CO**, for committing theft, committing theft by receiving, forgery, computer crimes, and violating the Colorado Organized Crime Control Act. The above defendants allegedly used or provided false income, debt, and other documents for themselves or other unqualified borrowers to obtain conventional and FHA-insured mortgages. HUD realized losses of \$153,814 after three FHA-insured mortgages defaulted.



Gloria Matlock, a former loan officer for Supreme Lending, pled guilty in U.S. District Court, **Dallas, TX**, to conspiracy to provide false statements to a Federal agency. Matlock and others created or submitted fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of about \$130,000 after two mortgages defaulted.



Raymond Talan, a former realtor for Remax Realty, pled guilty in U.S. District Court, **Rockford, IL**, to mail fraud. Talan provided fraudulent documents used by unqualified borrowers to obtain FHA and conventional mortgages. HUD realized losses of \$86,300 after four mortgages defaulted.



Maria Gallucci, a realtor for Keller Williams and a loan officer for Uptown Mortgage Service, was charged in Adams County District Court, **Brighton, CO**, with attempting to influence a public servant, forgery, offering a false instrument for recording, and official misconduct by a notary public. Gallucci allegedly forged the signature of her former spouse on documents associated with two FHA-insured properties she jointly owned and personally notarized a document required for her FHA-insured loan file. HUD realized a loss of \$81,626 after one mortgage defaulted.



Winston Shillingford, the former president of now-defunct First Funding Mortgage Bankers (First Funding), and former First Funding loan officer Marie Jean-Louis, each previously sentenced in U.S. District Court, **Brooklyn, NY**, for their guilty pleas to Federal income tax evasion or conspiracy to defraud HUD, were debarred from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government for 3 years. Jean-Louis created and provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages, and Shillingford, who obtained more than \$300,000 from the sales of flipped FHA-insured properties originated by First Funding, failed to report this income on his Federal income tax returns. HUD realized losses in excess of \$75,000 after three mortgages defaulted.



Guild Mortgage, a HUD-approved FHA mortgage lender in **Los Angeles, CA**, entered into a PFCRA settlement and agreed to pay HUD \$40,219. George Rivas, a former loan officer for Guild Mortgage previously convicted of mail fraud and aiding and abetting, assisted an unqualified borrower who obtained an

FHA-insured mortgage. Guild Mortgage certified the fraudulent FHA-insured loan package and submitted a false claim for FHA-insurance benefits after the borrower defaulted.



Stephen Lampkin, a former manager for Island Mortgage Network in **Buffalo, NY**, entered into a PFCRA settlement and agreed to pay HUD \$10,000. Lampkin, previously sentenced for his guilty plea to making a false statement to HUD, certified FHA-insured loan packages that contained false documents.

Identity Fraud and False Social Security Numbers

Louis Ramon Luevano, also known as Ray Luevano, a real estate broker for Harvest Realty; Antonio Vitale, also known as Tony Vitale, a former loan officer for Sterling Capital Mortgage Company; Celso Galvan-Barrera, also known as Celso Galvin; Leonel Miramontes Armendariz; Jorge Ruedas Barajas; Jose Paz Guerrero Ramirez; and Iris Rodriguez were each charged in Adams County District Court, **Brighton, CO**, with committing theft, conspiracy, offering a false instrument for recording, attempting to influence, and criminal impersonation to gain a benefit. The above defendants allegedly provided false Social Security numbers (SSN) and fraudulent documents to obtain FHA-insured mortgages for themselves or other unqualified borrowers. In addition, Claudia Hernandez-Martinez, also known as Claudia Hernandez or Claudia Martinez, and Concepcion Hernandez-Herrera, also known as Claudia Hernandez or Claudia Hernandez H, were each sentenced to 24 months probation and ordered to perform 50 hours of community service for their earlier guilty pleas to conspiracy. Hernandez-Martinez and Hernandez-Herrera used false SSNs to obtain and later default on FHA-insured mortgages. HUD realized losses in excess of \$3.2 million after 49 mortgages defaulted.



Rhonda Torossian and Nancy Rodriguez, a former loan officer and processor for RBC Mortgage, and Cesar Arenas, a former realtor for Whitehead Realty, were sentenced in U.S. District Court, **Rockford, IL**, for their earlier guilty pleas to conspiracy. Torossian and Arenas were each sentenced to 20 months incarceration and 3 years probation and ordered to pay HUD \$476,257 and \$355,644 in restitution, respectively. Rodriguez was sentenced to 5 years probation and ordered to pay HUD \$300,581 in restitution. Torossian, Rodriguez, Arenas, and others provided false SSNs and fraudulent employment, credit, and other documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$2 million after more than 50 mortgages defaulted.

Ex-loan officer gets prison time for fraud

By Alex Gary
ROCKFORD REGISTER STAR

ROCKFORD — A former loan officer was sentenced to 20 months in federal prison and fined nearly \$500,000 for her part in a five-person mortgage fraud ring that ran from 2001 to 2003.

Rhonda Torossian, 46, of Rockford was sentenced Tuesday. She is the third of the five to be sentenced and the first to receive prison time in the scheme. The group falsified Social Security numbers and created fraudulent employment verifications, bank checks and credit letters so families could receive mortgage loans insured by the Federal Housing Authority.

The FHA program helps low- and moderate-income families receive mortgages by promising lenders that

Fallout from mortgage-fraud ring

Three of the five people involved in a scheme to falsify documents to qualify low-income families for Federal Housing Authority-backed mortgages have been sentenced; two others are scheduled this week. Here's the running total:

Raul Raygoza: Five years' probation, ordered to pay \$149,237.49 in restitution.

Israel Quintero: Five years' probation, ordered to pay \$121,346.62 in restitution.

Rhonda Torossian: Twenty

months in federal prison, fined \$476,257.71 and ordered to pay restitution.

Cesar Arenas: Scheduled to be sentenced today.

Nancy Rodriguez: Scheduled to be sentenced Friday.

fraudulent Social Security numbers on documents sent to HUD, directing Rodriguez to create fake bank checks so it appeared as if buyers could pay the 3 percent equity required.

She also admitted to knowing that Arenas had asked small-business owners, including Raul Raygoza and Israel Quintero, who owned a small furniture store, to sign false credit letters and fake letters of employment for prospective buyers.

Torossian's prison sentence does not have the possibility of parole, and she will have to serve three years of supervised release after her stay in prison. She was fined \$476,257.71 and ordered to pay restitution.

Assistant Business Editor Alex Gary may be reached at agary@register.com or at 815-987-1326.

The Department of Housing and Urban Development will reimburse the lenders if the borrowers default on the loans.

The final two in the ring, Realtor Cesar Arenas and Torossian's assistant, Nancy Rodriguez, will be sentenced today and Friday.

The group was charged with 35 counts in August. Torossian was a loan officer for Prism Mortgage, which was changed to RBC Mortgage, at 4960 E. State St. She pleaded guilty Sept. 4 and admitted to putting

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Rito Miguel Diaz, Sr., and Rito Miguel Diaz, Jr., real estate agents for Familia Realty, Realty World, or Network Realty, each pled guilty in U.S. District Court, **Los Angeles, CA**, to mail fraud and aiding and abetting. From September 1998 to January 2002, Diaz, Sr., Diaz, Jr., and their mother, previously indicted Rosemary Diaz, provided or created fraudulent identification, employment, credit, and other documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$900,000 after 18 mortgages defaulted.



Jose Antonio Caballero, owner of American International Finance and Mortgage Services, Inc., was sentenced in U.S. District Court, **Dallas, TX**, to 12 months incarceration and 36 months supervised release and ordered to pay HUD \$119,620 in restitution for his earlier guilty plea to making a false statement. Caballero failed to claim a prior felony conviction on his FHA lender application and provided false SSNs or IRS employment identifications used by unqualified and undocumented immigrants to obtain FHA-insured mortgages. HUD realized losses of about \$400,000 after 11 mortgages defaulted.



Caridad Prados, a straw borrower indicted in U.S. District Court, **Newark, NJ**, for conspiracy to defraud HUD and using a false SSN, was suspended from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government. Prados and others allegedly submitted fraudulent documents to obtain FHA-insured mortgages. HUD realized losses in excess of \$349,000 after 12 mortgages defaulted.



Santiago Contreras Saucedo, Alejandro Cruz, Julio Interiano, Cipriano Negrete, and Miguel Alcala each pled guilty in Dallas County District Court, **Dallas, TX**, to securing execution of a document by deception, each defendant was sentenced to 2 years probation, and they were collectively fined \$2,391. In addition, Erik Alonso pled guilty to securing execution of document by deception and was sentenced to 3 months confinement, fined \$722, and placed into immigration deportation proceedings. The above defendants used false SSNs and submitted fraudulent documents to obtain and later default on FHA-insured mortgages. HUD realized losses of \$162,819 after their mortgages defaulted.

Bankruptcy Fraud

Carlos Castelan was sentenced in U.S. District Court, **Salt Lake City, UT**, to 15 months incarceration and 36 months probation and ordered to pay HUD \$45,736 in restitution for his earlier guilty plea to making false statements and destroying, altering, or falsifying records in a bankruptcy or Federal investigation. Castelan used a false SSN when he obtained an FHA-insured mortgage and filed for bankruptcy. HUD realized a loss of \$62,000 after his mortgage defaulted.



Steven Sturdivant, a former Chicago Housing Authority (CHA) Section 8 landlord, and his wife, Yasmeen Sturdivant, were each charged in U.S. District Court, **Chicago, IL**, with committing bankruptcy fraud, concealment of assets, or wire fraud. Steven and Yasmeen Sturdivant allegedly provided fraudulent documents

to obtain FHA-insured or conventional mortgages, and Steven Sturdivant allegedly failed to report CHA housing contract payments on bankruptcy petitions and filed numerous bankruptcies to delay foreclosure proceedings. HUD realized a loss of \$30,841 after one FHA-insured mortgage defaulted.



Venus Trillet was arrested and charged in Lawrenceville Superior Court, **Norcross, GA**, with committing forgery. Trillet allegedly forged the signature of her former spouse when she refinanced her FHA-insured mortgage, failed to pay 12 mortgage payments, and filed bankruptcy to impede foreclosure proceedings.

Other Single-Family Fraud

Rockney Martineau was sentenced in Maricopa County Superior Court, **Phoenix, AZ**, to 5 years incarceration and ordered to pay HUD \$149,796 in restitution for his earlier guilty plea to committing fraudulent schemes. Martineau illegally entered two HUD-owned homes, filed false deeds claiming property ownership, fraudulently delayed his eviction from the properties, and caused HUD losses of \$149,796.



Debra Molina, a San Bernardino County probation officer and HUD Good Neighbor Next Door (Good Neighbor) program participant, was charged in U.S. District Court, **Riverside, CA**, with making false statements. Molina obtained a HUD-owned property and received a \$67,500 discount, but Molina allegedly failed to reside in her Good Neighbor property or report her nonresidency on HUD certifications.



Francisco Renteria, a U.S. Department of Homeland Security supervisory immigration officer and Good Neighbor program participant, pled guilty in U.S. District Court, **El Paso, TX**, to making false statements to HUD. Renteria was sentenced to 3 years probation, ordered to pay HUD \$16,800 in restitution, and fined \$1,000. Renteria obtained a HUD-owned property and received a \$57,000 discount, but Renteria failed to claim previously owned residential properties or his nonresidency in his Good Neighbor property on HUD certifications.



Prisciliano Peralta, Sr., was charged in Adams County District Court, **Brighton, CO**, with committing theft, forgery, offering a false instrument for recording, and criminal impersonation. Peralta allegedly used an FHA-insured property owned by another as collateral for a \$20,000 bail bond, but the individual released on bail failed to appear in court, and HUD realized a loss of about \$54,753 after the mortgage defaulted.



Sammie Parr III, a Chicago Police Department officer and HUD Officer/Teacher Next Door (Officer/Teacher) program participant, was charged in a civil complaint filed in U.S. District Court, **Chicago, IL**, with making false claims and breach of contract. Parr obtained a HUD-owned property and received a \$49,950 discount, but Parr allegedly failed to report his ownership of additional real estate on HUD certifications.





Kristine Knowles, a teacher and an Officer/Teacher program participant, agreed to a civil judgment filed in U.S. District Court, **Chicago, IL**, and paid the U.S. Department of Justice \$35,000 in restitution. Knowles obtained a HUD-owned property at a 50 percent discount and certified the property as her sole residence, but Knowles failed to reside in the property or report her ownership of additional real estate on HUD certifications.



Rena Haley, a Baltimore Police Department sergeant and an Officer/Teacher program participant, entered into a PFCRA settlement in **Baltimore, MD**, and agreed to pay HUD \$39,220 in restitution. Haley obtained a HUD-owned property and received a \$33,720 discount, but Haley failed to reside in the Officer/Teacher property or report her nonresidency on HUD certifications.



Robert Miller was convicted in U.S. District Court, **Washington, DC**, of wire fraud and inducement to travel in interstate commerce in execution of a scheme to defraud. Miller posed as a lawyer, realtor, mortgage broker, foreclosure expert, and other professionals; obtained about \$500,000 from investors to purchase HUD-owned and other properties to "flip" for a profit; and then failed to purchase investment properties and used investor funds for his personal benefit.



Carey O'Laughlin, president of National Housing Foundation, a nonprofit approved by HUD to obtain FHA-insured mortgages, was indicted in U.S. District Court, **Chicago, IL**, for making false statements to a federally insured bank. O'Laughlin allegedly obtained and defaulted on \$1 million in bank credit after he provided fraudulent financial statements and documents to American Charter Bank.



Chapter 2

HUD's Public and Indian Housing Programs



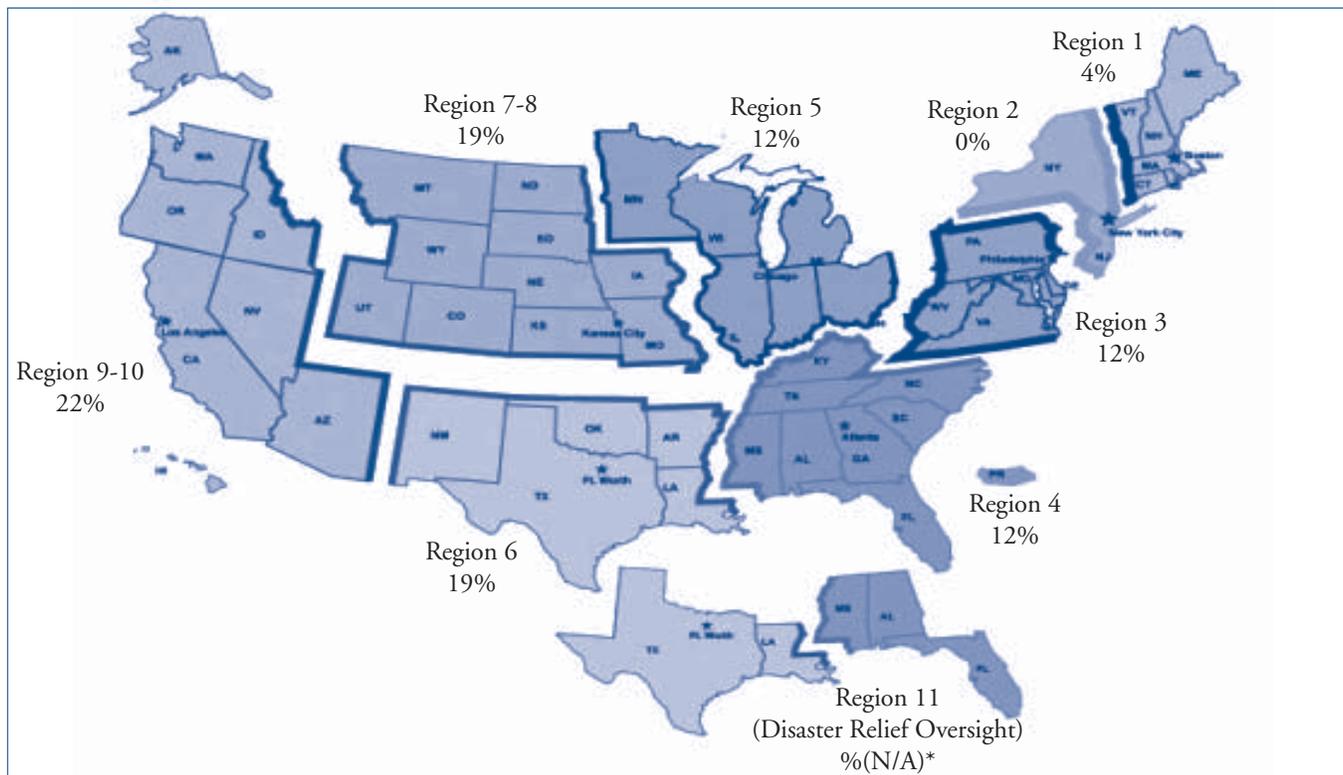
The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to 5,158 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. In addition to the audits and investigations described in this chapter, the Office of Inspector General (OIG), has conducted numerous outreach efforts (see chapter 7, page 119).

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	26 audits	\$49 million	\$294 million
Our focus	Page 23	- Community service and self-sufficiency program	
	Page 23	- Section 8 Housing Choice Voucher program activities at PHAs	
	Page 27	- Public housing program activities	
	Page 32	- Native American programs	

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



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



Community Service and Self-Sufficiency Program

HUD OIG audited HUD's community service and self-sufficiency requirement to determine whether HUD ensured that housing authorities properly administered the requirement.

HUD did not have adequate controls to ensure that housing authorities properly administered the requirement. It did not have sufficient guidelines, adequate data collection and reporting systems, or effective enforcement mechanisms. Of 68 households reviewed, 44 did not comply with the requirement and were, therefore, ineligible for continued occupancy. We estimate that housing authorities improperly renewed or extended the leases of at least 85,000 ineligible households, thereby costing an estimated \$21.5 million in monthly operating subsidies.

OIG recommended that HUD improve its controls to ensure that housing authorities properly administer the requirement, resulting in more than \$257 million being put to better use annually. In addition, OIG recommended that HUD require housing authorities to take corrective action against the 44 ineligible households identified. (Audit Report: 2008-KC-0002)

Section 8 Housing Choice Voucher Program Activities at PHAs

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

HUD OIG audited the Dallas Housing Authority, Dallas, TX, regarding the financial management of its Housing Choice Voucher program. Contrary to requirements, Authority management failed to implement internal controls over the financial management of the program and did not exercise sound management practices. As a result, the Authority's financial data were unreliable, its fund balances were incorrect, and it could not assure HUD that it spent program funds in accordance with its annual contributions contract or Federal regulations. Further, the Authority certified to HUD that it expended significantly less in program funds than it received in 2005 and 2006.

OIG recommended that HUD require the Authority to support or repay more than \$32.4 million, void and properly reclassify nearly \$649,000 in outstanding checks, and implement effective internal controls over the financial operations of its Housing Choice Voucher program. In addition, OIG recommended that HUD take appropriate administrative sanctions, up to and including issuing a notice of default in accordance with its annual contributions contract for the rental certificate and rental voucher programs to ensure that the Authority complies with requirements. (Audit Report: 2008-FW-1006)



HUD OIG also audited the portability features of the Housing Choice Voucher program at the Dallas Housing Authority in Dallas, TX. The Authority (1) mismanaged its portable vouchers and failed to administer portability in accordance with HUD requirements, (2) could not identify its portable families and

attempted to collect portability payments from other housing authorities based on unreliable billing information, (3) did not bill other housing authorities or reconcile its accounts accurately or in a timely manner, and (4) violated portability requirements by denying and discouraging families wishing to port into its Housing Choice Voucher program.

OIG recommended that HUD require the Authority to (1) reconcile its portability accounts, (2) establish and implement necessary controls to ensure that its program complies with HUD requirements, (3) establish and implement controls to ensure that employees cannot manipulate accounting data, (4) repay administrative fees collected for its port Housing Choice Voucher program since it did not properly administer the program, and (5) repay more than \$3.7 million that it inappropriately requested from HUD. (Audit Report: 2008-FW-1003)



HUD OIG audited the Section 8 Housing Choice Voucher program of the Shreveport Housing Authority, **Shreveport, LA**. Of the 66 units inspected, 62 did not meet minimum housing quality standards, and 47 were materially noncompliant with HUD standards. As a result, tenants lived in units that were not decent, safe, and sanitary.

OIG recommended that HUD require the Authority to (1) inspect the 62 units that did not meet minimum housing quality standards to verify that the owners took appropriate corrective action to make the units decent, safe, and sanitary; (2) reinspect all of its Section 8 units, including those units that it owns, and ensure that they meet housing quality standards and if any of the units cannot be made decent, safe, and sanitary, either abate the housing assistance payments or terminate the tenant's voucher as appropriate; and (3) implement procedures and controls to ensure that its Section 8 units and inspections meet HUD requirements to prevent \$6.1 million in future assistance payments from being spent on units that do not meet standards. (Audit Report: 2008-FW-1002)



HUD OIG audited the Section 8 Housing Choice Voucher program of the Housing Authority of the County of Los Angeles, **Los Angeles, CA**. The Authority did not comply with HUD's requirements or its own administrative plan in performing reexaminations. It incorrectly calculated housing assistance payments, did not complete tenant reexaminations in a timely manner, and improperly changed reexamination due dates. As a result, it made improper and unsupported housing assistance payments, collected unearned administrative fees between 2005 and 2006, and continued to put its program at risk.

OIG recommended that HUD direct the Los Angeles County Board of Supervisors to replace the executive director and hire a new Assisted Housing Division director. OIG also recommended that HUD withhold 10 percent of the Authority's future administrative fees until it properly implements its new computer system; direct the Authority to reimburse HUD \$3.6 million in fiscal year 2005 and 2006 administrative fees; and require the Authority to reimburse overpayments of more than \$33,000 from nonfederal funds, reimburse tenants nearly \$3,000 for underpayments, and provide support or reimburse the program nearly \$6,000 for unsupported costs. (Audit Report: 2008-LA-1007)





HUD OIG performed a corrective action verification of the audit recommendations cited in the audit report, Miami-Dade Housing Agency Did Not Ensure Section 8-Assisted Units Met Housing Quality Standards (2006-AT-1001), issued December 21, 2005. The purpose of the corrective action verification was to determine whether the selected audit recommendations were implemented and the deficiencies reported in the audit report corrected.

The Agency, located in **Miami, FL**, disregarded the management decisions and did not implement the promised corrective action. It did not correct the housing quality standards violations OIG cited in the audit and failed to implement its revised Section 8 administrative plan. As a result, the deficiencies cited in the audit report were not corrected, and the Agency continued to violate HUD requirements.

OIG recommended and HUD agreed with reopening recommendations 1A and 1B from audit report 2006-AT-1001 because the Agency did not implement the agreed-upon corrective actions. (Audit Report: **2008-AT-0801**)



HUD OIG audited the Housing Authority of the City of **Allentown, PA**, and found that the Authority generally calculated housing assistance payments accurately and properly maintained documentation in its tenant files for its Section 8 program. However, it did not settle interfund payables accruing to its Section 8 program in a timely manner and did not allocate administrative salary and benefit costs to its programs on a reasonable and fair basis. As a result, the Authority allowed the Section 8 program's interfund payables to accumulate to more than \$760,000 over a 10-month period, and it charged excess administrative salary and associated employee benefit costs totaling nearly \$151,000 to its low-rent public housing program.

OIG recommended that HUD verify the Authority's reimbursement to settle the Section 8 program's interfund payables and direct the Authority to reimburse its low-rent public housing program from the programs that benefited from the improper allocation of administrative salary and benefit costs. (Audit Report: **2008-PH-1003**)



HUD OIG audited the Section 8 Housing Choice Voucher program of the Holyoke Housing Authority, **Holyoke, MA**. Of the 63 program units inspected, 43 failed inspection, and 26 were materially noncompliant with housing quality standards. The Authority did not always perform its inspection or notify the owners of inspection results in a timely manner or abate the housing assistance payments when repairs were not made as required. It also did not have an adequate quality control process in place to ensure that inspections detected housing quality standards violations or were properly performed and in compliance with HUD's and the Authority's requirements.

OIG recommended that HUD require the Authority to implement controls to ensure that (1) its inspection policies and procedures are followed and that all units meet HUD's housing quality standards to prevent \$1.6 million in program funds from being spent on units that are in material noncompliance and (2) future Section 8 quality control inspections are properly performed and supported by adequate documentation. (Audit Report: **2008-BO-1002**)



HUD OIG audited the Municipality of **Ponce, PR's** (authority) Section 8 Housing Choice Voucher program. Of the 54 units inspected, 39 did not meet minimum housing quality standards, and 12 of those were in material noncompliance. The authority also failed to ensure that annual housing quality inspections were performed in a timely manner. As a result, Section 8 program funds were not used 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 did not pay program landlords in a timely manner or apply utility allowances for tenant-supplied appliances.

OIG recommended that HUD require the authority to (1) inspect all of the 39 units that did not meet minimum housing quality standards to verify that the landlords took appropriate corrective actions and if appropriate actions were not taken, abate the rents or terminate the tenants' vouchers; (2) establish and implement adequate procedures and controls to prevent more than \$190,000 from being spent on units with material housing quality standards violations and for the timely disbursement of more than \$185,000 in back payments to landlords; and (3) develop a utility allowance schedule that complies with program requirements and recognizes the costs of tenant-supplied appliances to ensure that more than \$71,000 in program funds is used in accordance with HUD requirements. (Audit Report: 2008-AT-1001)



HUD OIG reviewed the Housing Authority of the City of **Napa, CA's** Section 8 program to determine whether concerns raised in a complaint relating to misappropriation of Section 8 funds had merit and whether allegations of improper rent increases for the Section 8 Moderate Rehabilitation Single Room Occupancy (Mod Rehab) and Section 8 Housing Choice Voucher programs were valid.

The allegation relating to the misappropriation of Section 8 funds had no merit. However, the Authority improperly increased contract rents for eight units at a Section 8 Mod Rehab project, resulting in the Authority's paying more than \$63,000 in excess housing assistance payments to the owner. Additionally, the Authority did not properly determine reasonable rents for the Section 8 Housing Choice Voucher program units. As a result, it potentially overpaid housing assistance to the owners.

OIG recommended that HUD require the Authority to (1) reimburse the excessive housing assistance payments related to the Section 8 Mod Rehab units; (2) develop and implement written policies, procedures, and controls for administering its Section 8 Mod Rehab program in compliance with HUD regulations; (3) establish procedures and implement controls to ensure that its rent reasonableness determination process is in accordance with HUD rules and regulations; (4) establish procedures and implement controls to ensure that the comparable database is up-to-date, complete, and verified; and (5) conduct training for all individuals involved in rent reasonableness determinations. OIG also recommended that HUD coordinate with OIG to conduct a postaudit verification review to determine whether corrective actions were implemented. (Audit Report: 2008-LA-1002)



HUD OIG audited the Section 8 Housing Choice Voucher program of the Anaheim Housing Authority, **Anaheim, CA**, and found that the Authority incorrectly calculated housing assistance payments and processed annual recertifications without ensuring that all HUD requirements were met. OIG identified more than \$6,000 in housing assistance overpayments and \$90 in housing assistance underpayments related to 4 of 10 tenant reexaminations. In addition, although the Authority had significantly improved its rent reasonableness

practices since late 2006, its rent reasonableness procedures were not in accordance with all HUD rules and regulations.

OIG recommended that HUD require the Authority to (1) reimburse the program from nonfederal funds for the overpayment of housing assistance; (2) reimburse the appropriate tenant from program funds for the underpayment of housing assistance; (3) ensure that the new administrative plan is properly implemented throughout the organization; and (4) implement additional procedures and controls over eligibility, quality control reviews, and rent reasonableness determinations. (Audit Report: 2008-LA-1005)



HUD OIG audited the Housing Authority of the City of **Colorado Springs, CO**, to determine whether it followed Federal procurement requirements and its own procurement policies in awarding two capital fund rehabilitation contracts, properly administered all work done by its contractor, and followed Federal occupancy requirements and its own administrative plan in maintaining its Section 8 waiting list and selecting eligible applicants from its waiting list.

The Authority did not follow applicable requirements while awarding and administering two capital fund rehabilitation contracts. It also violated applicable requirements while maintaining its Section 8 waiting list and selecting participants from the waiting list. It had no assurance that it received the best price when awarding two contracts that eventually paid out more than \$2.2 million. In addition, it did not administer the contracts according to requirements when it paid more than \$570,000 to the contractor for services provided outside the scope of the statement of work on the contracts, and it improperly maintained its waiting list and selected tenants without regard to the waiting list or appropriate support.

OIG recommended that HUD require the Authority to provide training and implement controls to ensure that written procedures are followed. In addition, OIG recommended that HUD perform a postmonitoring review to ensure that the Authority took recommended actions. (Audit Report: 2008-DE-1001)

Public Housing Program Activities

HUD OIG audited the District of Columbia Housing Authority's administration of its leased housing under its Moving to Work Demonstration program in **Washington, DC**, to determine whether the Authority ensured that its program units met housing quality standards.

Of 70 housing units inspected, 67 did not meet HUD's housing quality standards, and 48 of the units had exigent health and safety violations that the Authority's inspectors neglected to report during their last inspection. The Authority spent nearly \$193,000 in program and administrative funds for these 48 units.

OIG recommended that HUD require the Authority to (1) ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards, (2) reimburse its program from nonfederal funds for the improper use of program funds for units that materially failed to meet HUD's standards, and (3) implement adequate procedures and controls to ensure that program units meet housing quality standards to prevent an estimated \$21.7 million from being spent annually on units with material housing quality standards violations. (Audit Report: 2008-PH-1001)





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

The Authority diverted and pledged assets subject to its contracts, other agreements, or HUD's regulations for the benefit of Michigan City Housing Development, Incorporated, the Authority's nonprofit entity. It failed to file declarations of trust on 32 properties purchased using Turnkey III Homeownership sales proceeds. It also inappropriately transferred ownership of 29 of the 32 properties, valued at more than \$1.1 million, to its nonprofit without HUD approval and did not ensure that it complied with its HUD-approved plan regarding the use of the sales proceeds. As a result, fewer funds were available to serve the Authority's low-income families. Further, the Authority did not comply with HUD's property disposition requirements and did not ensure that its nonprofit used the proceeds from the sale of property in accordance with its agreement with HUD. As a result, HUD lacks assurance that the sale of the property served the best interests of HUD, the Authority, and its residents.

OIG recommended that HUD require the Authority to (1) submit executed declarations of trust for the Turnkey III properties to HUD, (2) negotiate with its nonprofit to transfer ownership of the 29 Turnkey III properties back to the Authority and amend its promissory note with Horizon Bank to remove the properties held as collateral or pay HUD for the properties from nonfederal funds, (3) reimburse its public housing program from nonfederal funds for rental income received from the Turnkey III properties, (4) replenish its public housing program to comply with its approved HUD plan or provide a revised plan to HUD for review and approval, (5) implement adequate procedures and controls for monitoring the progress of the urban park development or exercise its right to reversion of title if the park is not fully developed, (6) negotiate with its nonprofit to discontinue using sales proceeds to pay interest payments, and (7) implement a written plan for use of the proceeds. OIG also recommended that HUD take appropriate action to declare the Authority in substantial default of its contract. (Audit Report: **2008-CH-1001**)



HUD OIG reviewed the development activities of the Douglas County Housing Authority, **Omaha, NE**, to determine whether the Authority encumbered or spent HUD assets for nonfederal development activities without HUD approval.

The Authority (1) inappropriately encumbered nearly \$1.67 million in Federal assets when it entered into loan documents containing setoff provisions against the Authority's HUD-related bank accounts, (2) inappropriately entered into partnership agreements that made it responsible for all operating deficits of two nonfederal developments, (3) inappropriately spent nearly \$860,000 in public housing funds on three nonfederal developments, and (4) arbitrarily allocated nearly \$730,000 of its administrative and maintenance supervisor salaries to its Federal programs without adequate support.

OIG recommended that HUD require the Authority to (1) improve its controls, obtain adequate releases from the loan commitments and partnership agreements for the nonfederal developments, and repay its public housing program for any Federal funds used inappropriately; (2) reimburse its HUD programs; and (3) reimburse its HUD programs for any salary allocations it cannot support and implement an acceptable method for allocating future salary and benefits costs. OIG also recommended that HUD take appropriate

administrative actions against the Authority, its chief executive officer, and members of its board of commissioners for violating HUD rules. (Audit Report: 2008-KC-1001)



HUD OIG audited the Housing Authority of the City of **McKinney, TX**, to determine whether the Authority's transactions with its affiliated nonprofit, the McKinney Housing Opportunity Corporation, complied with HUD requirements.

In violation of its annual contributions contract, the Authority inappropriately provided funds and real estate to its not-for-profit affiliate and did not follow requirements when it made housing assistance payments to the Corporation. It did not obtain independent determinations of fair market rents or compliance with housing quality standards for properties owned by the Corporation.

OIG recommended that HUD require the Authority to (1) repay more than \$915,000 to its low-income accounts, (2) support more than \$79,000 in housing assistance payments to the Corporation by obtaining independent determinations of fair market rents and compliance with housing quality standards, and (3) implement policies and procedures to ensure that it complies with HUD requirements. (Audit Report: 2008-FW-1005)



HUD OIG audited the public housing and Public Housing Capital Fund programs of the Highland Park Housing Commission, **Highland Park, MI**, to determine whether the Commission effectively administered its program and followed HUD's requirements.

The Commission's administration of its programs, regarding admission and occupancy and procurement, was inadequate. It did not comply with HUD's requirements and its policies in administering its admission and occupancy process. It was unable to support more than \$153,000 in public housing operating subsidies received, did not receive total household payments of nearly \$29,000, received excess total household payments of more than \$13,000, and received nearly \$8,000 in public housing operating subsidies to which it was not entitled. Further, the Commission's procurement activities were not conducted according to its and HUD's requirements. It did not follow HUD's requirements for full and open competition regarding the procurement of professional, housing maintenance, and general cleaning services totaling nearly \$83,000 and did not have supporting documentation for work costing more than \$61,000 under the Commission's Public Housing Capital Fund program.

OIG recommended that HUD require the Commission to provide support or reimburse its applicable program from nonfederal funds for the unsupported payments, reimburse its applicable program from nonfederal funds for the

Federal audit uncovers problems
Housing grant money is missing

HIGHLAND PARK

BY CECIL ANGEL
FREE PRESS STAFF WRITER

No-bid contracts to family members of employees, allowing applicants to leapfrog over others on a waiting list, and \$153,000 in operating subsidies unaccounted for were among the findings of a federal audit of the Highland Park Housing Commission.

The U.S. Department of Housing and Urban Development audit, released late last month, was conducted from April through November 2007 and covered the period from October 2005 through March 2007. The auditors found that the commission didn't comply with HUD regulations in several areas.

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improper use of funds, and implement adequate procedures and controls to help ensure that nearly \$70,000 in public housing funds will be put to better use. (Audit Report: 2008-CH-1003)



HUD OIG audited the 5(h) homeownership program of the Akron Metropolitan Housing Authority, **Akron, OH**, to determine whether the Authority properly accounted for and used its program's proceeds in accordance with requirements.

The Authority failed to maintain a separate identity for more than \$196,000 of its program's proceeds because it commingled the proceeds with funds in its general public housing fund account. It also did not use its program sales proceeds in a timely manner. As a result, the program's proceeds were not used to assist low-income families.

OIG recommended that HUD require the Authority to (1) reimburse its appropriate account the 5(h) sales proceeds plus earned interest, (2) submit a proposal for HUD's approval on how the program's proceeds will be used, and (3) implement adequate procedures and controls to ensure that the proceeds are used to provide housing assistance for low-income families in accordance with HUD's requirements. (Audit Report: 2008-CH-1002)



HUD OIG reviewed the capital fund program of the Housing Authority of the County of San Joaquin, **Stockton, CA**, to determine whether the Authority used capital funds in accordance with HUD rules and regulations.

The Authority did not use capital funds in accordance with requirements. It used nearly \$176,000 to absorb shared administrative costs of other housing programs, improperly charged nearly \$115,000 in ineligible indirect administrative fees, recorded more than \$77,000 in additional questioned costs to its capital fund grant, and did not have policies and procedures in place to ensure accurate and complete financial information.

OIG recommended that HUD require the Authority to repay HUD and reimburse the capital fund for shared administrative costs from other housing programs and ineligible administrative fees. OIG also recommended that the Authority remove liabilities from its accounting records and establish policies and procedures to ensure that it spends and supports its use of capital funds in accordance with HUD requirements. (Audit Report: 2008-LA-1008)



HUD OIG audited Green River Management, Inc., **Ada, OK**, which managed the Housing Authorities of the City of Konawa, City of Langston, City of Pauls Valley, City of Wynnewood, Town of Cheyenne, and Caddo Electric Cooperative, to determine whether the housing authorities appropriately procured Green River as their management agent, maintained properties, and carried out their financial responsibilities in accordance with HUD rules and regulations and their policies and procedures.

The housing authorities did not appropriately procure their management agent contracts, did not use more than \$199,000 in accordance with requirements, and unnecessarily paid a commissioner of Konawa nearly \$6,000 as an insurance agent when they could have purchased the insurance directly from the company. Further, Langston did not maintain its units in good condition or manage certain aspects of its operations in accordance with requirements. As a result, the housing authorities misspent more than \$205,000 and could put more than \$84,000 to better use by reprocurring the management agent contracts.

OIG recommended that HUD require (1) the housing authorities to reprocur their management agent contracts; (2) Langston to correct its physical conditions and implement procedures to ensure that its units are maintained in a decent, safe, and sanitary condition; (3) the housing authorities to support or repay the misspent funds; and (4) the housing authorities to comply with HUD and State requirements. (Audit Report: 2008-FW-1001)



HUD OIG audited the Schuyler Housing Authority, **Schuyler, NE**, to determine whether the Authority improperly spent public housing assets when developing and operating an assisted living program.

The Authority inappropriately used more than \$78,000 in public housing funds to pay expenses of a non-HUD assisted living program, improperly allowed the assisted living entity to collect more than \$60,000 in public housing rent, and did not maintain tenant records or accurately report tenant data to HUD for assisted living participants.

OIG recommended that HUD require the Authority to obtain repayment from the non-HUD assisted living entity for those expenses paid on the entity's behalf, collect public housing tenant rents that the entity had not transferred to the Authority, and implement controls to separate public housing revenues and expenses from those of the assisted living program. OIG also recommended that HUD monitor the Authority to ensure that it does not continue to inappropriately support the assisted living program. (Audit Report: 2008-KC-1002)



HUD OIG audited the Housing Authority of Baltimore City's administration of its leased housing under its Moving to Work Demonstration program in **Baltimore, MD**, to determine whether the Authority's controls over its tenant files were adequate to ensure compliance with HUD requirements.

The Authority's controls were generally sufficient to ensure that tenant files contained the required documentation, and its tenant files were orderly and contained certification and recertification documents in accordance with HUD requirements. However, in 7 of the 22 tenant files reviewed, the Authority incorrectly calculated housing assistance payments, resulting in more than \$3,000 in overpayments and nearly \$3,000 in underpayments. The Authority was in the process of strengthening its controls over housing assistance payment determination to ensure that it made future housing assistance payments accurately and in accordance with HUD requirements.

OIG recommended that HUD require the Authority to reimburse its program from nonfederal funds for the overpayment of housing assistance and reimburse applicable tenants for housing assistance underpayments,

thereby putting these funds to better use. OIG further recommended that HUD conduct a followup review to ensure that the Authority's planned process improvements are implemented. (Audit Report: 2008-PH-1004)



HUD OIG audited HUD's oversight of the Housing Authority of DeKalb County, **Atlanta, GA**, with regard to the Authority's compliance with its memorandum of agreement to determine whether HUD adequately monitored the Authority's implementation of operating improvements required in the agreement.

HUD did not ensure that the Authority accurately implemented its agreement. The Authority did not implement some tasks related to financial management and procurement. As a result, it was released from its agreement without fully completing and implementing it. Thus, HUD could not be assured that the Authority's public housing program was managed in a manner consistent with sound financial practices.

OIG recommended that HUD perform a comprehensive review of the Authority's procurement function to ensure that it is operating in accordance with Federal and State regulations and perform either staff or independent public accountant on-site review of the financial management internal controls to ensure that the Authority has adequate financial internal controls regarding the disbursement of funds. (Audit Report: 2008-AT-0001)



HUD OIG audited the Housing Authority of the City of **Brighton, CO**, to determine whether the Authority had an adequate inventory control system and whether it performed contracting activities in accordance with Federal procurement requirements.

The Authority did not have complete and accurate inventory records of its fixed assets. It also violated Federal procurement requirements while awarding two service contracts worth approximately \$52,000.

OIG recommended that HUD require the Authority to perform a complete physical inventory of its fixed assets, develop and implement inventory control practices, and properly train its procurement staff. In addition, OIG recommended that HUD perform a postmonitoring review to ensure that the Authority took recommended actions. (Audit Report: 2008-DE-1002)

Native American Programs

HUD OIG audited Oneida Housing Authority, **Oneida, WI**, to determine whether the Authority calculated program income for Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA)-assisted United States Housing Act of 1937 (1937 Act) properties in accordance with applicable HUD guidance, regulations, and requirements and to observe uses of revenue from NAHASDA-assisted 1937 Act properties.

The Authority failed to track NAHASDA Indian Housing Block Grant (Block Grant) rehabilitation or capital expenses for each property and restrict nonprogram income from its Mutual Help program. As a result, more than \$2.2 million in combined low-rent and Mutual Help housing receipts was inappropriately classified as nonprogram income, and the proceeds from the sale of Mutual Help units were not restricted to eligible uses. Further, the Authority's financial auditor identified from \$60,000 to \$100,000 in disbursements for

2006 board expenses as abusive. Those costs were paid from the Authority's local fund, which contained nonprogram income from 1937 Act units.

OIG recommended that HUD (1) require the Authority to implement policies and procedures to determine program income in accordance with HUD requirements, (2) evaluate the Authority's computation of low-rent program income and determine whether the estimated unit labor costs are adequate to document the total costs of rehabilitation or capital costs or reclassify the nearly \$991,000 in nonprogram income as Block Grant program income, (3) evaluate the Authority's computation of Mutual Help program income and determine whether the estimated unit labor costs are adequate to document the total cost of rehabilitation or capital costs or reclassify more than \$1.2 million in nonprogram income as Block Grant program income, and (4) require the Authority to implement policies and procedures restricting the use of nonprogram income from Mutual Help proceeds of sale to eligible activities. (Audit Report: 2008-SE-1002)



HUD OIG audited Warm Springs Housing Authority, **Warm Springs, OR**, to determine whether the Authority calculated program income for NAHASDA-assisted 1937 Act properties in accordance with applicable HUD guidance, regulations, and requirements and to observe uses of revenue from NAHASDA-assisted 1937 Act properties.

The Authority did not have an adequate accounting process and system in place to accurately allocate income from 1937 Act properties receiving Block Grant program assistance between the 1937 Act and Block Grant programs. It failed to track cumulative NAHASDA modernization expenses for each property and did not allocate the property's share of income attributable to the NAHASDA Block Grant program. As a result, it inappropriately removed more than \$1.4 million in low-income receipts from HUD-monitored NAHASDA affordable housing activities and used restricted funds to pay for more than \$204,000 in unsupported travel expenses. The low-income housing receipts were used to repay unsupported compensation of housing officials and travel expenses identified during a 2003 monitoring review. Other uses of nonprogram income included unallowable bad debt, personal expenses on Authority credit cards, miscellaneous HUD-rejected expenses, and maintenance of tribal housing outside the NAHASDA program.

OIG recommended that HUD require the Authority to (1) establish an accounting system that allocates income attributable to the NAHASDA program and documents the total cost of NAHASDA-funded rehabilitation and capital improvements or return the funds withdrawn from 1937 Act revenue to the NAHASDA program, (2) reconcile insurance proceeds and ensure that they are credited to NAHASDA-eligible activities for any policy paid using NAHASDA funds or policies covering NAHASDA-assisted units, (3) establish a separate accounting for Mutual Help program proceeds of sale to ensure proper restriction on the use of those funds, and (4) complete repayment of the unsupported travel expenses. (Audit Report: 2008-SE-1001)



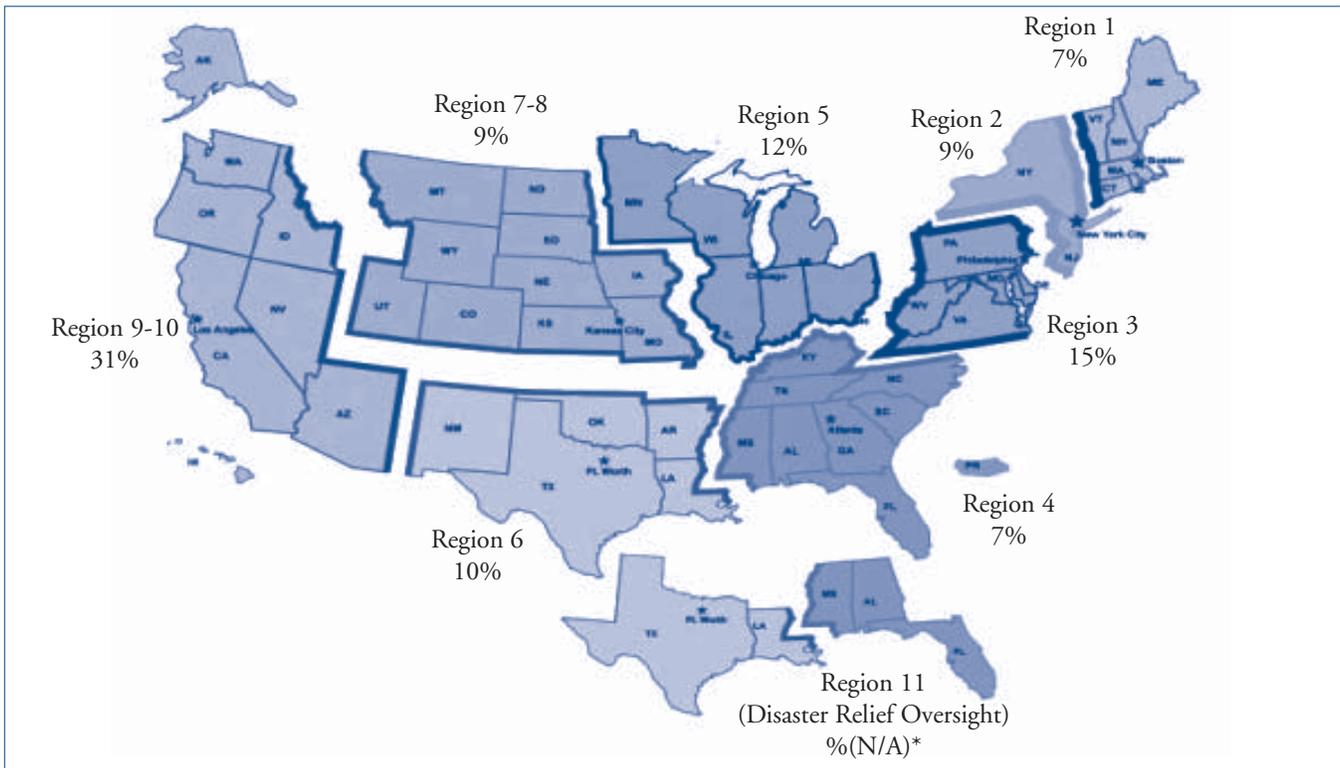
Investigation

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

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

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	275	\$5.8 million	314	323
Our focus	Page 35	- Public housing authority theft/embezzlement		
	Page 38	- Rental assistance fraud		
	Page 51	- FedRent Initiative		
	Page 54	- Fugitive Felon Initiatives		
	Page 55	- Other fraud/crimes		
	Page 56	- Systemic Implications Report		

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



* This does not include hurricane relief cases. See chapter 5 for these cases.

Public Housing Authority Theft / Embezzlement

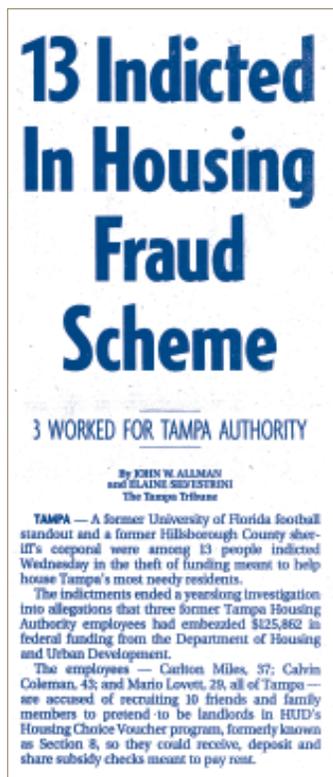
VA Construction Company, a Housing Authority of the City of Danbury (Danbury) contractor, was ordered to pay Danbury \$1.5 million in a civil judgment filed in Connecticut Superior Court, **Danbury, CT**. VA Construction Company failed to perform on its Danbury public housing construction contract.



Carl Payne, the former executive director for the Harrisburg Housing Authority (HHA) and president and chief executive officer for the now-defunct Greater Harrisburg Community Credit Union (HCCU), pled guilty in U.S. District Court, **Harrisburg, PA**, to conspiracy to defraud HUD and making false statements. Payne and unnamed conspirators created documents to obstruct a grand jury investigation into the diversion of \$500,000 in HHA funds to HCCU. A subsequent HUD OIG audit revealed that \$834,969 in HHA funds was diverted to HCCU without authorization or disclosure.



William Porfilio, doing business as Eastern Electronics & Security, Inc., a former Springfield Housing Authority (SHA) contractor, pled guilty in U.S. District Court, **Springfield, MA**, to conspiracy to commit wire fraud. Porfilio obtained more than \$500,000 in SHA contracts after he paid bribes to and installed electronic systems in the homes of previously sentenced SHA executive director Raymond Asselin and others.



Former Tampa Housing Authority (THA) Section 8 counselor Calvin Coleman and six fictitious THA landlords were each indicted in U.S. District Court, **Tampa, FL**, for conspiracy to steal government funds, theft of government funds, or theft concerning programs receiving Federal funds. In addition, former THA Section 8 counselors Mario Lovett and Carlton Miles and nine fictitious THA landlords each pled guilty to conspiracy to steal government funds, theft of government funds, or committing program fraud. Coleman and others allegedly and Lovett, Miles, and others admittedly conspired and used the THA computer system to fraudulently generate and obtain \$455,168 in THA housing contract payments they were not entitled to receive.



David Baker, the Scranton Housing Authority (SHA) executive director, was indicted in U.S. District Court, **Scranton, PA**, for misusing his position and obstructing and impeding the performance of Federal auditors; making and using false documents; misapplying Federal funds; wire fraud; and influencing, obstructing, and impeding the due administration of justice during a Federal grand jury investigation. Baker allegedly misused his position, threatened an independent auditor, retaliated against cooperating SHA employees, made false

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statements to HUD, used SHA funds without authorization, and placed ineligible family members and friends into SHA subsidized housing units. HUD's losses are estimated at \$300,000.



Margaret Fletcher, the former Fulton County Housing Authority (FCHA) executive director; her daughter, Rita Stapleton, the former FCHA acting executive director; and former FCHA contract auditor Margaret Pryor were each charged in U.S. District Court, **Harrisburg, PA**, with misprision of a felony, conflict of interest, or submitting fictitious financial reports to HUD. Fletcher allegedly participated and allowed relatives to participate as landlords in the FCHA Housing Choice Voucher program, used FCHA funds for unauthorized administrative expenses, and awarded FCHA contracts to Stapleton. Stapleton allegedly participated as a landlord in the FCHA Housing Choice Voucher program, fraudulently accepted FCHA contracts, and obtained FCHA funds for fabricated vacation hours. Pryor allegedly falsified her employing firm and submitted false FCHA annual financial reports to HUD. HUD's losses are estimated at \$238,000.



Rebecca Sargeant, a former Springfield Housing Authority (SHA) accounts receivable clerk, was sentenced in U.S. District Court, **Springfield, IL**, to 13 months incarceration and 3 years supervised release and ordered to pay SHA \$168,000 in restitution for her earlier guilty plea to theft of government funds. Sargeant prepared, endorsed, and negotiated \$168,000 in SHA checks for her personal use without authorization.



Lupe Pacheco, a former Region VI Housing Authority (Region VI) Section 8 supervisor, was sentenced in Chavez County District Court, **Roswell, NM**, to 4 years incarceration and 5 years supervised probation and ordered to pay Region VI \$147,600 in restitution for her earlier guilty plea to embezzlement. Pacheco entered fictitious tenant and landlord information into the Region VI computer system, obtained \$146,700 in fraudulent Region VI housing contract payments, and used the bogus Region VI housing contract payments for personal expenditures.



Susan Wyatt, the former Homerville Housing Authority (HHA) executive director, was sentenced in U.S. District Court, **Homerville, GA**, to 14 months incarceration and 3 years supervised release and ordered to pay HUD \$110,418 in restitution for her earlier guilty plea to embezzlement. Wyatt embezzled \$110,418 in HHA funds for her personal use.



Robert Newell, the former governor for the Passamaquoddy Tribe Indian Township Reservation (Passamaquoddy), a HUD-funded Indian tribal organization, and James Parisi, the former Passamaquoddy financial officer, were each indicted in U.S. District Court, **Bangor, ME**, for conspiracy, embezzlement, and making false statements and claims. From 2003 to 2006, Newell and Parisi allegedly diverted and used more than \$1.7 million in Passamaquoddy funds without authorization. HUD's losses are estimated at \$82,000.



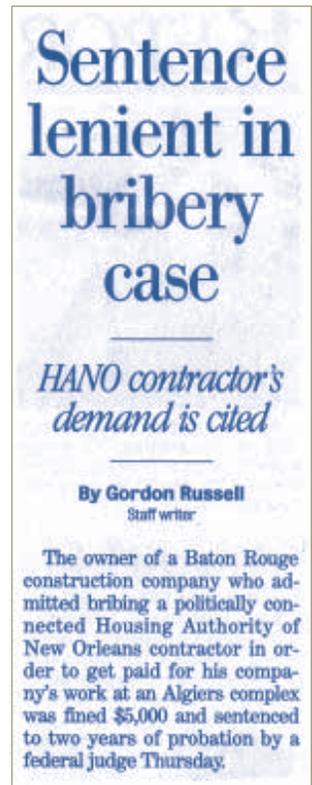
Robbie Dudley, a former St. Louis Housing Authority (SLHA) employee, entered into a pretrial diversion agreement filed in U.S. District Court, **St. Louis, MO**, and was sentenced to 12 months supervised release, was barred from working any job with a fiduciary responsibility, and agreed to pay SLHA and an elderly tenant \$4,759 in restitution. Dudley stole SLHA tenant payments and transferred funds from an elderly tenant's bank account for her personal use.



Brent Honore, owner of Honore Construction Company, pled guilty in U.S. District Court, **New Orleans, LA**, to misprision of a felony and was sentenced to 2 years probation and fined \$5,000. Honore paid bribes for construction invoice approvals to previously sentenced James Lozano, a former project manager for Columbia Highlands Company, a Housing Authority of New Orleans subcontractor.



Benny Ramos, a City of Paterson (Paterson) Section 8 program deputy director, was indicted in U.S. District Court, **Newark, NJ**, for attempting to extort money under color of official right and accepting cash to influence and reward. Princess Reaves, a Paterson deputy court administrator; Victor Ortiz, a Paterson housing inspector; and Mark Hooks, a City of Passaic (Passaic) employee, each pled guilty to soliciting and accepting bribes, attempting to extort money under color of official right, or accepting corrupt payments. In addition, eight Paterson, Patterson Housing Authority, or Passaic County Water Commission employees were collectively sentenced to more than 4 years and 10 months incarceration, 5 months home confinement, 4 years supervised release, and 13 years probation and fined \$10,900 for their earlier guilty pleas to interfering with commerce by threat or violence, unlawfully accepting property of another, conspiracy to defraud the U.S. Government, or attempting to extort money under color of official right. Ramos allegedly and the remaining defendants admittedly solicited and accepted bribes from an unnamed conspirator in exchange for steering Section 8 tenants to specific properties, expediting building inspections, or rejecting tenant complaints filed in municipal court.



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Rental Assistance Fraud

Budimir Radojic, owner of B&B Properties II, Inc., a Chicago Housing Authority (CHA) Section 8 landlord, and Suzana Radojic, Mirjana Omickus (Radojic), Christa Patterson, and Mark Helfand were each charged in Cook County Circuit Court, **Chicago, IL**, with organizing a continuing financial crimes enterprise, financial institution fraud, conspiracy to commit a financial crime, forgery, theft, money laundering, and wire and mail fraud. Budimir Radojic and the above defendants allegedly conspired and purchased rental properties, converted the properties into condominiums, fraudulently sold the properties to straw buyers who obtained conventional mortgage loans, conveyed the properties to a land trust without lender approval, and obtained more than \$700,000 in CHA housing contract payments they were not entitled to receive.



Twelve Miami-Dade Housing Authority (MDHA) Section 8 or Housing Choice Voucher program participants employed by local governmental agencies were each indicted in Eleventh Judicial Circuit Court, Miami, FL, for committing public assistance fraud and grand theft. In addition, 11 MDHA Section 8 or public housing tenants and two registered sex offenders and unauthorized MDHA residents were arrested on probable cause for committing public assistance and organized fraud, grand theft, and conspiracy. The above defendants allegedly failed to report income, assets, unauthorized residents, or subleasing of their subsidized units on MDHA certifications and collectively obtained about \$443,571 in MDHA housing assistance they were not entitled to receive.

MIAMI-DADE
Dozen face housing-fraud charges

Eleven Miami-Dade authorities said they uncovered fraud in a federal housing program that is supposed to benefit the poor.

BY SUSANNAH A. NESMITH
 nesmith@miamiherald.com

Eleven government employees and a local landlord were indicted Wednesday on charges they scammed a federal housing assistance program in Miami-Dade County out of tens of thousands of dollars.

All of the government employees reported that they earned little or nothing when, in fact, they were drawing government salaries.

"The people indicted pretended to be needy, pretended to be poor... thereby they kept the needy from getting the help they deserved," said Miami-Dade State Attorney Katherine Fernandez Rundle in announcing the charges.

***TURN TO HOUSING, 2B**

MiamiHerald.com
 Read the grand jury final report at Today's Extras

ANNOUNCEMENT: Prosecutor Don Horn speaks Wednesday. From left are State Attorney Katherine Fernandez Rundle, Homestead Detective Ricky Rivers, and HUD officials Lester A. Davis and Timothy A. Mowery.

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Thirteen former Las Vegas Housing Authority (LVHA) Section 8 tenants and a former LVHA landlord were charged in Clark County Justice Court, Las Vegas, NV, with theft by misrepresentation, obtaining money under false pretenses, or attempted theft. In addition, former LVHA Section 8 tenants Lonnie Brown and Israel Bonilla Hernandez each pled guilty to attempted theft. Brown and Hernandez admittedly and the remaining defendants allegedly failed to report income, accurate household compositions, familial relationships, or their criminal histories on LVHA certifications and collectively obtained \$368,684 in LVHA housing assistance they were not entitled to receive.



Eleven Cuyahoga Metropolitan Housing Authority (CMHA) Section 8 landlords and 17 Section 8 tenants were each charged in Cuyahoga County Court of Common Pleas, Cleveland, OH, with theft and tampering with records. The above defendants allegedly failed to report income, assets, unauthorized residents, deceased tenants, or the transfer of property ownership on housing certifications and obtained \$280,000 in CMHA

Landlords charged with fraud

Tenants also among indicted in housing voucher schemes

MICHAEL SANGIACOMO
 Plain Dealer Reporter

Sometimes the renters lied about their income. Sometimes the landlords knew about it and turned in the paperwork with the bogus information.

But all of them, police say, falsified claims to receive about \$380,000 in taxpayer-funded government rent aid.

A Cuyahoga County grand jury recently indicted 28 landlords and tenants for theft and fraud in connection with the Housing Choice Voucher Program, formerly called Section 8.

The program provides supplementary rent payments to private property owners who rent to low-income people. Renters pay only 30 percent of the actual rent; the rest is paid by taxpayers, funneled through the Cuyahoga Metropolitan Housing Authority.

The involved properties are in Cleveland, Cleveland Heights, East Cleveland and Shaker Heights, CMHA Police Chief Andres Gonzalez said.

George Deberovic, with the inspector general's office, said the fraud is especially egregious, considering the number of qualified people who really need low-cost housing.

"There are 7,800 families on the waiting list for public housing," he said. "These people desperately need safe, sanitary homes."

CMHA police announced the indictments Monday. Gonzalez said the 28 suspects will be charged with theft and fraud-related felonies, punishable by a minimum of six months to a year in prison plus fines.

Their investigation, which police have dubbed Operation Deep Pockets, continues.

In 2005, 23 people were indicted in connection with public housing fraud.

SEE CMHA | B3

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housing assistance or housing contract payments they were not entitled to receive. In addition, Section 8 landlord Tawonna Banks pled guilty to committing forgery and theft, and former Section 8 tenant Elaine Pritchett was sentenced to 6 months home confinement and 3 years probation and ordered to pay CMHA \$39,300 in restitution for her earlier guilty plea to committing theft. Banks fraudulently used an alias to obtain a conventional mortgage loan on property chartered to CMHA, leased the property to a CMHA Section 8 tenant who was related, failed to report her familial relationship on housing certifications, and obtained \$25,500 in housing contract payments she was not entitled to receive. Pritchett failed to report her ownership interest in her CMHA subsidized property and obtained \$39,300 in housing assistance she was not entitled to receive. Collectively, the above defendants caused HUD losses of \$344,800.



Fifteen San Bernardino County Housing Authority (SBHA) Housing Choice Voucher program participants were charged in San Bernardino County Superior Court, **Victorville, CA**, with obtaining aid by misrepresentation and perjury. The above defendants allegedly failed to report unauthorized residents on SBHA certifications and obtained \$275,083 in SBHA housing assistance they were not entitled to receive.



Eleven former Columbus Metropolitan Housing Authority (Columbus) Section 8 tenants were indicted in U.S. District Court, **Columbus, OH**, for making false statements. The above defendants allegedly failed to report income, employment, or assets on housing certifications and obtained about \$170,000 in Columbus housing assistance they were not entitled to receive. In addition, former Section 8 tenants Velvet Wyche, also known as Velvet Young, and Vellena Johnson were each indicted for committing theft and tampering with records, and former Section 8 tenant Veronica Silverthorn was sentenced to 12 months incarceration and 5 months probation and ordered to perform 100 hours of community service and pay HUD \$19,698 in restitution for her earlier guilty plea to theft. Wyche and Johnson allegedly and Silverthorn admittedly failed to report income, accurate household compositions, or their ownership interest in their Columbus subsidized property and obtained \$79,698 in housing assistance they were not entitled to receive. Collectively, the above defendants caused HUD losses of \$249,698.



Laurie Harris, Andrea Marks, and Shakisha Tracy, former New York City Housing Authority (NYCHA) Section 8 tenants, were each sentenced in U.S. District Court, **New York City, NY**, for their earlier guilty pleas to theft of government funds. Collectively, the above defendants were sentenced to 6 months home confinement and 8 years probation and ordered to pay NYCHA \$145,871 in restitution. Harris, Marks, and Tracy failed to report income on NYCHA certifications and obtained \$145,871 in NYCHA housing assistance they were not entitled to receive.



Lizbeth Valerio, a former Chelsea Housing Authority (CHA) public housing tenant, was arrested after her indictment in U.S. District Court, **Boston, MA**, for mail fraud and aggravated identity theft. From 1993 through 2000, Valerio allegedly used a stolen identity to earn income and obtain assets, failed to report income

or assets on CHA or other certifications, and obtained \$118,117 in HUD-funded CHA housing assistance and \$148,126 in other housing assistance and benefits she was not entitled to receive.



Mayra Montano, a former Islip Housing Authority (IHA) Section 8 tenant, was sentenced in Suffolk County Superior Court, **Central Islip, NY**, to 5 years probation and ordered to perform 840 hours of community service and pay HUD and others \$150,000 in restitution for her earlier guilty plea to grand larceny. Montano paid the restitution before sentencing to preclude the seizure of her property in an asset forfeiture proceeding. Montano failed to report her ownership interest in her IHA subsidized property and obtained \$107,000 in IHA housing assistance she was not entitled to receive.



Peter Ojo, a former housing employee for the City of Hawthorne; Titi Sanusi, Olga Yancor, and Josue Verona, former Hawthorne Housing Authority (HHA) Section 8 tenants; and Deborah Dauda, a fabricated dependent of Sanusi, were each charged in Los Angeles County Superior Court, **Hawthorne, CA**, with committing grand theft; grand theft of personal property; perjury by declaration; attempting to file false or forged instruments; or obtaining money, labor, or property by false pretenses. Ojo allegedly assisted Sanusi in fraudulently obtaining HHA housing assistance, Dauda allegedly falsely claimed to be a dependent of Sanusi, and Yancor and Verona allegedly failed to report income or assets on HHA certifications. Collectively, the above defendants obtained more than \$101,797 in HHA housing assistance they were not entitled to receive.



Quaneshia Holden, a former Housing Authority for the City of Los Angeles (HACLA) Section 8 tenant, and Armen and Artashes Gasparian were each charged in Los Angeles County Superior Court, **Los Angeles, CA**, with attempting to file false or forged instruments or conspiracy. In addition, Karine Gasparian and Mercy Stringfield, former HACLA Section 8 tenants, were each sentenced for their earlier guilty pleas to welfare fraud, perjury, or grand theft. Karine Gasparian was sentenced to 3 years probation and ordered to perform 452 hours of community service and pay HACLA \$34,342 and other agencies \$52,251 in restitution, and Stringfield was sentenced to 3 years incarceration and ordered to pay HACLA \$55,269 and other victims \$245,833 in restitution. Holden and Armen and Artashes Gasparian allegedly and Karine Gasparian and Stringfield admittedly conspired to hide assets; used fictitious names; or failed to report income, unauthorized residents, or their criminal histories on HACLA certifications and collectively obtained \$101,011 in HACLA housing assistance they were not entitled to receive.



Ten Scranton Housing Authority (SHA) public housing or Housing Choice Voucher program participants were each charged in Lackawanna County District Court, **Scranton, PA**, with tampering with public records and unsworn falsifications. The above defendants allegedly failed to report income on SHA certifications and collectively obtained more than \$101,000 in SHA housing assistance they were not entitled to receive.



Five former DuPage Housing Authority (DHA) Section 8 tenants were charged in DuPage County Circuit Court, **Wheaton, IL**, with theft by deception and forgery. The above defendants allegedly failed to report income on DHA certifications and collectively obtained about \$100,000 in DHA housing assistance they were not entitled to receive.



Cheryl Smith, a former Housing Authority of the County of Santa Clara (HACSC) Section 8 tenant, was sentenced in U.S. District Court, **San Jose, CA**, to 3 years probation and ordered to pay HUD \$19,779 in restitution for her earlier guilty plea to making false statements to HUD. In addition, former HACSC Housing Choice Voucher program participant Laura Rivas was sentenced to 9 months incarceration (suspended) and 3 years probation and ordered to pay HACSC \$29,127 in restitution for her earlier *nolo contendere* plea to grand theft, and former HACSC landlord Tuan Hoang Tran entered into a Program Fraud Civil Remedies Act (PFCRA) settlement and agreed to pay HUD \$27,000. Smith failed to report an unauthorized resident, Rivas allegedly failed to report an unauthorized resident, and Tran, who previously pled *nolo contendere* to grand theft, allegedly failed to report his residency with the Section 8 tenant in his HACSC subsidized unit. Collectively, the above defendants caused HUD losses of \$91,068.



Laurence Reuben and Bedinur Kackarli, Village of Spring Valley (Spring Valley) Section 8 tenants, were each arrested and charged in Spring Valley Justice or Rockland County District Courts, **SpringValley, NY**, with grand larceny. Reuben and Kackarli allegedly failed to report income or provided a false Social Security number (SSN) on Spring Valley certifications and collectively obtained \$76,500 in SpringValley housing assistance they were not entitled to receive.



Kesha Burton, a former Inglewood Housing Authority (IHA) Section 8 tenant, was charged in Los Angeles County Superior Court, **Inglewood, CA**, with committing perjury and grand theft. In addition, Ivette Longsworth and Julia Jackson, former IHA Section 8 tenants, were each sentenced for their earlier guilty pleas to filing false or forged instruments or grand theft. Longsworth was sentenced to 5 years probation and ordered to pay IHA \$38,000 in restitution, and Jackson was sentenced to 3 years probation and ordered to pay the City of Inglewood \$25,986 in restitution. Burton allegedly and Longsworth and Jackson admittedly failed to report income on IHA certifications and collectively obtained more than \$76,000 in IHA housing assistance they were not entitled to receive.



Gloria Hester and Stephanie Alexander, former Joliet Housing Authority (JHA) Section 8 tenants, were each indicted in Will County Circuit Court, **Joliet, IL**, for committing theft by deception and forgery. Hester and Alexander allegedly failed to report income on JHA certifications and collectively obtained \$76,000 in JHA housing assistance they were not entitled to receive.



Crystal Sylvia and Carol Rapoza, former Falmouth Housing Authority (FHA) Section 8 tenants, were each charged in Falmouth District Court, **Falmouth, MA**, with larceny over \$250 by false pretenses. Sylvia and Rapoza allegedly failed to report income or the unauthorized residency of their landlord on FHA certifications and collectively obtained \$73,272 in FHA housing assistance they were not entitled to receive.



Audrea Allen, a former Tampa Housing Authority (THA) Section 8 tenant, was charged in U.S. District Court, **Tampa, FL**, with theft of government funds. In addition, Felicia Tucker and Glory Ann Davenport, former THA Section 8 tenants, were each sentenced for their earlier guilty pleas to public assistance fraud or theft of government funds. Tucker was sentenced to 48 months probation and ordered to pay THA \$11,177 in restitution, and Davenport was sentenced to 18 months incarceration and 36 months supervised probation and ordered to pay HUD \$45,048 and the Social Security Administration (SSA) \$34,032 in restitution. Allen allegedly and Tucker and Davenport admittedly failed to report income, nonresidency in their THA subsidized property, or an accurate marital status on THA certifications and collectively obtained \$68,728 in THA housing assistance they were not entitled to receive.



Six former Selma Housing Authority (SHA) Section 8 tenants were indicted in U.S. District Court, **Mobile, AL**, for theft of government funds, and two of the above defendants, Jackie Eaton and Judice Caver, each pled guilty. The above defendants allegedly and Eaton and Caver admittedly failed to report income on SHA certifications and collectively obtained about \$60,000 in SHA housing assistance they were not entitled to receive.



Beverly Beard, a former Baltimore County Housing Authority (BCHA) Housing Choice Voucher program participant, was arrested after her indictment in U.S. District Court, **Baltimore, MD**, for making false statements, committing SSA fraud, and aiding and abetting. From 1995 through January 2007, Beard allegedly failed to report income; provided a false SSN on BCHA and other certifications; and obtained about \$180,602 in BCHA, SSA, and other benefits she was not entitled to receive. HUD's loss is estimated at \$55,000.



Felicia and Katie McLean, former Frederick City Housing Authority (FCHA) Section 8 tenants, were each charged in Frederick County Circuit Court, **Frederick, MD**, with theft by deception and making false statements. In addition, Kiaeisha Charles, a former FCHA public housing tenant, was convicted of making false statements and was sentenced to 3 years incarceration (suspended) and 3 years probation and ordered

Six accused of theft await trial

BY LESLIE HARRISON
OF SELMA JOURNAL

Six women accused by the federal government of theft of government funds are out on their own recognizance awaiting trial.

The women, five of who now live in Selma, were indicted in November by a federal grand jury. They all pleaded not guilty recently and were released without posting bond.

The women are:

■ Tanya Anderson, East Oak Road South, Montgomery, charged with receiving \$7,644 in housing subsidies from Dec. 1, 2002, until May 31, 2006, by filing false statements with the U.S. Department of Housing and Urban Development;

■ Darnetta Doyle, 3296 U.S. 80 E, Lot 38 B, Selma, charged with receiving \$8,778 in housing subsidies from Jan. 1, 2004, until May 23, 2006, by filing false statements with HUD;

■ Delandra Norris, 1714 Green St., Selma, charged with receiving \$7,587 in housing subsidies from April 1, 2004, until June 30, 2006, by filing false statements with HUD;

■ Judice Ann Carver, 315 Trot Lane, Selma, charged with receiving \$6,922 in housing subsidies from Jan. 1, 2004, until Feb. 28, 2006, by filing false statements with HUD;

■ Jackie Eaton, 492 Birch Ave., Selma, charged with receiving \$13,404 in housing subsidies from Feb. 1, 2004, until July 5, 2006, by filing false statements with HUD;

■ Sabrina McNeil, P.O. Box 187, Selma, charged with receiving \$8,506 in housing subsidies from Jan. 1, 2004, until June 30, 2006, by filing false statements with HUD.

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to pay FCHA \$13,782 in restitution. Charles failed and Felicia and Katie McLean allegedly failed to report income or their criminal histories on FCHA certifications and collectively obtained \$54,917 in FCHA housing assistance they were not entitled to receive.



Esther Arias, a former Revere Housing Authority (RHA) and Massachusetts Department of Housing and Community Development Section 8 tenant; her mother, Ester Percel; and Edwin Gonzalez were each sentenced in U.S. District Court, **Boston, MA**, for their earlier convictions or guilty pleas to conspiracy, mail and bank fraud, possession of stolen mail, theft of government property, identity theft, or filing false Federal income tax returns. Arias, Percel, and Gonzalez were collectively sentenced to 138 months incarceration and 9 years supervised probation and ordered to pay the Internal Revenue Service (IRS) and the Commonwealth of Massachusetts \$204,404 in restitution. The above defendants and others conspired and stole U.S. mail, used stolen identifications to establish credit card accounts, fraudulently withdrew funds from bank accounts, filed false Federal income tax returns, or obtained \$51,916 in HUD-funded housing assistance they were not entitled to receive.

Lynn woman convicted on federal mail fraud charges

BOSTON — A Lynn woman was convicted late Friday night in federal court for committing numerous frauds using stolen mail and stolen identities in 2003 and 2004, according to the U.S. District Attorney's Office.

Esther Arias, 30, formerly of 190 New Park St., Lynn, was convicted by a jury sitting before U.S. Chief District Judge Mark L. Wolf of conspiracy, 12 counts of possession of stolen mail, two counts of bank fraud, 18 counts of mail fraud, three counts of theft of government property and one count of identity theft. Co-defendant Gladys Cabrera pleaded guilty in the case on April 25, 2007 and is awaiting sentencing.

Prosecutors said during the 30-day trial that starting in 2003 and continuing until her arrest on Jan. 16, 2004, Arias engaged in a conspiracy with Cabrera to use mail stolen from houses in the Lynn area to obtain credit card account checks. The two used stolen checks to receive cash and make deposits to bank accounts, prosecutors said.

They also allegedly obtained credit cards by fraud and charged credit purchases in the names of other persons without their knowledge. In addition, the evidence proved that Arias, assisted by Cabrera, fraudulently obtained HUD Section 8 benefits for apartments in Revere and Lynn.

Judge Wolf scheduled sentencing for March 5, 2008. Arias faces up to five years imprisonment to be followed by two years of supervised release and a \$250,000 fine on each of the Con-

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Tomas Ramirez Alcantar, an undocumented immigrant and former Omaha Housing Authority (OHA) public housing tenant, was indicted in U.S. District Court, **Omaha, NE**, for aggravated identity theft. From June 2003 to November 2007, Alcantar allegedly used a false identity on OHA certifications and obtained about \$46,901 in OHA housing assistance he was not entitled to receive.



Jamie Ayers and her husband, Lael Williams, a former Section 8 tenant and landlord through Resources for Communities and People Solutions (RCAP), a HUD-funded nonprofit housing agency, were each indicted in U.S. District Court, **Springfield, MA**, for conspiracy, making false statements and misrepresentations to obtain Social Security benefits, and theft of government funds. In addition, Jasmine Landrin, a former RCAP landlord, was sentenced to 2 years probation and ordered to pay RCAP \$5,000 in restitution for her earlier guilty plea to larceny over \$250 and making false claims to a government agency. Landrin admittedly and Ayer and Williams allegedly failed to report assets or familial relationships on RCAP certifications and collectively obtained \$47,666 in RCAP housing assistance they were not entitled to receive.

Couple accused of conspiracy

By **STEPHANIE BARRY**
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SPRINGFIELD - Two former Ware residents were arrested this week, accused of hatching a diverse scam of federal housing and disability programs.

According to a nine-count indictment, Jamie L. Ayers, 43, and Lael Williams, 53, conspired:

- their marriage;
- the launch of an employment business and a trash-hauling enterprise; and
- the purchase of two properties while she collected \$33,000 in taxpayer-funded rental assistance and he collected \$41,000 in disability checks between 1999 and 2005.

The pair was charged with conspiracy, theft of government funds, making false statements in connection with their income and employment, and misrepresentation relating to Social Security benefits. They pleaded innocent during their arraignments in U.S. District Court on Thursday.

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Carla Warren, a former Maryland Department of Housing and Community Development (Maryland HCD) Section 8 tenant, was charged in Maryland District Court, **Salisbury, MD**, with theft by deception and making false statements. In addition, former Maryland HCD Section 8 tenants Samantha Boyd, Sonja Cottman, and Tammy Mitchell were each sentenced for their earlier guilty pleas to making false statements or committing theft. Boyd was sentenced to 5 years supervised probation and ordered to perform 100 hours of community service and pay Maryland HCD \$13,085 in restitution, and Cottman and Mitchell were each sentenced to 36 months probation and ordered to pay Maryland HCD \$12,000 and \$3,445 in restitution, respectively. Warren allegedly and the remaining defendants admittedly failed to report income on Maryland HCD certifications and collectively obtained \$42,006 in Maryland HCD housing assistance they were not entitled to receive.



Marie Mosley, a Prince William County Housing and Community Development (Prince William HCD) Section 8 tenant, pled guilty in U.S. District Court, **Alexandria, VA**, to theft of government funds. Mosley failed to report income on Prince William HCD certifications and obtained about \$41,000 in Prince William HCD housing assistance she was not entitled to receive.



Darren Reagan, a former Dallas Housing Authority (DHA) Section 8 landlord, was indicted in U.S. District Court, **Dallas, TX**, for theft of public monies. Reagan allegedly failed to report his familial relationship with the Section 8 tenant in his DHA subsidized property and obtained more than \$40,000 in DHA housing contract payments he was not entitled to receive.



Ali Atia Mohammed and Radieh Al-Safi, Michigan State Housing Development Authority (MSHDA) Section 8 tenants, were each indicted in U.S. District Court, **Detroit, MI**, for making false statements and operating an unlicensed money transmitting business. Mohammed and Al-Safi allegedly operated an unlicensed money transmitting business from their MSHDA subsidized unit and failed to report business income or assets on MSHDA, SSA, U.S. Department of Agriculture, or U.S. Department of Health and Human Services certifications. HUD's loss is estimated at \$40,000.



Diane Smith, a former Frederick Housing Authority (FHA) Section 8 tenant, was charged in U.S. District Court, **Baltimore, MD**, with theft of government property. Smith allegedly used a fictitious name and obtained \$38,809 in FHA housing assistance at the same time she received and resided in a New York City Housing Authority subsidized housing unit.



Laketha Lee, a former Sedgwick County Housing Authority (SCHA) Section 8 tenant, was indicted in U.S. District Court, **Wichita, KS**, for making false statements. From June 2001 to July 2006, Lee allegedly failed to report income on SCHA certifications and obtained \$36,484 in SCHA housing assistance she was not entitled to receive.



Sara Calman, a Salem Housing Authority (SHA) Section 8 tenant, was charged in Salem District Court, **Salem, MA**, with larceny over \$250. Calman allegedly failed to report income on SHA certifications and obtained \$28,821 in SHA housing assistance she was not entitled to receive.



Tuawana Colvin, a former Dayton Metropolitan Housing Authority (DMHA) Section 8 tenant, was charged in Montgomery County Circuit Court, **Dayton, OH**, with committing theft and falsification in committing theft. Colvin allegedly failed to report income on DMHA certifications and obtained \$28,757 in DMHA housing assistance she was not entitled to receive.



Michele Verrall, a former Butte Housing Authority (BHA) public housing tenant, was sentenced in U.S. District Court, **Missoula, MT**, to 1 year probation and ordered to perform 100 hours of community service and pay BHA \$28,286 in restitution for her earlier guilty plea to making false statements. From January 1999 to May 2006, Verrall failed to report income on BHA certifications and obtained \$28,286 in BHA housing assistance she was not entitled to receive.



Jalenska Cheatham, a Murfreesboro Housing Authority (MHA) Section 8 tenant, pled guilty in U.S. District Court, **Nashville, TN**, to making false statements. Cheatham failed to report income, assets, or her nonresidency in her subsidized unit on MHA certifications and obtained \$28,111 in MHA housing assistance she was not entitled to receive.



Jeanne MacDonald, a former Auburn Housing Authority (AHA) Section 8 tenant, was charged in Androscoggin County Superior Court, **Auburn, ME**, with committing theft by deception. From 1998 through 2003, MacDonald allegedly failed to report an unauthorized resident or the resident's income on AHA certifications and obtained \$27,605 in AHA housing assistance she was not entitled to receive.



Stacy Pelham and Damien Byer, former Baltimore Housing Authority (BHA) Housing Choice Voucher program participants, were each indicted in Baltimore County Circuit Court, **Baltimore, MD**, for committing theft and conspiracy to commit theft. From October 2005 to February 2008, Pelham and Byer allegedly failed to report income, accurate household compositions, or their criminal histories on BHA certifications and collectively obtained about \$25,502 in BHA housing assistance they were not entitled to receive.



Luis Zuniga, a Montgomery County Housing Opportunities Commission (Montgomery County) public housing tenant, was charged in Montgomery County District Court, **Silver Spring, MD**, with making false statements and committing theft by deception. Zuniga allegedly failed to report an unauthorized resident or

the resident's income on Montgomery County certifications and obtained \$24,338 in Montgomery County housing assistance he was not entitled to receive.



Elisa Love and Jeffrey Douglas, Oklahoma Housing Finance Agency (OHFA) Section 8 tenants, were each charged in Jackson County District Court, **Altus, OK**, or Carter County District Court, **Ardmore, OK**, with obtaining money by false pretenses. Love and Douglas allegedly failed to report income on OHFA certifications and collectively obtained \$23,430 in OHFA housing assistance they were not entitled to receive.



Kathy Carpenter, a former Isothermal Planning and Development Commission (Isothermal) Section 8 tenant, and Doyle Shuford were each indicted in North Carolina Superior Court, **McDowell County, NC**, for fraudulent misrepresentations. Carpenter allegedly failed to report Shuford's residency on Isothermal certifications and obtained \$23,034 in Isothermal housing assistance she was not entitled to receive.



Elaine Whitehair, a former Westminster Housing Authority (WHA) Housing Choice Voucher program participant, was charged in Carroll County District Court, **Westminster, MD**, with theft by deception and making false statements. Whitehair allegedly failed to report an accurate household composition or the criminal histories of unauthorized residents on WHA certifications and obtained \$21,600 in WHA housing assistance she was not entitled to receive.



Shareese Holston, a Chicago Housing Authority (CHA) public housing tenant and Cook County Sheriff's Department correctional officer, was sentenced in U.S. District Court, **Chicago, IL**, to 5 years probation and ordered to pay HUD \$21,177 in restitution for her earlier guilty plea to making false statements. Holston failed to report income on CHA certifications and obtained \$21,000 in CHA housing assistance she was not entitled to receive.



Brian and Robert Booker, a fictitious Cook County Housing Authority (CCHA) Section 8 landlord and tenant, were each sentenced in Cook County Circuit Court, **Chicago, IL**, for their earlier guilty pleas to theft. Brian Booker was sentenced to 20 days incarceration and 2 years probation and ordered to pay CCHA \$21,000 in restitution, and Robert Booker was sentenced to 2 years probation. Brian Booker created a fictional landlord to accept CCHA housing contract payments for property he owned and occupied, and Robert Booker fraudulently obtained CCHA Section 8 tenant status, signed false CCHA certifications, and enabled Brian Booker to obtain \$21,000 in CCHA housing contract payments he was not entitled to receive.



Michael Brown, a Fairfax County Department of Housing and Community Development (Fairfax HCD) Housing Choice Voucher program participant, was arrested and charged in Fairfax County Court, **Fairfax, VA**, with obtaining housing assistance under false pretenses. Brown allegedly failed to report an unauthorized

resident or his income and registered sex offender status on Fairfax HCD certifications and obtained \$19,371 in Fairfax HCD housing assistance he was not entitled to receive.



Anetra Chisholm, a former Charlotte Housing Authority (CHA) Section 8 tenant, was sentenced in Mecklenburg County Superior Court, **Charlotte, NC**, to 60 months probation and ordered to pay CHA \$18,718 in restitution for her earlier guilty plea to obtaining property by false pretenses. Chisholm failed to report income on CHA certifications and obtained \$18,718 in CHA housing assistance she was not entitled to receive.



Ammita Nichols and Nyaa Archer, former Durham Housing Authority (DHA) Section 8 tenants, were each sentenced in Durham County District Court, **Durham, NC**, for their earlier guilty pleas to obtaining property by false pretenses. Nichols was sentenced to 18 months probation and ordered to pay DHA \$11,744 in restitution, and Archer was sentenced to 45 days incarceration and 24 months probation and ordered to pay DHA \$5,000 in restitution. Nichols and Archer failed to report income on DHA certifications and collectively obtained more than \$18,000 in DHA housing assistance they were not entitled to receive.



John Pecor, a former Barre Housing Authority (BHA) Section 8 tenant, was arrested and indicted in U.S. District Court, **Burlington, VT**, for making false statements. From July 2003 to August 2006, Pecor allegedly failed to report income or an accurate household composition on BHA certifications and obtained \$18,000 in BHA housing assistance he was not entitled to receive.



Sarah Shepard, a former Housing Authority of the County of Los Angeles (HACOLA) Section 8 tenant, was charged in Los Angeles County Superior Court, **Los Angeles, CA**, with filing a false or forged instrument. Shepard allegedly failed to report an unauthorized resident or the resident's registered sex offender status on HACOLA certifications and obtained more than \$17,767 in HACOLA housing assistance she was not entitled to receive.



Sheridan Murray, an unauthorized tenant in a Housing Authority of Kansas City (HAKC) subsidized unit, was indicted in U.S. District Court, **Kansas City, KS**, for making false statements, conspiracy, theft of government funds, and money laundering. Between March 2000 and October 2007, Murray failed to report his unauthorized residency or income on HAKC certifications and obtained \$16,782 in HAKC housing assistance he was not entitled to receive.



Bonnie Thomas, a former King County Housing Authority (KCHA) Section 8 tenant, and Terrell Dorsey, an unauthorized resident with Thomas, were each sentenced in King County Superior Court, **Seattle, WA**, for their earlier guilty pleas to committing theft. Thomas and Dorsey were each fined \$500 and sentenced to 2

and 4 months home confinement with electronic monitoring, respectively. From 2003 to 2005, Thomas failed to report Dorsey's residency or income on KCHA certifications and obtained \$16,680 in KCHA housing assistance she was not entitled to receive.



Jesenia Sosa, a former City of Buenaventura Housing Authority (CBHA) Housing Choice Voucher program participant, pled guilty in Ventura County Superior Court, **Ventura, CA**, to committing grand theft and welfare fraud. Sosa was sentenced to 150 days incarceration and 3 years probation and ordered to pay CBHA \$16,193 in restitution. From January 2004 to December 2006, Sosa failed to report income or an accurate household composition on CBHA certifications and obtained \$16,044 in CBHA housing assistance she was not entitled to receive.



Ismael Cruz, a former Rochester Housing Authority (RHA) Section 8 landlord, was sentenced in U.S. District Court, **Rochester, NY**, to 2 years probation, ordered to pay HUD \$15,810 in restitution, and fined \$5,025 for his earlier guilty plea to creating false documents. Cruz fraudulently certified a Section 8 tenant in his RHA subsidized property and obtained \$15,810 in RHA housing contract payments for property he leased to others. Cruz was also suspended from procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment actions.



Biata Jones and Rickisa Garner, former Sacramento Housing and Redevelopment Agency (SHRA) public housing or Housing Choice Voucher program participants, were each charged in Sacramento County Superior Court, **Sacramento, CA**, with committing grand theft or perjury. Jones and Garner allegedly failed to report income or nonresidency in their subsidized units on SHRA certifications and collectively obtained \$15,620 in SHRA housing assistance they were not entitled to receive.



Erin Morse-Wright, a former North Las Vegas Housing Authority (North LVHA) Section 8 tenant, was charged in Clark County Justice Court, **Las Vegas, NV**, with theft by misrepresentation. From June 2005 through May 2007, Morse-Wright failed to report income on North LVHA certifications and obtained about \$15,402 in North LVHA housing assistance she was not entitled to receive.



Ten Puerto Rico Department of Housing Administration public housing tenants were arrested and indicted in U.S. District Court, **Trujillo Alto, PR**, for conspiracy to possess and possession of firearms in relation to narcotics trafficking offenses; conspiracy to possess with intent to distribute controlled substances; and possession with intent to distribute heroin, crack cocaine, cocaine, and marijuana. The above defendants allegedly conspired with others and participated in known gang activities, including the possession of firearms and possession and distribution of heroin, cocaine, crack cocaine, and marijuana. HUD's losses are not yet determined.



Robyn Fain, a Weber County Housing Authority (WCHA) Housing Choice Voucher program participant, was arrested and charged in Weber County Court, **Ogden, UT**, with possession of heroin with the intent to distribute. During her arrest, Louie Ash, an alleged unauthorized tenant in Fain's WCHA subsidized unit, was arrested for harboring a fugitive. HUD's losses are not yet determined.



Manuel Rodriguez, a Housing Authority for the City and County of Fresno (Fresno) Section 8 landlord, was charged in Fresno County Superior Court, **Fresno, CA**, with committing arson, insurance fraud, perjury, and grand theft. Rodriguez allegedly started a fire in a property he owned and leased to Fresno, fraudulently filed an insurance claim for fire damages, and provided false information on Fresno certifications. HUD's losses are not yet determined.



Dora Rodriguez, a Nassau County Housing Authority (NCHA) Section 8 tenant, was arrested and charged in Hempstead District Court, **Mineola, NY**, with soliciting and accepting bribes. Rodriguez allegedly posed as a Section 8 broker and solicited and accepted bribes from prospective NCHA Section 8 tenants.

FedRent Initiative

Since 1996, HUD OIG has reported material weaknesses in HUD's internal controls over rental housing assistance payments. GAO in January 2001 added HUD's rental housing assistance programs to its list of federal programs at high risk of fraud, waste and abuse. In late 2000, HUD's Office of Policy Development and Research completed a study that found that 60 percent of all subsidy determinations were in error, and estimated \$2 billion in net annual overpayments and \$3.2 billion in gross annual improper payments. Some of this was the result of tenants' underreporting of their income, on which subsidies are based. HUD's various rental housing assistance programs represent HUD's largest program area, with more than \$26 billion in total payments in fiscal 2004, serving more than 4.8 million low-income families, administered by more than 4,100 public housing agencies and 22,000 private housing owners and management agents. In fiscal 2007, HUD spent about \$27 billion to provide rent and operating subsidies that benefited more than 4 million households.

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

Tanya Blaylock, Cheryl Esters, Bonita Fisher, Michelle Parker, and Mary Beth Sabala, former Dallas Housing Authority (DHA) Section 8 tenants and current or former employees of the IRS, the U.S. Department of Veterans Affairs (VA), the U.S. Department of Homeland Security, or the U.S. Department of Agriculture, were each indicted in U.S. District Court, **Dallas, TX**, for theft of government funds. The above defendants allegedly failed to report income on DHA certifications and collectively obtained \$147,344 in DHA housing assistance they were not entitled to receive.





Denise Davis, a former Newark Housing Authority (NHA) Section 8 tenant and legal assistant for the New Jersey U.S. Attorney's Office, was indicted in U.S. District Court, **Newark, NJ**, for theft of public money, making false statements to HUD, and criminal forfeiture. From April 1985 to December 2005, Davis allegedly failed to report income on NHA certifications and obtained about \$130,553 in NHA housing assistance she was not entitled to receive.



Lauton Joshua, a former San Francisco Housing Authority (SFHA) Section 8 tenant and U.S. Army employee, and her grandmother, former SFHA landlord Helen Lowe, each pled guilty in U.S. District Court, **San Francisco, CA**, to making false statements. From August 1998 to December 2006, Joshua and Lowe failed to report income, assets, or their familial relationship on SFHA certifications and collectively obtained about \$127,000 in SFHA housing assistance they were not entitled to receive.



Vera Carter, Vivian Lollis, Birdie Jackson, Wyvonia Ware, and June Bly, Housing Authority of the City of Los Angeles (HACLA) Section 8 tenants and employees of the VA or the U.S. Postal Service (USPS), were each indicted in U.S. District Court, **Los Angeles, CA**, for making false statements. The above defendants allegedly failed to report income on HACLA certifications and obtained \$110,000 in HACLA housing assistance they were not entitled to receive.



Sonya Reshard, a Housing Authority for the County of Los Angeles (HACOLA) Section 8 tenant and USPS employee, was indicted in U.S. District Court, **Los Angeles, CA**, for making false statements. Reshard allegedly failed to report income on HACOLA certifications and obtained \$76,340 in HACOLA housing assistance she was not entitled to receive.



Gloria Jackson, a Long Beach Housing Authority (LBHA) Section 8 tenant and VA employee, was indicted in U.S. District Court, **Long Beach, CA**, for making false statements. Jackson allegedly failed to report income on LBHA certifications and obtained about \$75,788 in LBHA housing assistance she was not entitled to receive.



Marjorie Chatman, a former Richmond Housing Authority (RHA) Section 8 tenant and SSA employee, was sentenced in U.S. District Court, **Oakland, CA**, to 6 months home confinement with electronic monitoring and 3 years probation and ordered to pay RHA \$64,452 in restitution for her previous guilty plea to theft of government funds. From April 1997 through November 2006, Chatman failed to report income on RHA certifications and obtained \$64,452 in RHA housing assistance she was not entitled to receive.



Antionette Love and Taazamisha Bender, Compton Housing Authority (CHA) Section 8 tenants and USPS employees, were each indicted in U.S. District Court, **Los Angeles, CA**, for making false statements.



The above defendants allegedly failed to report income on CHA certifications and collectively obtained about \$61,000 in CHA housing assistance they were not entitled to receive.



Tracie Coleman, a former Housing Authority of Kansas City (HAKC) Section 8 tenant and IRS employee, was charged in Jackson County District Court, **Kansas City, MO**, with theft by deception. In addition, Brenda Houston, a former HAKC Section 8 tenant and IRS employee, pled guilty to theft of public money and property. From 2001 through 2005, Coleman allegedly and Houston admittedly failed to report income on HAKC certifications and collectively obtained \$53,143 in HAKC housing assistance they were not entitled to receive.



Shellette Jackson, a former Washington, DC, Housing Authority (DCHA) Section 8 tenant and U.S. Department of State employee, was sentenced in U.S. District Court, **Washington, DC**, to two concurrent terms of 3 years probation and ordered to perform 100 hours of community service and pay DCHA and the DC Department of Human Services \$50,384 in restitution for her earlier guilty plea to making false claims and fraudulently obtaining public assistance. Jackson failed to report income on DCHA and other certifications and obtained \$22,705 in DCHA housing assistance and \$27,679 in Medicaid, food stamps, and other benefits she was not entitled to receive.



Lavon Wright, a San Bernardino County Housing Authority (SBCHA) Section 8 tenant and VA employee, was indicted in U.S. District Court, **San Bernardino, CA**, for making false statements. Wright allegedly failed to report income on SBCHA certifications and obtained \$22,575 in SBCHA housing assistance he was not entitled to receive.



Debra Freeman, a former East Chicago Housing Authority (East CHA) public housing tenant and USPS employee, pled guilty in U.S. District Court, **Hammond, IN**, to theft of government funds. Freeman failed to report income on East CHA certifications and obtained about \$20,675 in East CHA housing assistance she was not entitled to receive.



Sahia Seaman, a former Charlotte Housing Authority (CHA) Section 8 tenant and USPS employee, pled guilty in U.S. District Court, **Charlotte, NC**, to theft of government funds. Seaman failed to report income on CHA certifications and obtained \$17,572 in CHA housing assistance she was not entitled to receive.



Peter Ruach, a former Portland Housing Authority (PHA) public housing tenant and USPS employee, was indicted in U.S. District Court, **Portland, ME**, for making false statements and theft of government property. From November 2004 through September 2005, Ruach allegedly failed to report income on PHA and other

certifications and obtained \$4,686 in PHA housing assistance and \$3,242 in welfare and food stamp benefits he was not entitled to receive.



Willie Ann Ford, a Texoma Council of Government Housing Authority (Texoma) Section 8 tenant and VA employee, was indicted in U.S. District Court, **Bonham, TX**, for making a false statement. Ford allegedly failed to report income on Texoma housing certifications and obtained \$2,154 in Texoma housing assistance she was not entitled to receive.

Fugitive Felon Initiatives

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

OIG supports a Fugitive Felon Initiative (FFI) by matching HUD housing assistance information with crime data from the National Crime Information Center, U.S. Marshals Service (USMS), and other participating law enforcement data banks. In addition, OIG special agents actively participate in the USMS "Operation FALCON," a joint Federal, State, city, and county law enforcement effort to locate and apprehend fugitive felons wanted for violent crimes. Conducted in most major cities throughout the United States and its territories, Operation FALCON places a strong emphasis on apprehending fugitive felons involved in gangs, homicides, sexual assaults, or crimes against the elderly and children. Since the inception of OIG's FFI, hundreds of cases have been opened and closed, resulting in more than 8,221 arrests. OIG strongly supports Operation FALCON in an effort to make HUD public and assisted housing a safe place for families to live. FFI results during this semiannual reporting period are described below.

Stanford Griswold pled guilty in U.S. District Court, **Kansas City, MO**, to assaulting a Federal officer and unlawful transportation of a firearm. Griswold assaulted a HUD OIG special agent during Operation FALCON VI, a USMS action initiated to identify, locate, and apprehend violent fugitives, particularly those charged with committing sex crimes.



Jimmy Morris, George Snipes, and Antonio Belmont, Atlanta Housing Authority public housing tenants, were each indicted in Fulton County Superior Court, **Atlanta, GA**, for failing to accurately report as sex offenders with the Fulton County Sheriff's Office.



Felicia Clark, Unique Tolliver, and Isharia Holden, Section 8 tenants at Holly Park Apartments, a HUD-funded multifamily housing development, were each arrested in **New Orleans, LA**, on outstanding State warrants for battery, possession of narcotics, or other violations.





David and Anna Delle Donna, the mayor of Guttenberg, NJ, a Guttenberg Planning Board member, and Guttenberg Housing Authority (GHA) Section 8 landlords, were each indicted in U.S. District Court, Newark, NJ, for accepting payoffs and filing false Federal income tax returns. David Donna allegedly accepted payoffs as campaign contributions, and David and Anna Donna allegedly failed to obtain conflict-of-interest waivers from HUD or report \$25,000 in GHA housing contract payments on their 2004 and 2005 Federal income tax returns.

Systemic Implications Report

Mandating Social Security Numbers and Asset Verifications for Public Housing Tenants and Landlords

An analysis of subsidized housing investigations conducted in the HUD OIG Chicago region disclosed numerous flaws in the housing authority SSN and asset verification process. The inaccuracies found included tenants' ownership of unreported real estate, fictitious landlords, and landlords who provided false identification information. As a result, HUD OIG's Office of Investigation submitted a systemic implications report to HUD public and Indian housing staff and recommended that HUD mandate housing authorities to conduct comprehensive SSN and asset verifications for both tenants and landlords.

In response, HUD incorporated the above recommendation into a proposed rule, "Refinement of Income and Rent," which is expected to be published by September 30, 2008. This rule will require all current housing recipients to obtain a valid SSN within one year of final issuance. In addition, the HUD proposed rule, "Assets 26 - 84," prohibits tenants from any ownership interest in real property and requires landlords to provide proof of property ownership.



Chapter 3

**HUD's Multifamily
Housing Programs**



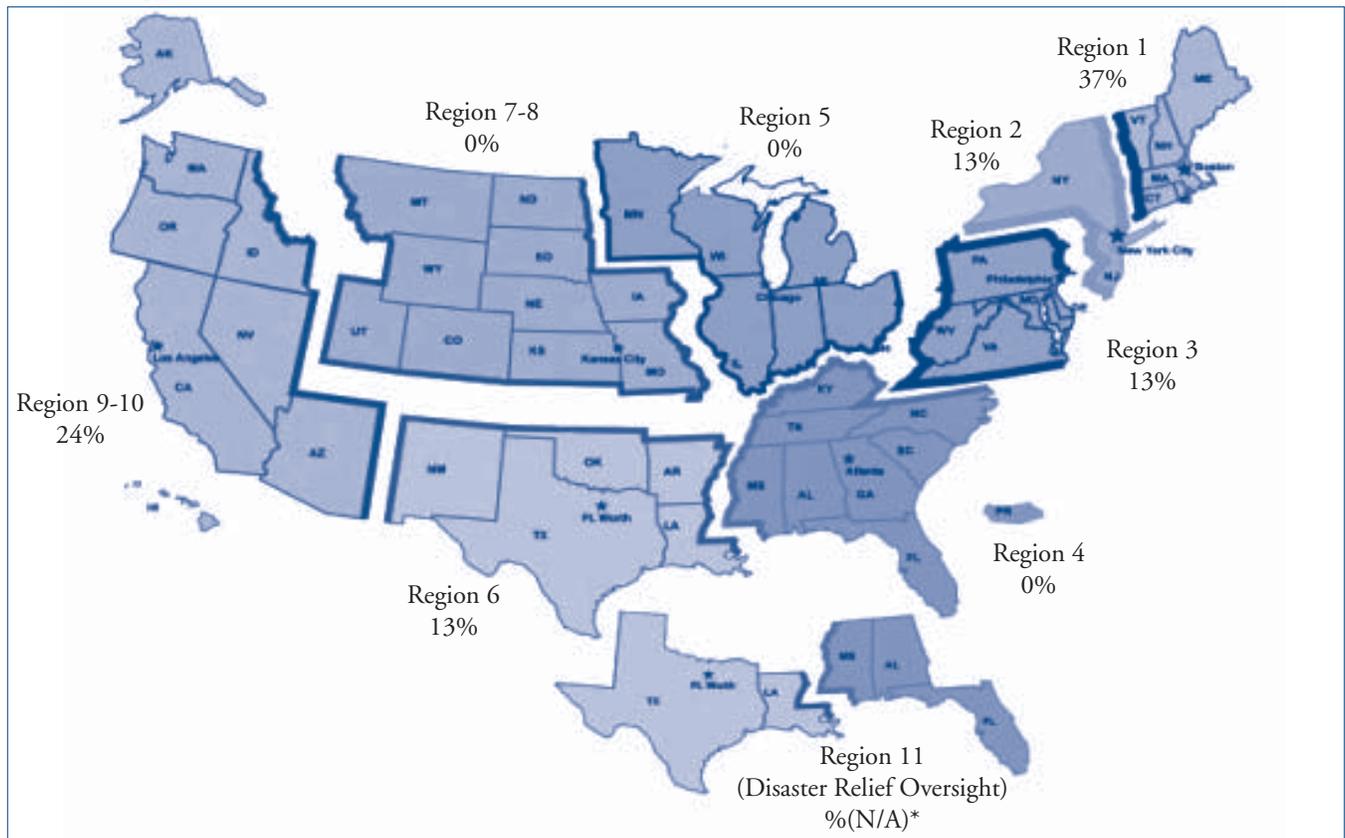
In addition to multifamily housing developments with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages, the Department subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly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

Audits

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

Key program results		Questioned costs	Funds put to better use
Audit	8 audits	\$10 million	\$729,000
Our focus	Page 59	- Project-based Section 8 contract administrators	
	Page 59	- Owner and management agent operations	

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



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



Project-based Section 8 contract administrators

HUD's Office of Inspector General (OIG) audited the **Los Angeles, CA**, Multifamily Hub's monitoring of its annual contributions contract with its performance-based contract administrator, Los Angeles LOMOD, to determine whether HUD appropriately monitored LOMOD with respect to the annual contributions contract.

The Los Angeles Multifamily Hub did not properly monitor its contractor. It did not follow up on the findings in its 2004 annual compliance review of LOMOD in a timely manner, made inappropriate decisions regarding the assessment and reversal of disincentives, inappropriately moved LOMOD to the "full implementation" stage of its contract for two required performance standards without properly supporting the decision, improperly allowed retroactive rent increases, and did not monitor LOMOD's activities with regard to the performance standard relating to review of monthly vouchers.

OIG recommended that HUD (1) not reimburse LOMOD for the more than \$105,000 in reduction in incentive fees for those findings in the 2004 compliance review that were improperly reversed, (2) assess more than \$1.3 million in disincentives against LOMOD for incorrect work products, (3) monitor LOMOD's rent adjustment and contract renewal transactions under standards 3 and 14 until HUD can ensure that LOMOD has met the acceptable quality level for three consecutive months, and (4) begin monitoring LOMOD under standard 6 relating to the review, authorization, and payment of monthly vouchers to owners so that it does not put \$13.6 million at risk each month. (Audit Report: **2008-LA-0001**)

Owner and Management Agent Operations

HUD OIG audited Century Mission Oaks in **San Antonio, TX**, to determine whether the project's owner-manager, Century Mission Oaks GEAC, LLC, complied with HUD's regulatory agreement during fiscal years 2005 and 2006.

The owner did not support or document that project expenditures were reasonable and necessary. As a result, the owner could not support more than \$2.9 million in expenses, incurred nearly \$66,000 in ineligible expenses, and improperly transferred \$197,000 in project funds to an affiliate. Therefore, fewer project funds were available for mortgage payments, and the risk to the Federal Housing Administration (FHA) insurance fund was unnecessarily increased. Further, the owner did not ensure that the project's books and records were properly maintained. Financial records were missing; general ledger entries were incomplete, misclassified, and/or unsupported; revenues and payroll expenses were overstated; and records were conflicting. As a result, HUD and other stakeholders could not accurately assess the financial condition of the project.

OIG recommended that HUD require the owner to (1) provide support for or make necessary adjustments to its financial records to remove \$2.7 million in unsupported expenses and expense accruals recorded in its books, (2) provide support for or reimburse almost \$273,000 in unsupported costs, (3) deposit almost \$263,000 for the ineligible disbursements and unauthorized transfers into the project's reserve for replacement account, (4) correct and accurately maintain its accounting records, and (5) implement procedures and controls to ensure that future disbursements for project expenses comply with requirements. OIG also recommended that HUD pursue double damages remedies against the responsible parties for the ineligible disbursements and

unauthorized transfers and pursue civil money penalties and administrative sanctions, as appropriate, against the owner for its part in the regulatory violations identified. (Audit Report: 2008-FW-1008)



HUD OIG audited Vesta Windham Heights, LLC, in **Windham, CT**, to determine whether the owners and/or management agent used project funds in accordance with the regulatory agreement.

The owners did not use project funds in accordance with the regulatory agreement. OIG identified questioned costs and opportunities for funds to be put to better use totaling more than \$2.8 million. Specifically, the owners and management agent (1) used more than \$171,000 for services that were unnecessary and unreasonable to operate and maintain the project when the project was in a non-surplus-cash position; (2) included unreasonable and unnecessary costs in their cost certification, causing HUD to overinsure the mortgage by more than \$598,000; and (3) repaid more than \$800,000 in advances when the project was in a non-surplus-cash position.

OIG recommended that HUD require the owners to (1) repay the project for the ineligible use of operating funds for unreasonable and unnecessary costs charged to the project, (2) make a principal payment or establish an escrow with the lender from nonproject funds to pay down the amount of overinsurance, and (3) repay the project for ineligible repayments to its related companies. Further, OIG recommended that HUD pursue sanctions as appropriate against the responsible parties for the unreasonable disbursements identified. (Audit Report: 2008-BO-1005)



HUD OIG audited Richard A. Hutchens and Associates' (agent) management of the financial operations of Cayuga Village and Touraine Apartments in **Buffalo, NY**, to determine whether the agent used project funds in accordance with its regulatory agreement and HUD requirements.

The agent did not use project funds in accordance with its regulatory agreement and HUD requirements. Specifically, the agent (1) did not solicit competitive bids or maintain adequate documentation to support nearly \$988,000 in repair and maintenance costs paid to an identity-of-interest company, (2) made more than \$505,000 in unauthorized loans and withdrawals of residual receipts, (3) improperly disbursed nearly \$143,000 in project operating funds to pay expenses that were questionable, and (4) did not make a required payment of nearly \$8,000 to the residual receipts account or a required equity payment in a timely manner.

OIG recommended that HUD instruct the agent to develop procedures to ensure compliance with all terms of its regulatory agreement and require the agent to (1) reimburse the projects for the ineligible costs associated with unauthorized loans and withdrawals from residual receipts, an improper salary advance, and excessive fees and (2) submit supporting documentation to justify all unsupported costs and reimburse the projects from nonproject funds for all amounts determined to be ineligible. (Audit Report: 2008-NY-1002)



HUD OIG audited Vesta Mohegan, LLC, **Norwich, CT**, to determine whether the owners used project funds in accordance with their regulatory agreement with HUD.

The owners did not use project funds in accordance with the regulatory agreement. OIG identified questioned costs and opportunities for funds to be put to better use totaling nearly \$1.2 million. Specifically, the owners (1) used more than \$58,000 in project funds for unnecessary and unreasonable operating costs; (2) included more than \$593,000 in unreasonable relocation costs and other questionable costs in the cost certification, causing the HUD-insured mortgage to be overinsured by more than \$341,000; and (3) repaid nearly \$201,000 in member advances when the project was in a non-surplus-cash position.

OIG recommended that HUD require the owners to (1) repay the project for the questioned operating costs from nonproject funds, (2) make a principal payment or establish an escrow with the lender from nonproject funds to pay down the amount of overinsurance, and (3) reimburse the project from nonproject fund sources for the ineligible member advance repayments and remove the unreasonable member advances accrued from the project's accounting records. (Audit Report: 2008-BO-1004)



HUD OIG audited Elders Place, Incorporated, **Philadelphia, PA**, to determine whether it administered project funds in accordance with HUD requirements.

Elders Place, Inc., did not administer project operating funds in accordance with HUD requirements. It made nearly \$310,000 in unsupported disbursements and more than \$73,000 in ineligible disbursements and, thereby, did not sufficiently protect HUD's and the residents' interests in the project.

OIG recommended that HUD direct Elders Place, Inc., to (1) provide documentation to support the unsupported costs or reimburse the project for any unsupported costs from nonfederal funds; (2) repay the project from nonfederal funds for the ineligible costs identified by the audit; and (3) develop and implement controls to ensure that project operating funds are administered in compliance with applicable HUD and Federal regulations, thereby preventing more than \$13,000 from being disbursed improperly over the next year. OIG further recommended that HUD impose administrative sanctions against Greater Germantown Housing Development Corporation, the project's sponsor, for violations of the regulatory agreement. (Audit Report: 2008-PH-1005)



HUD OIG reviewed whether the Phoenix Apartments multifamily project in **Concord, CA**, used its project funds in accordance with HUD rules and regulations in response to a Hotline complaint.

The project did not use project funds in accordance with the requirements of its regulatory agreement and applicable HUD rules and regulations. Specifically, during fiscal years 2004 through 2006 the project used nearly \$90,000 of its funds for unnecessary purposes and did not support the necessity and/or reasonableness of more than \$118,000 spent for the project. OIG also found unsafe conditions, some of which the project's management ignored for more than two years.

OIG recommended that HUD require the project's owner, Phoenix Apartments, Inc., to (1) repay the project nearly \$90,000 from nonproject funds for the unnecessary expenditures and provide support for the reasonableness of the funds paid for the unsupported services and goods or repay the project for the unsupported amount from nonproject funds; (2) immediately obtain the services of a HUD-approved professional management agent to manage the project and implement policies and procedures for ensuring



that project funds are spent only for reasonable and necessary purposes; and (3) immediately procure repair services for all of the unsafe conditions and implement adequate policies and procedures for periodic inspection, reporting, repair, and followup of any conditions that may pose a hazard to the project's residents or visitors. (Audit Report: 2008-LA-1006)



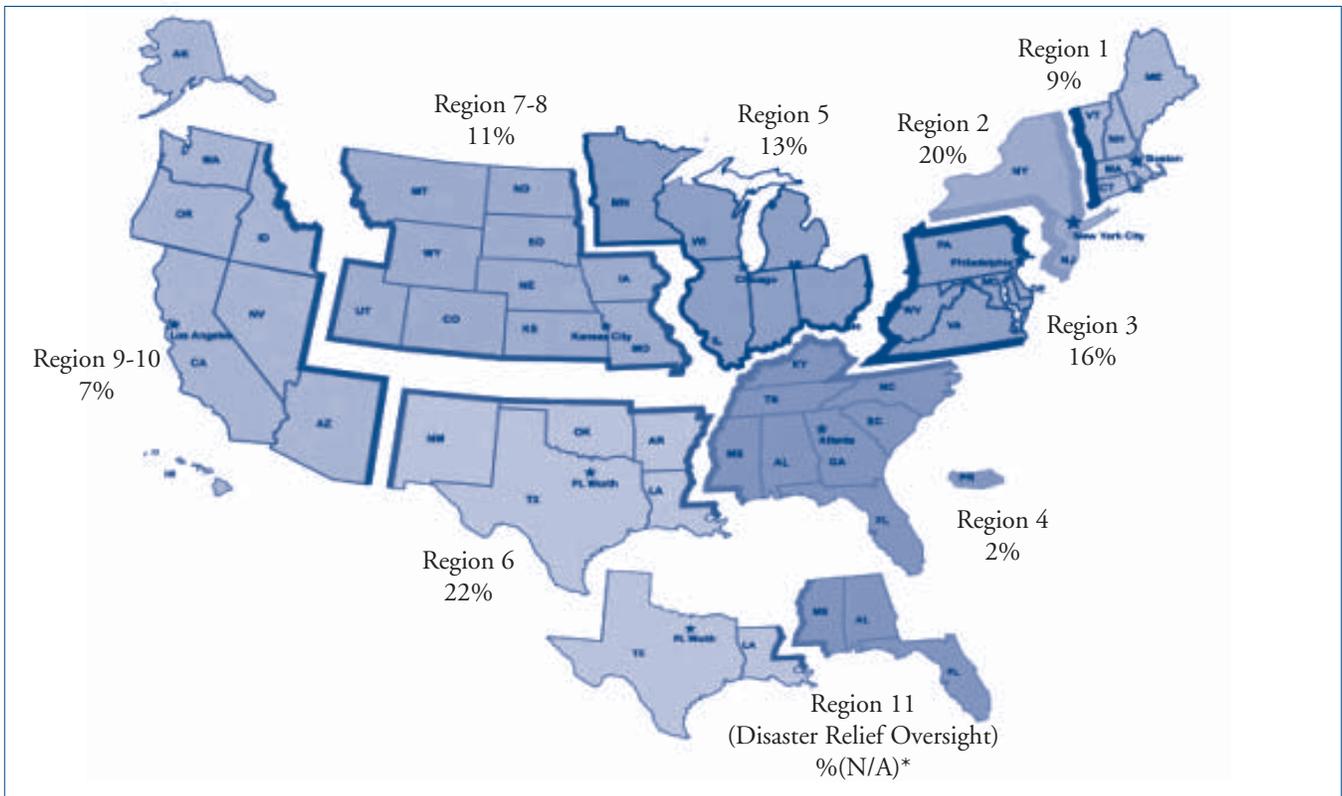
Investigation

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

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

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	47	\$1 million	36	50
Our focus	Page 64	- Theft/embezzlement		
	Page 65	- Rental assistance fraud		
	Page 67	- Other fraud/crimes		

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



* This does not include hurricane relief cases. See chapter 5 for these cases.

Theft / Embezzlement

Martin Shulman, owner of S.G.B. Management, Inc. (SGB), a management agent for six HUD-insured and subsidized multifamily properties; his wife, Gail Shulman; and SGB office manager Keyetta Williams were each indicted in U.S. District Court, **Cleveland, OH**, for equity skimming, theft, money laundering, obstructing a Federal audit, and mail and wire fraud. The above defendants allegedly claimed nonexistent tenants and fraudulently obtained more than \$1.4 million in HUD housing assistance payments, used about \$1 million in property equity for their personal benefit, and caused HUD losses of more than \$5 million after two FHA-insured mortgages defaulted. Total HUD losses are estimated at \$7.4 million.



Frank DeSantis, president of the Community Partnership Development Corporation (Community), a HUD-funded nonprofit administering a \$16.9 million Low Income Housing Preservation and Resident Homeownership Act grant, pled guilty in U.S. District Court, **Los Angeles, CA**, to obstructing a Federal audit. DeSantis provided fraudulent time sheets and fictitious certifications in an attempt to support nearly \$3.2 million in overstated and unapproved construction fees paid to Community employees during the rehabilitation of three multifamily housing developments.



Wynee Joyner, a principal of the National Housing Group, Inc. (NHG), a HUD contract overseeing the management and maintenance of HUD-owned multifamily housing developments, was arrested and charged in U.S. District Court, **New York City, NY**, with conspiracy and mail fraud. Joyner allegedly instructed NHG employees to submit about \$500,000 in false claims to HUD in an effort to circumvent NHG contract terms and obtain HUD reimbursements before paying third-party vendors.



Iris Baez, the former board president for Co-Op City, a HUD-funded 15,372 unit multifamily housing development, and Nickhoulas Vitale, also known as Nicky Vitale, a former Co-Op City painter, each pled guilty in U.S. District Court, **New York City, NY**, to bribery. Baez was sentenced to 6 months incarceration

Fall of Co-op City leader

Iris Baez cops plea in bribery scheme, may get 6 months

BY THOMAS ZAMBITO and BILL EBBERT
DAILY NEWS STAFF WRITERS

A DARK CHAPTER in the turbulent history of Co-op City has finally closed in a Manhattan courtroom.

Disgraced former Co-op City powerbroker Iris Baez pleaded guilty in federal court to one count of taking bribes, in a deal that could limit her jail time to as little as six months.

Speaking in a measured, unemotional tone, the 60-year-old Baez admitted last week to taking bribes in excess of \$5,000 in the summer of 2000 from an owner of a painting company seeking work at the sprawling northeast Bronx Mitchell-Lama complex.

Baez and former Riverbay employee Nickhoulas Vitale were indicted in April, accused of receiving kickbacks for arranging dubious work orders for the painting company, and using an accounting technicality to hide the transactions from state regulators and even the Riverbay Board, which runs Co-op City.

Othelia Jones, current president of the Riverbay Board over which Baez cast such a long shadow for so many years, said she hoped Thursday's plea deal would bring some measure of closure.

"I just hope this helps us put this matter behind us," said Jones. "We really need to move forward."

Baez's plea capped her controversial 20-year career as a board president and behind-the-scenes powerbroker at the largest Mitchell-Lama complex in the state.

She was originally charged with one count of conspiracy in addition to the count of bribery concerning a federally funded program and faced up to 15 years in prison. The crime she admitted carries a maximum of 10 years in prison, but under her plea deal, she is expected to serve only six to 12 months in jail when sentenced Jan. 17. She also must repay \$5,000 in a bribe she admitted receiving.

Vitale, 36, who lives in Brooklyn, pleaded guilty to delivering a separate \$5,000 bribe to Riverbay officials in April 2002, and received the same sentence.

The scheme involved paying kickbacks of \$100,000 in exchange for steering \$3.5 million in painting work to Stadium Interior Painting, and then hiding the contracts from the state Division of Housing and Community Renewal, which oversees the development, according to U.S. Attorney Michael Garcia.

At the suggestion of an unnamed co-conspirator working for Riverbay, the work was awarded on a probationary basis, which made it possible for Co-op City to avoid entering into a formal contract with Stadium, or submitting its award decision to DHCR for review, according to the indictment.

From August 2000 through July 2002, Co-op City paid Stadium about \$3.5 million for painting work at the 15,000-unit complex.

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and 1 year supervised release and ordered to forfeit \$10,000. Baez obtained \$10,000 in kickbacks after she and others awarded a \$3.5 million painting contract to Vitale's current employer, Stadium Interior Painting.



Kimberly Campbell, a former administrative assistant for Kenneth Court Apartments, a HUD-funded multifamily housing development, and Antwan Busby, Ottis Levine, and Lionell Bradley were each charged in Thirteenth Judicial Circuit Court, **Tampa, FL**, with conspiracy to commit armed robbery, committing a robbery with a firearm, armed burglary of a dwelling with a firearm, aggravated battery with a deadly weapon, grand theft, or possession of a firearm during the commission of a felony. The above defendants allegedly conspired and stole about \$3,000 in utility assistance payments from Kenneth Court Apartments.



Joseph Driscoll, a former maintenance director for ARCO Management Company, a former HUD contractor overseeing the management and maintenance of HUD-owned multifamily housing developments, pled guilty in U.S. District Court, **New York City, NY**, to committing mail fraud. Driscoll and others submitted fake bids to facilitate a HUD-funded window replacement contract award to a specific company.

Rental Assistance Fraud

Six former Section 8 tenants at Mandela Homes Apartments, a HUD-funded multifamily housing development, were each charged in U.S. District or Boston Municipal Courts, **Boston, MA**, or West Roxbury District Court, Jamaica Plain, MA, with making false statements, theft of public money, larceny over \$250 by a single scheme, misuse of a Social Security number, or identity theft. The above defendants allegedly failed to report income, assets, or accurate identification information on housing certifications and collectively obtained \$252,126 in housing assistance they were not entitled to receive.



Hong Le, a Section 8 tenant at El Rancho Verde Apartments, a HUD-funded multifamily housing development, and An Quang Nguyen, an unauthorized resident with Le, each pled *nolo contendere* in Santa Clara County Superior Court, **San Jose, CA**, to grand theft. Nguyen was sentenced to 6 months incarceration, ordered to pay HUD \$80,356 in restitution, and fined \$450. Le allegedly failed to report Nguyen's residency on housing certifications and obtained \$80,356 in housing assistance she was not entitled to receive.



Five Section 8 tenants at Coral Gardens Apartments (Coral Gardens), a HUD-funded multifamily housing development in **Homestead, FL**, were arrested on probable cause for committing public assistance fraud, possession of marijuana with the intent to distribute, or outstanding warrants. The above defendants allegedly failed to report income or unauthorized residents on housing certifications and obtained about \$49,583 in housing assistance they were not entitled to receive. In addition, MariaVazquez, a former Coral Gardens Section 8 tenant, was sentenced to 2 years supervised probation, ordered to pay HUD \$10,386 in restitution, and fined \$498 for her previous conviction of public assistance fraud and grand theft, and Ernesto

Rodriguez, an uncooperative witness in the Vazquez trial, was arrested on an outstanding warrant for failure to appear, trespassing, and disorderly conduct. Collectively, the above defendants caused HUD losses of \$59,979.



Jeri Hill, a former Section 8 tenant at Glenridge Cooperative Apartments, a HUD-funded multifamily housing development, was indicted in U.S. District Court, **San Francisco, CA**, for making false statements to HUD. From January 2003 through October 2007, Hill allegedly failed to report income on housing certifications and obtained about \$56,000 in housing assistance she was not entitled to receive.



Kathy Lovett, a former Section 8 tenant at Woodridge Homes Apartments, a HUD-funded multifamily housing development, was charged in Lawrence District Court, **Lawrence, MA**, with larceny over \$250. From January 1999 to November 2006, Lovett allegedly failed to report income on housing certifications and obtained \$47,600 in housing assistance she was not entitled to receive.



Eddie Speller, a New York City Department of Housing and Preservation Development Section 8 tenant and New York City police officer, pled guilty in U.S. District Court, **New York City, NY**, to theft of government funds. Speller failed to report income on housing certifications and obtained about \$30,000 in housing assistance he was not entitled to receive.



Nikita Nelson-Smith, a former Section 8 tenant at Watts Arms I, a HUD-funded multifamily housing development, was charged in Los Angeles County Superior Court, **Los Angeles, CA**, with filing a false or forged instrument. Nelson-Smith allegedly failed to report assets or her nonresidency in her subsidized unit on housing certifications and obtained more than \$17,946 in housing assistance she was not entitled to receive.



Ellen Yoder, a former Section 8 tenant at Hillside Village Apartments, a HUD-funded multifamily housing development, was sentenced in U.S. District Court, **Williamsport, PA**, to time served and 12 months supervised release and ordered to pay HUD \$8,090 in restitution for her earlier guilty plea to making false statements to HUD. Yoder concealed her criminal history on housing certifications and obtained \$8,090 in housing assistance she was not entitled to receive.



Rachel Klotz, a manager for Park Seven Apartments (Park Seven), a HUD-funded multifamily housing development, was indicted in Johnson County District Court, **Olathe, KS**, for making false writings. In addition, Gayle Rapp, a former Park Seven Section 8 tenant, entered into a pretrial diversion agreement and was sentenced to 12 months probation, was ordered to pay court costs of \$323, and agreed to pay Park Seven \$1,206 in restitution. Klotz allegedly failed to report tenant income on HUD certifications in an attempt to



allow tenants to maintain their housing assistance eligibility, and Rapp admittedly failed to report income on housing certifications and obtained \$1,206 in housing assistance she was not entitled to receive. Collective HUD losses are not yet determined.

Other Fraud/Crimes

Patrick Crislip, a former HUD multifamily construction analyst, was sentenced in U.S. District Court, **Kansas City, KS**, to 5 months incarceration, 5 months home detention, and 2 years probation and ordered to pay HUD \$30,000 in restitution for his earlier guilty plea to conspiracy to conceal a conflict of interest. Crislip entered into a renovation and cleaning contract and obtained \$49,900 from Alpha Property Management, Inc., a HUD multifamily management agent for Sunflower Park and Silver City Apartments, at the same time he conducted official HUD rehabilitation inspections at the multifamily housing developments identified above.



Chapter 4

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



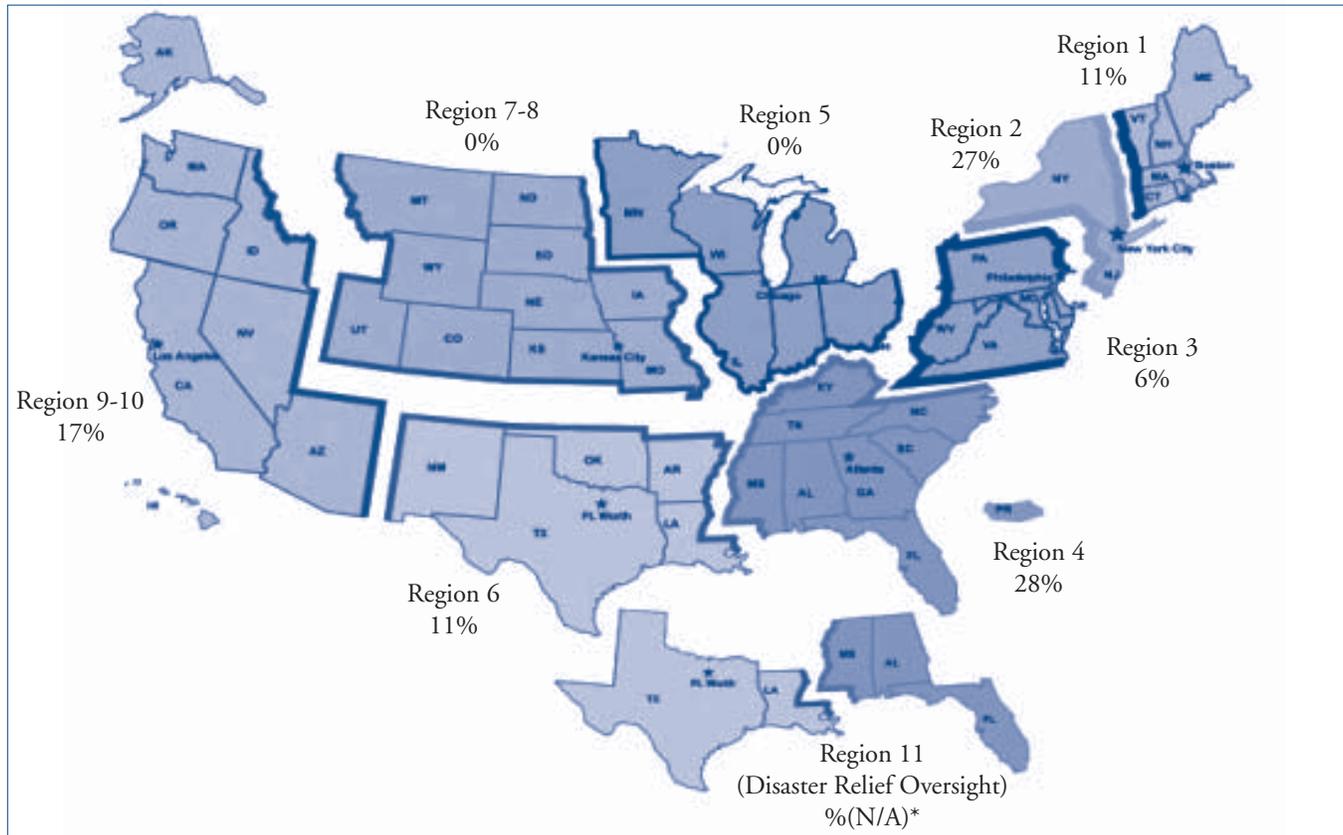
The Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 7, page 121).

Audits

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	18 audits	\$62.7 million	\$3.4 million
Our focus	Page 71	- Community Development Block Grant programs	
	Page 74	- HOME Investment Partnerships program	
	Page 76	- Supportive Housing Program grants	

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



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



OIG audited the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships Program (HOME), and the Supportive Housing Program grants. While OIG's objectives varied by auditee, the majority of the reviews were to determine whether the grant funds were administered for eligible activities and that the auditee met program objectives. The following section illustrates the audits conducted in the community planning and development area.

Community Development Block Grant Programs

HUD OIG, **Washington, DC**, audited HUD's administration of the CDBG program and concluded that HUD's performance measurements did not demonstrate how grantees were increasing neighborhood health and attaining the primary CDBG objective of developing viable urban communities. In addition, while HUD's monitoring of CDBG entitlement communities identified numerous grantee deficiencies and offered meaningful recommendations for corrective actions, grantee performance had often not improved over time.

OIG recommended that HUD implement a system to measure the impact of its monitoring efforts for improving grantee performance and effectiveness. Specifically, OIG recommended that HUD (1) design a performance measurement system that allows it to report meaningful outcomes and not just outputs, (2) design a ranking and rating system for individual grantees so that HUD and its stakeholders can identify and address both good and poor performance, (3) establish controls to ensure that monitoring efforts emphasize high-impact activities so that recommendations can focus on promoting improvements in program participants' performance, and (4) assess the impact of its monitoring on performance and increase incentives to improve grantee performance and compliance by using all of its available sanction authority. (Audit Report: 2008-NY-0001)



HUD OIG audited the CDBG program administered by the City of **Ft. Lauderdale, FL**, and found that the City did not provide or maintain adequate supporting documentation to demonstrate that CDBG activities met national objectives. As a result, it had no assurance that more than \$5 million in expended CDBG funds achieved the intended national objective or met program requirements. The City's CDBG financial information did not agree with information reported to HUD. The City also failed to report program income to HUD for one project and improperly allocated 100 percent of its vehicle expenditures to the program without adequate supporting documentation demonstrating that the expenses were accurate and program related.

OIG recommended that HUD require the City to (1) provide documentation to support that program requirements were followed and national objectives were met or reimburse its program \$2.3 million from nonfederal funds; (2) provide an action plan for development of land parcels to include how national objectives will be achieved and, if not developed within 90 days, reimburse its program the greater of \$2.6 million or the fair market value of the property from nonfederal funds; (3) maintain documentation to support that program requirements were followed and national objectives were met to allow more than \$722,000 in unused funds to be put to better use by ensuring that the City effectively uses these funds for the intended clientele; (4) update, implement, and enforce written monitoring policies and procedures to ensure effective performance and compliance with Federal regulations for meeting CDBG national objectives; (5) reconcile its Financial Accounting Management Information System with the HUD Integrated Disbursement and Information

System and notify HUD of the adjustments; (6) report rental and interest income for one project as program income; and (7) reimburse the program nearly \$99,000 from nonfederal funds, since there is no assurance that vehicle use was program related. (Audit Report: 2008-AT-1005)



HUD OIG audited the City of **Chicopee, MA's** administration of its CDBG program and found that the City violated conflict-of-interest regulations, resulting in ineligible projects being funded and the improper use of more than \$1.1 million in CDBG funds. The City also did not properly support that more than \$4.3 million in CDBG-funded public facilities and improvement activities met the low-to-moderate-income benefit requirements and did not adequately monitor or provide oversight of CDBG funds provided for public works and facilities activities.

OIG recommended that HUD (1) require the City to repay the \$1.1 million in ineligible costs from nonfederal sources; (2) pursue all applicable administrative sanctions against the City, including debarring individuals involved in the decision to expend these funds; (3) ensure that the City provides supporting documentation for the unsupported costs or take administrative action requiring repayment of amounts not adequately supported or determined to be ineligible; (4) require the City to establish written oversight policies and procedures that meet HUD requirements for awarding, administering, and monitoring CDBG program funds; and (5) require the City to repay from nonfederal funds the amount of CDBG program funds spent on prohibited or unsupported maintenance and repair activities. (Audit Report: 2008-BO-1001)



HUD OIG audited the CDBG program administered by the City of **West Palm Beach, FL**, and found that the City was deficient in contract administration, monitoring, maintaining supporting documentation, and reporting program income and failed to ensure that more than \$2.7 million in CDBG funds was used in compliance with program requirements and to meet national objectives. In addition, the City awarded contracts without full and open competition; did not prepare a cost analysis before awarding the contracts; and did not maintain documentation supporting that contractors were not debarred, suspended, or ineligible. As a result, it could not ensure that more than \$1.2 million in contracts it awarded provided full and open competition and that the costs were reasonable.

OIG recommended that HUD require the City to (1) provide documentation supporting that HUD requirements were followed and national objectives were met for 27 CDBG activities or reimburse the program more than \$2.7 million from nonfederal funds; (2) develop, implement, and enforce more comprehensive written policies and procedures that comply with HUD requirements; (3) provide supporting documentation to justify the eligibility and reasonableness of nearly \$625,000 disbursed for the four contracts or reimburse the program from nonfederal funds; and (4) ensure that Federal procurement requirements are incorporated into City policies and procedures, implemented, and enforced. (Audit Report: 2008-AT-1004)



HUD OIG audited the Municipality of **Canovanas, PR's** CDBG program and concluded that the Municipality's financial management system did not fully comply with applicable HUD requirements. It did not support the allowability of more than \$885,000 in program disbursements, could not account for more than \$501,000 in CDBG receipts, allowed the use of more than \$23,000 for ineligible program expenditures,

and did not disburse CDBG program funds in a timely manner. In addition, the Municipality improperly used CDBG funds for new housing construction and lacked adequate documentation to support program accomplishments. Therefore, the related program expenditures of more than \$36,000 are ineligible, and more than \$324,000 is considered unsupported pending an eligibility determination by HUD. The Municipality also awarded six contracts without following HUD procurement requirements, did not support the reasonableness of more than \$109,000 in CDBG disbursements, and paid more than \$70,000 for excessive expenditures.

OIG recommended that HUD require the Municipality to (1) repay more than \$59,000 in ineligible expenditures and the \$70,000 in excessive costs; (2) provide all supporting documentation showing the appropriateness and eligibility of more than \$1.82 million in CDBG disbursements; (3) develop and implement an internal control plan; and (4) ensure that CDBG expenditures are properly accounted for, reconciled with HUD's disbursement system, and in compliance with HUD requirements. (Audit Report: 2008-AT-1002)



A HUD OIG review of the City of Jacksonville, FL/County of Duval, FL's CDBG program did not identify reportable conditions for most of the cited objectives. However, the City needs to improve controls to ensure proper justification for sole source procurements and that subrecipients only use program funds for specific City-approved activities. OIG identified subrecipients that did not properly document or justify sole source procurements totaling \$156,000 for four purchases and one instance in which the City reimbursed a subrecipient nearly \$35,000 for costs that were not for the activity component the City approved. As a result, the City could not adequately support the reasonableness of \$156,000 in CDBG disbursements and the nearly \$35,000 paid for costs not associated with the City-approved activity.

OIG recommended that HUD require the City to establish and implement controls to ensure compliance with requirements for sole source purchases and that subrecipients are only reimbursed for costs incurred for activities approved in their funding request. The City should be required to reimburse the program from nonfederal funds for any portion of the nearly \$191,000 that it cannot support as being reasonable and having been incurred for the City-approved activity. (Audit Report: 2008-AT-1003)

Lower Manhattan Development Corporation

During the reporting period we continued our series of Congressionally mandated audits of the Lower Manhattan Development Corporation's (Corporation) administration of the Community Development Block Grant Disaster Recovery Assistance funds provided to the State of New York following the September 11, 2001, terror attack. The State of New York designated the Corporation to administer \$2.783 billion of the \$3.483 billion in Community Development Block Grant Disaster Recovery Assistance funds to assist with the recovery and revitalization of lower Manhattan. The two audits completed during this reporting period are summarized as below.

HUD OIG audited the Lower Manhattan Development Corporation (Corporation), New York, NY, regarding its administration of the Community Development Block Grant Disaster Recovery Assistance funds provided to the State of New York following the September 11, 2001, terror attack. The objectives of the audit were to determine whether the Corporation (1) disbursed the funds in accordance with the guidelines

established under HUD-approved partial action plans, (2) expended the funds for eligible administration and planning expenses in accordance with applicable laws and regulations, and (3) had a financial management system in place that adequately safeguarded the funds and prevented misuse.

During the audit period, the Corporation disbursed approximately \$132.7 million of the \$2.783 billion in appropriated funds. The Corporation generally disbursed the funds in accordance with HUD-approved action plans, expended funds for eligible administration and planning expenses in accordance with applicable laws and regulations, and maintained a financial management system that adequately safeguarded funds and prevented misuse. However, an internal control weakness existed in the management of grant repayments in the Employment Training Assistance Program. The subrecipient that administered the program credited 10 grant recipient repayments to the wrong HUD grant and did not return recovered funds to HUD's Line of Credit Control System in a timely manner.

OIG recommended that HUD require the Corporation to strengthen controls to ensure that future grant repayments to the Employment Training and Assistance Program are properly recorded and credited to the correct HUD grant. (Audit Report: 2008-NY-1004)



HUD OIG performed its ninth audit of the Lower Manhattan Development Corporation's (Corporation) administration of the \$2.783 billion in Community Development Block Grant Disaster Recovery Assistance funds provided to the State of New York following the September 11, 2001, terrorist attacks on the World Trade Center in **New York City, NY**.

The Corporation's final action plan did not always specify projects to which funds were to be allocated or identify alternative funding sources for some of the activities. While it was prepared and approved at a time when the operation of the Corporation as a going concern was in question, which may have resulted in the lack of specifics on certain projects, this question appears to have been resolved for the immediate future. Consequently, the lack of specifics in the final action plan will lessen HUD's ability to evaluate the extent to which future disbursements comply with the approved final action plan. In addition, the lack of information on the nonfederal sources of funding for the World Trade Center Memorial/Museum project lessens HUD's assurance that the funds will be available and that the project will be successfully completed as envisioned.

OIG recommended that HUD instruct the Corporation to (1) provide specifics for HUD review for the activities and outcomes expected as a result of the funding approved in the final action plan for the affordable housing, economic development, education, and transportation projects and (2) identify the amount of private and nonfederal public resources that are reasonably expected to be available for the completion of the World Trade Center Memorial/Museum to ensure that the allocated Federal funds will sufficiently leverage those additional resources. (Audit Report: 2008-NY-0801)

HOME Investment Partnerships Program

HUD OIG audited the City of **New York, NY**'s Department of Housing Preservation and Development to evaluate its administration of the HOME program. The City generally committed and disbursed HOME funds in accordance with program regulations; however, there were weaknesses in its monitoring procedures. As a result, the City lacked assurance that its community housing development organizations were properly



organized and operated effectively, data in HUD's Integrated Disbursement and Information System accurately reflected the status of its HOME funds, and HOME-funded projects being monitored met the statutory eligibility requirements throughout the affordability periods. In addition, while the City met its HOME match requirements and reported a substantial balance of match contributions made in excess of the required amounts, erroneous calculations of the match contributions resulted in ineligible match being carried forward as a balance for use in future years.

OIG recommended that HUD require the City to (1) implement procedures to recertify its community housing development organizations and evaluate their performance, (2) enter information into HUD's Integrated Disbursement and Information System to reflect the current status of seven old projects that have not been closed out, (3) implement procedures to ensure that all completed projects are monitored for the specified affordability period, (4) remove \$34.1 million in ineligible match from its 2007 HOME match report, and (5) establish procedures to accurately report the value of match contributions for each of its programs. (Audit Report: 2008-NY-1003)



HUD OIG audited **Fulton County, GA's** HOME program. The County did not properly manage its HOME program and consistently failed to follow requirements. There was more than \$6.4 million in HOME funds that involved questioned costs, funds that were subject to recapture, and a missing match contribution. The County did not (1) properly commit more than \$2.57 million and was in danger of losing more than \$828,000 that was approaching the commitment deadline, (2) prepare or maintain proper documentation to support project approvals, (3) ensure the eligibility of more than \$1.26 million, (4) ensure proper support for more than \$1.55 million, (5) effectively address project delays, (6) maintain records to support affordable housing compliance, (7) contribute more than \$226,000 in HOME match funds, (8) maintain proper performance records, (9) conduct or document project monitoring, and (10) properly maintain and manage program staff.

OIG recommended that HUD take appropriate administrative action against the County official responsible for most significant reported violations and require the County to properly support or repay more than \$4.28 million in questioned costs, recapture more than \$2.16 million because of program violations, and determine whether the County has the capacity to continue administering the HOME program. If the County does not have the capacity to continue administering the program, HUD should terminate the program and reallocate the County's HOME funding to other properly performing participating jurisdictions. If the County is allowed to continue administering the program, HUD should require it to establish and implement proper controls and procedures to ensure compliance with program requirements, obtain periodic reviews of the program by its internal audit division to confirm compliance, and provide copies of the reports to HUD with actions taken to correct reported violations. (Audit Report: 2007-AT-1006)



HUD OIG audited the City of **Los Angeles, CA**, Housing Department's single-family and small multifamily property rehabilitation programs funded by the HOME program. The Department did not always (1) ensure that HOME-assisted rehabilitation work met all applicable construction standards and/or was complete, (2) have complete documentation of income eligibility and property values, and (3) report the status of its program activities to HUD in the required timeframes.

OIG recommended that HUD require the Department to (1) develop, maintain, and implement operating policies, procedures, and controls regarding loan approvals, construction standards, and monitoring and ensure accurate and timely reporting of program data to HUD; (2) certify that construction deficiencies and incomplete construction work for the properties identified have been repaired or completed in accordance with the applicable standards or reimburse the HOME trust fund for the uncertified portion of the \$1.2 million disbursed for these properties; and (3) inspect and certify 35 properties rehabilitated under the asset control agreement or reimburse the HOME trust fund for the uncertified portion of the \$4.8 million disbursed for these properties. (Audit Report: 2008-LA-1004)



HUD OIG audited the City of **Huntington Park, CA**'s HOME program and found that the City did not ensure that its contracted community and housing development organization supported homebuyers' income eligibility with appropriate source documentation and that income determinations were performed in accordance with HOME requirements. It also did not ensure that HOME affordability requirements were imposed with the sale of a property. As a result, nearly \$297,000 in HOME funds was unsupported, and income eligibility determinations did not meet HOME requirements. In addition, more than \$204,000 earned from the sale of the property was retained by the community and housing development organization for 4 years and had not been applied to another project.

OIG recommended that HUD require the City to (1) provide documentation to support the eligibility of homebuyers with unsupported income or repay the HOME funds that were spent on the project, (2) establish procedures with sufficient detail to ensure that income determinations are performed consistent with HOME requirements, and (3) ensure that the future use of proceeds that are retained by a community and housing development organization are documented in a written agreement. (Audit Report: 2008-LA-1001)

Supportive Housing Program Grants

HUD OIG audited Homes for Life Foundation in **Los Angeles, CA**, to determine whether the Foundation applied and tracked its HUD Supportive Housing Program cash match in accordance with applicable requirements.

The Foundation did not administer its Supportive Housing Program grants in compliance with HUD requirements. Specifically, it could not adequately support that it met the statutory 25 percent cash match requirement of more than \$389,000 for all 12 grants reviewed. Further, it inappropriately charged nearly \$113,000 in duplicate costs.

OIG recommended that HUD require the Foundation and/or the Los Angeles Homeless Services Authority to (1) provide adequate supporting documentation to substantiate that the cash match was met or repay from nonfederal funds more than \$2 million in grant funds expended, (2) implement a financial management system that adequately identifies the source and application of all cash match funds for federally sponsored activities, (3) support or repay nearly \$113,000 in duplicate costs from nonfederal funds, and (4) establish and implement a cost allocation plan that allocates program expenditures for its multifunded projects equitably. (Audit Report: 2008-LA-1003)





HUD OIG audited the Community Development Corporation of Brownsville, Inc., **Brownsville, TX**, to determine whether the Corporation correctly charged administrative costs to its various Federal funding sources and whether it used housing counseling grant funds to qualify mortgage applicants instead of counseling potential homebuyers.

The Corporation incorrectly used part of its housing counseling grant funds for qualifying mortgage applicants. This condition occurred because the Corporation had a prohibited conflict of interest as it provided housing counseling, mortgage qualifying, and underwriting services. As a result, it charged ineligible salaries and unsupported fringe benefits to its grants. In addition, it did not allocate general administrative costs in proportion to the relative benefits received by the various funding sources or awards. Further, it could not support a more than \$472,000 increase in its building acquisition cost or the \$66,000 value assigned to the land. As a result, it may have overcharged its Federal funding sources or awards by more than \$67,000 for depreciation.

OIG recommended that the Corporation (1) resolve its conflict of interest, repay to HUD more than \$177,000 in ineligible salaries, and support or repay nearly \$81,000 in fringe benefits; (2) develop a cost allocation plan for HUD approval that allocates general administrative expenses relative to the benefits received by its funding sources or awards; (3) reallocate more than \$391,000 in general administrative expenses in accordance with its cost allocation plan; (4) obtain an appraisal that values the building and land separately as of the date it purchased the building; and (5) reallocate the correct depreciation. (Audit Report: **2008-FW-1004**)



HUD OIG reviewed the Housing Opportunities for Persons with AIDS (HOPWA) grant to the City of **Dallas, TX**, to determine whether the City and its program sponsors provided rent, mortgage, and utility assistance to persons who met program criteria and whether the 2005 and 2006 competitive grants provided transitional and replacement housing.

Generally, the City complied with program requirements to ensure that it and its program sponsors provided assistance to eligible persons. However, in violation of the HOPWA grant agreement, two program sponsors charged nearly \$25,000 in ineligible expenses, and one program sponsor did not support nearly \$139,000 in expenses. Further, the City provided almost \$2,000 in excess short-term rental, mortgage, and utility assistance, and several client files lacked adequate supporting documentation.

OIG recommended that HUD require the City to (1) repay more than \$26,000 to its HOPWA formula grant; (2) provide supporting documentation or reimburse its formula grant nearly \$139,000; (3) discontinue cable television payments, which will result in more than \$16,000 in formula grant funds being put to better use; and (3) strengthen controls to better comply with requirements. (Audit Report: **2008-FW-1007**)





Inspections and Evaluations

Monitoring of Local Governments under the State CDBG Program

In 2004 and 2005, Congress appropriated more than \$4 billion in CDBG funds to States. After withholding funds reserved for specific areas, 70 percent of the remaining program funds were then allocated to "entitlement" cities, and 30 percent were disbursed to States for "nonentitlement" areas. Each State and Puerto Rico, except Hawaii, administers the distribution and oversight of nonentitlement funds to local grant recipients. This oversight by State agencies includes the monitoring of local grant recipients to determine program compliance and to prevent and detect fraud.

HUD OIG completed a nationwide inspection of the 2004 and 2005 monitoring of local grant recipients by State agencies. The results of this inspection showed that almost all of the State agencies conducted on-site monitoring visits during the 2004 and 2005 program years, State agencies followed basic Federal monitoring requirements except for the need to ensure timely receipt of single-audit reports from local grant recipients, and each State agency submitted its annual performance and evaluation report to HUD. Additional inspection results showed that six State agencies reported that inadequate resources hindered their ability to monitor local grant recipients, and five of the nine State agencies contacted had issued sanctions against local grant recipients for their failure to comply with program requirements or achieve program objectives.

To address the inspection results above, HUD OIG recommended that HUD ensure that State agencies establish a system to monitor their receipt of annual single-audit reports from local grant recipients and assist the State agencies that reported inadequate staff in developing a plan and methods to effectively use their available resources. (I&E Report: IED 07 002)



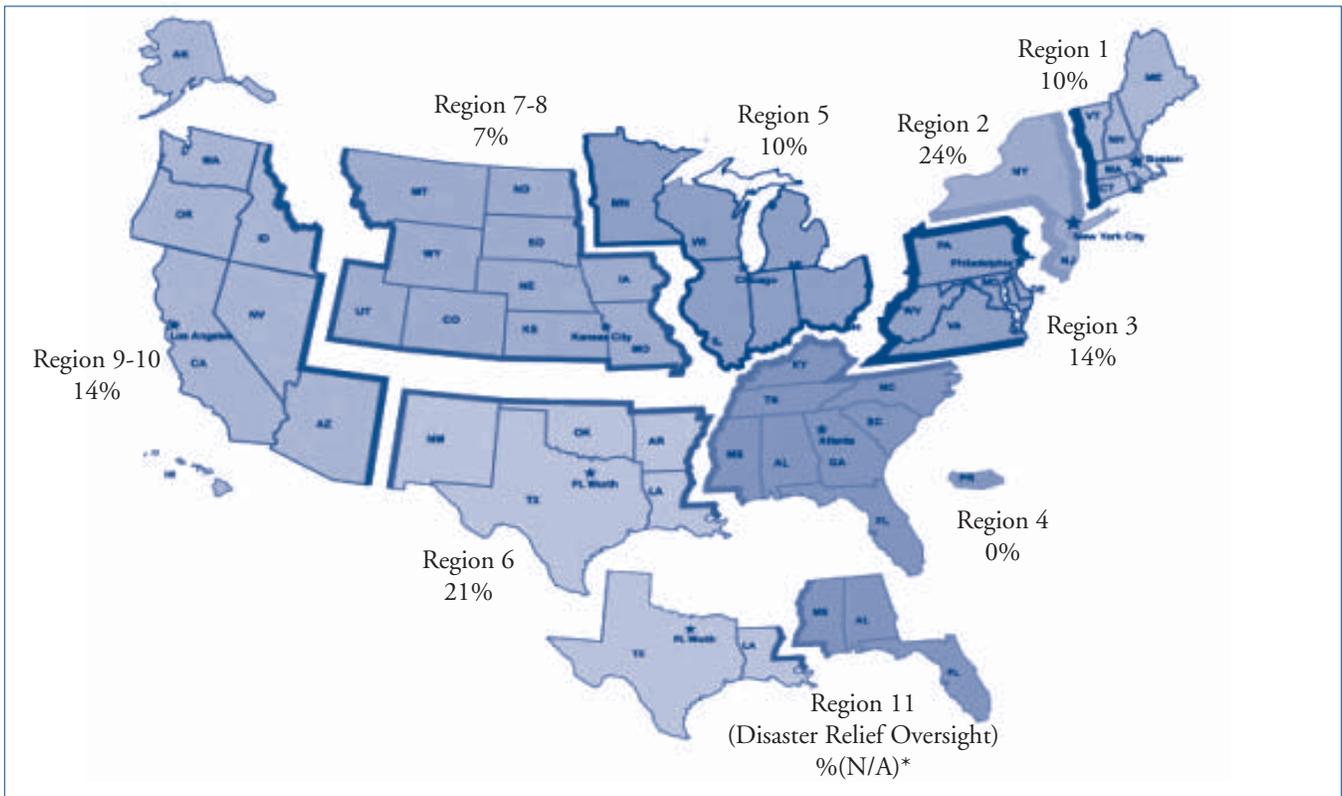
Investigation

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

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	98	\$5.7 million	27	22
Our focus	Page 80	- Theft/embezzlement		
	Page 85	- Other fraud/crimes		

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



* This does not include hurricane relief cases. See chapter 5 for these cases.



Theft / Embezzlement

Linda Bevins, the former payroll supervisor for the Crotched Mountain Foundation (Crotched Mountain), an organization that received HUD CDBG funds, was indicted in U.S. District Court, **Concord, NH**, for committing theft from programs receiving Federal funds. From June 2004 through July 2007, Bevins allegedly diverted and personally used about \$1.6 million in Crotched Mountain funds without authorization. In addition, New Hampshire civil default judgments in the amount of \$1.6 million were individually awarded against Bevins and her daughter, Holly Sears.



Jojuana Meeks, the former executive director for Gary Urban Enterprise Association (Gary Urban), an organization that received HUD HOME funds, was sentenced in U.S. District Court, **Gary, IN**, to 71 months incarceration and 3 years supervised release and ordered to pay the Indiana Attorney General more than \$1.1 million and the Internal Revenue Service \$89,024 in restitution for her earlier guilty plea to theft of government funds. Meeks and previously convicted conspirators embezzled more than \$1 million in Gary Urban funds when they obtained excessive wages, misused Gary Urban credit cards, and diverted Gary Urban funds into their personal bank accounts.



James Hayes, the former treasurer for Love Social Services Center (Love SSC), an organization that received HUD Economic Development Initiative grants and U.S. Department of Justice funding, was convicted in U.S. District Court, **Anchorage, AK**, of conspiracy, misapplication from an organization receiving Federal funds, money laundering, filing a false Federal income tax return, and committing fraud and theft. Murilda Hayes, the former executive director for Love SSC, pled guilty to committing theft, fraud, misapplication from an organization receiving Federal funds, and money laundering. From 2000 through 2005, James and Murilda Hayes embezzled and personally used more than \$825,000 in Love SSC funds without authorization.



Leo Hardy, Jr., and Shirley Hardy Walden, the president and treasurer of Southampton County Assembly (Southampton), an organization that received HUD HOME funds, were each indicted in U.S. District Court, **Norfolk, VA**, for making false statements. Hardy and Walden allegedly used about \$150,000 in Southampton funds for projects not related to HUD programs.



Josh Brown, a building inspector for Golden Triangle Planning and Development District (Golden Triangle), an organization that administered HUD HOME funds, was sentenced in U.S. District Court, **Jackson, MS**, to 6 months home detention and 2 years probation and fined \$17,500 for his earlier guilty plea to conspiracy. Brown and others conspired, embezzled, and personally used \$100,000 in Golden Triangle funds without authorization.



James Fantroy, Sr., the former treasurer for Paul Quinn College Community Development Corporation (Paul Quinn CDC), an organization that administered a HUD Historically Black College and University grant, was convicted in U.S. District Court, Dallas, TX, of committing theft from a program receiving Federal funds. Fantroy obtained and personally used about \$48,000 in Paul Quinn CDC funds without authorization.



Derrick Ward and Abdullah Aziz were each arrested after their indictments in U.S. District Court, New York City, NY, for conspiracy to defraud HUD and theft of government funds. In addition, Michael Calore, the former owner of Via Restaurant, Inc., pled guilty to theft of government funds, and George Crawford was sentenced to 36 months probation and ordered to pay Empire State Development Corporation (Empire) \$4,569 in restitution, jointly and severally with Ward and Aziz, for his earlier guilty plea to theft of government funds. Aziz and Ward allegedly and Calore and Crawford admittedly submitted false applications and collectively obtained \$46,463 in Business Recovery grant funds from Empire, a HUD-funded nonprofit established to provide assistance to businesses in lower Manhattan after the September 11, 2001, terrorist attacks.



Kenneth Elliott, the former executive director for Metro Housing Partnership (Metro), an organization that received HUD HOME funds, pled guilty in U.S. District Court, Arlington, TX, to theft from a program receiving Federal funds. Elliott created bogus invoices and embezzled more than \$42,000 in Metro funds to purchase boats, vehicles, and other personal use items.



Constance Post, also known as Gerrie Post, the executive director for the Mount Vernon Urban Renewal Agency (MountVernon) and a commissioner for the Mount Vernon Department of Planning and Community Development, organizations that received HUD CDBG funds, and Wayne Charles, president of the Charles Group and owner of Micros Only Computer Concepts (Micros), were each indicted in U.S. District Court, White Plains, NY, for conspiracy to commit mail fraud and making false statements. Post allegedly awarded \$1.1 million in Mount Vernon computer contracts to Micros without obtaining bids from others, provided the Charles Group with a \$500,000 loan from

Fantroy guilty of theft

Jury quickly convicts ex-council member of embezzling from college

By JASON TRAHAN
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Federal authorities logged their first legal victory Thursday in the high-profile crackdown on Dallas public corruption when a jury delivered a speedy guilty verdict against former City Council member James Fantroy, convicting him of stealing \$20,000 from a local college.

The U.S. attorney's office had offered Mr. Fantroy leniency in exchange for his testimony in the main bribery case set for trial in June against former Dallas Mayor Pro Tem Don Hill and others indicted over low-income housing shenanigans.



James Fantroy

But Mr. Fantroy declined the government's offer, instead choosing to fight what turned out to be a slam-dunk government case against him.

During a four-day trial, prosecutors presented evidence that Mr. Fantroy, 70, stole money from Paul Quinn College's Community Development Corp. by writing checks on their account to himself, his relatives and his campaign. He controlled the account as the corporation's treasurer.

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UPDATE

Ex-head of nonprofit admits to embezzling

The founder of Metro Housing Partnership could get 10 years in prison.

By SUSAN SCHROCK
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DALLAS — The former director of Metro Housing Partnership pleaded guilty in federal court Friday to embezzling grant money earmarked for low-income housing to buy a boat and luxury cars and to repair his Arlington home.

Kenneth Elliott founded the nonprofit group in 2001 to build and repair low-income housing and had received more than \$400,000 in federal grant money through the city of Arlington, according to city records released in 2003.

In 2003, Elliott was arrested in an Arlington park on suspicion of public lewdness, for which he was later fined.

Shortly after, the city and the Housing and Urban Development Department received an anonymous tip about possible mismanagement and began investigating Elliott.

Elliott, 54, declined to comment Friday.

Personal gain
During its brief existence, Metro generated more than \$700,000 from the sale of homes it built or rehabilitated. Many of the homes are in east Arlington, where Elliott grew up.

According to the U.S. attorney's office, Elliott used nearly \$35,000 of the company's money for personal gain. Purchases included a \$9,200 used Cadillac Catera, a \$7,600 Sea Ray boat, a \$2,500 personal waterscraft and a \$4,500 Mercedes, according to court records. Elliott also used Metro money to rent a boat slip at the Lynn Creek Marina in Grand Prairie and buy a boat trailer.

Up to 10 years
Elliott is scheduled to be sentenced by a federal judge March 21. He faces up to 10 years in prison without parole, a fine of up to \$250,000, restitution and three years' probation on the charge of theft from a program receiving federal funds.

Elliott is not in custody but is under supervision by a probation officer until sentencing.

Staff writer Nathaniel Jones contributed to this report, which includes material from the Star-Telegram archives.

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Mount Vernon funds and failed to disclose the loan in Mount Vernon books and records, and concealed about \$30,000 she personally received from Charles.



Steven Scott, a former City of New Brunswick housing inspector previously sentenced in U.S. District Court, Newark, NJ, for his guilty plea to theft of public funds, was suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government pending the outcome of criminal proceedings or any related debarment actions. Scott used the identification of another and fraudulently obtained \$19,940 in HUD housing rehabilitation grant funds.



Wendell France, a former Baltimore County Housing Authority (BCHA) Housing Opportunities for Persons with AIDS (HOPWA) Section 8 tenant and BCHA landlord, was sentenced in Baltimore County Circuit Court, Baltimore, MD, to 1 year incarceration (suspended) and 1 year supervised release and ordered to pay BCHA \$18,659 in restitution for his earlier guilty plea to theft. France failed to report income, employment, assets, or BCHA housing contract payments on BCHA HOPWA certifications and obtained \$18,659 in BCHA HOPWA assistance he was not entitled to receive.



Ebony Davis, a former case manager for Volusia and Flagler Counties AIDS Coalition, an organization that received HUD HOPWA funds, was sentenced in U.S. District Court, Orlando, FL, to 6 months incarceration, 3 months home confinement, and 3 years probation and ordered to perform 150 hours of community service, pay HUD \$2,182 in restitution, enter into a drug treatment program, and cooperate in DNA collection for her earlier guilty plea to embezzlement. Davis falsified HOPWA recipient lease agreements, generated payments to fictitious landlords, and embezzled more than \$11,036 in HOPWA funds.

Woman gets prison for rent scam

By ANNE GEGGIS
STAFF WRITER

A fired employee of a now-defunct Daytona Beach AIDS agency will serve six months in federal prison for two counts of embezzling federal funds meant to pay for housing AIDS patients.

Ebony Davis of Daytona Beach had worked at the AIDS Coalition of Volusia/Flagler for five months in 2002, during which she stole about \$9,000 from the federal government, according to court papers. After that, she had been employed as a caseworker at Stewart-Marchman Center for Chemical Dependency.

In U.S. District Court in Orlando on Monday, she was sentenced to six months in federal prison to be followed by 90 days of home confinement and three years of supervised release after that. Upon release from prison, she also must submit to drug testing and perform 150 hours of community service, in addition to paying \$2,182 in restitution to U.S. Housing and Urban Development.

According to federal paperwork, Davis stole the money by submitting a housing voucher to the Northeast Health Planning Council requesting that a check be issued from the Housing for People With AIDS fund to landlords for AIDS patients.

But these "landlords" that the checks were made out to were her father and two other men she knew. Davis would pay the "landlords" a few hundred dollars out of each check they cashed and take the remainder, according to court documents.

Some of the vouchers for the bogus landlords were signed by the AIDS Coalition's executive director, Susan Hutchins, who resigned from her position in March 2006. The AIDS Coalition was forced to close its doors in August 2006 because of financial woes.

The court recommended that Davis serve her time in a federal penitentiary in Coleman to be closer to her family.

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DAVIS

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Danny Davis, owner of Gray Home Improvements (Gray) and a former administrator for the Johnson City Community Planning and Development Department (Johnson CPD), an organization that received HUD CDBG funds, was charged in Washington County Circuit Court, **Johnson City, TN**, with committing theft, forgery, money laundering, and official misconduct. Davis allegedly awarded inflated Johnson CPD housing rehabilitation contracts to Gray, deposited Johnson CPD funds into his personal bank account, and personally paid subcontractors to complete Johnson CPD-funded rehabilitations. HUD's losses are not yet determined.



Keith Woods, the former mayor of Brookshire, TX, and Henry Cheney, the former Brookshire director of public works, were each indicted in U.S. District Court, **Houston, TX**, for conspiracy to commit Federal program fraud and Travel Act violations to promote State bribery. Woods and Cheney allegedly accepted bribes from a demolition contractor in exchange for city contracts funded with HUD CDBG resources.

Ex-Brookshire mayor, ex-aide indicted over kickbacks, bribery

■ Both accused of taking illegal payments for city business

By **CINDY GEORGE**
and **HELEN ERIKSEN**
HOUSTON CHRONICLE

The former mayor of Brookshire and another former city employee have been indicted on federal charges of taking

kickbacks and bribes from a local demolition company in exchange for city contracts.

The six-count indictment unsealed Friday accuses former Mayor Keith Woods, 41, of receiving \$5,650 and alleges that Henry Cheney, 55, netted \$700 from the scheme.

Woods, now the city's economic development coordinator, ended a 10-year run as mayor of the town of 4,000 last year. Cheney was on the Brookshire payroll for five years until

last year.

FBI agents arrested both men Friday. Woods and Cheney made their initial appearances before U.S. Magistrate Judge Calvin Botley and were released from federal custody on \$100,000 signature bonds.

The indictment handed down last week accuses the men of a yearlong conspiracy to use their official positions to skim personal profit from federal grants awarded to Brook-

shire, a Waller County city about 30 miles west of Houston.

The charges are based on information from a demolition contractor who provided cash to Woods and Cheney to receive four city contracts, according to the indictment. The 30-page document does not name the contractor.

In 2004, Brookshire won a \$250,000 federal housing grant to reconstruct four
*Please see **BROOKSHIRE**, Page B5*

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William Walker, the former director for both the Neighborhood Preservation and the Housing Rehabilitation programs in New Brunswick, NJ, organizations that received HUD CDBG and HOME funds, was charged in a superseding indictment filed in U.S. District Court, **Newark, NJ**, with conspiracy to extort under color of law and soliciting and accepting corrupt payments. Walker allegedly accepted \$112,500 in bribes from construction and maintenance companies under contract with both HUD-funded programs identified above.



Linda Roach, a former supervisory clerk for the New Brunswick Department of Community Planning and Economic Development (New Brunswick CPED), an organization that received HUD CDBG funds, was sentenced in U.S. District Court, **Newark, NJ**, to 5 months incarceration, 5 months home confinement, and

36 months probation for her earlier guilty plea to receiving corrupt payments. Roach accepted cash payments from New Brunswick CPED contractors in exchange for expedited contract payments.



Frank Rose, the director for the Neighborhood Preservation program in Linden, NJ, an organization that received HUD CDBG funds; Anthony Rose, the former director for the Linden Department of Transportation and Parks; and Walter Zawacki, a partner in Zawacki Construction, each pled guilty in U.S. District Court, Newark, NJ, to mail fraud and filing a false Federal income tax return. From January 1998 to October 2007, Frank Rose accepted bribes from Zawacki and others in exchange for more than \$5 million in Neighborhood Preservation construction contracts, and Anthony Rose awarded more than \$1.3 million in construction and maintenance contracts to companies he owned.



Matthew Price, the former director for the Florida City Housing and Economic Development, an organization that received HUD HOME funds, and Jennifer Stimpson, a broker for Venture Mortgage Investments, each pled guilty in U.S. District Court, Miami, FL, to conspiracy to commit mail and wire fraud. Price and Stimpson conspired with others and fraudulently obtained mortgage funding from contractors in exchange for discounted sales of city-owned properties, including a property constructed with HUD HOME and CDBG funds.



Jose Cipolla and Frank Guido, former contractors previously sentenced in U.S. District Court, Buffalo, NY, for their guilty pleas to perjury, were each debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. Cipolla and Guido paid kickbacks to a City of Rochester rehabilitation specialist in exchange for HUD-funded rehabilitation contracts.



Richard Goyette, the former mayor of Chicopee, MA, was sentenced in U.S. District Court, Springfield, MA, to 24 months incarceration, 12 months in a community correction center, and 3 years probation and ordered to pay the Federal Bureau of Investigation \$10,000 in restitution for his earlier guilty plea to extortion.

Goyette sentenced to prison
Ex-Chicopee mayor gets 2 years

By STEPHANIE BARRY and HOLLY ANGELO
 Staff writer

SPRINGFIELD - After struggling through a tearful plea for mercy, former Chicopee Mayor Richard R. Goyette yesterday was sentenced to two years in federal prison for pocketing \$10,000 in bribes in 2005.

The bribes were caught on FBI videotape, igniting an unparalleled scandal just days before the 2005 election. Goyette was arrested on his front steps seven days before the Nov. 8 mayoral contest. He was charged with two counts of extortion, and dropped out of the race. Goyette pleaded guilty to the charges in June, days before he was scheduled to go to trial.

Yesterday, the former mayor choked out the personal disasters he has suffered after being charged, including a divorce from his second wife and a pending bankruptcy.

"My actions have utterly destroyed my life, my marriage, my reputation... I've lost my family homestead (they've owned) for four generations," Goyette said, after noting that he did "a pretty good job" at being mayor but was a poor candidate.

"The citizens of Chicopee, they deserved better than that," he said. "I ask for your mercy, and I'm willing to accept your judgment."

Goyette could have received up to 31 months in prison under federal sentencing guidelines. U.S. District Judge Michael A. Ponsor noted a lesser penalty - which also will include an additional year in a halfway house - primarily because Goyette has a severely autistic son whom he shares custody of with his first wife.

"This is certainly one of the more difficult sentences that I have had to confront recently," Ponsor said, after Goyette's lawyer implored the judge to consider home confinement or some other alternative to prison.

Please see Page 4

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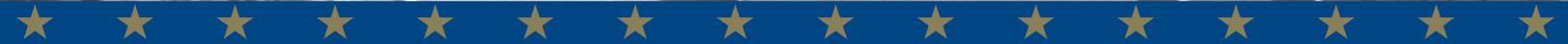
Goyette extorted two \$5,000 campaign contributions from a developer under contract with the Chicopee Office of Economic Development (Chicopee OED), an organization that received HUD CDBG funds, and in return, Goyette promised to approve, modify, and extend the Chicopee OED contract to benefit the developer.

Other Fraud/Crimes

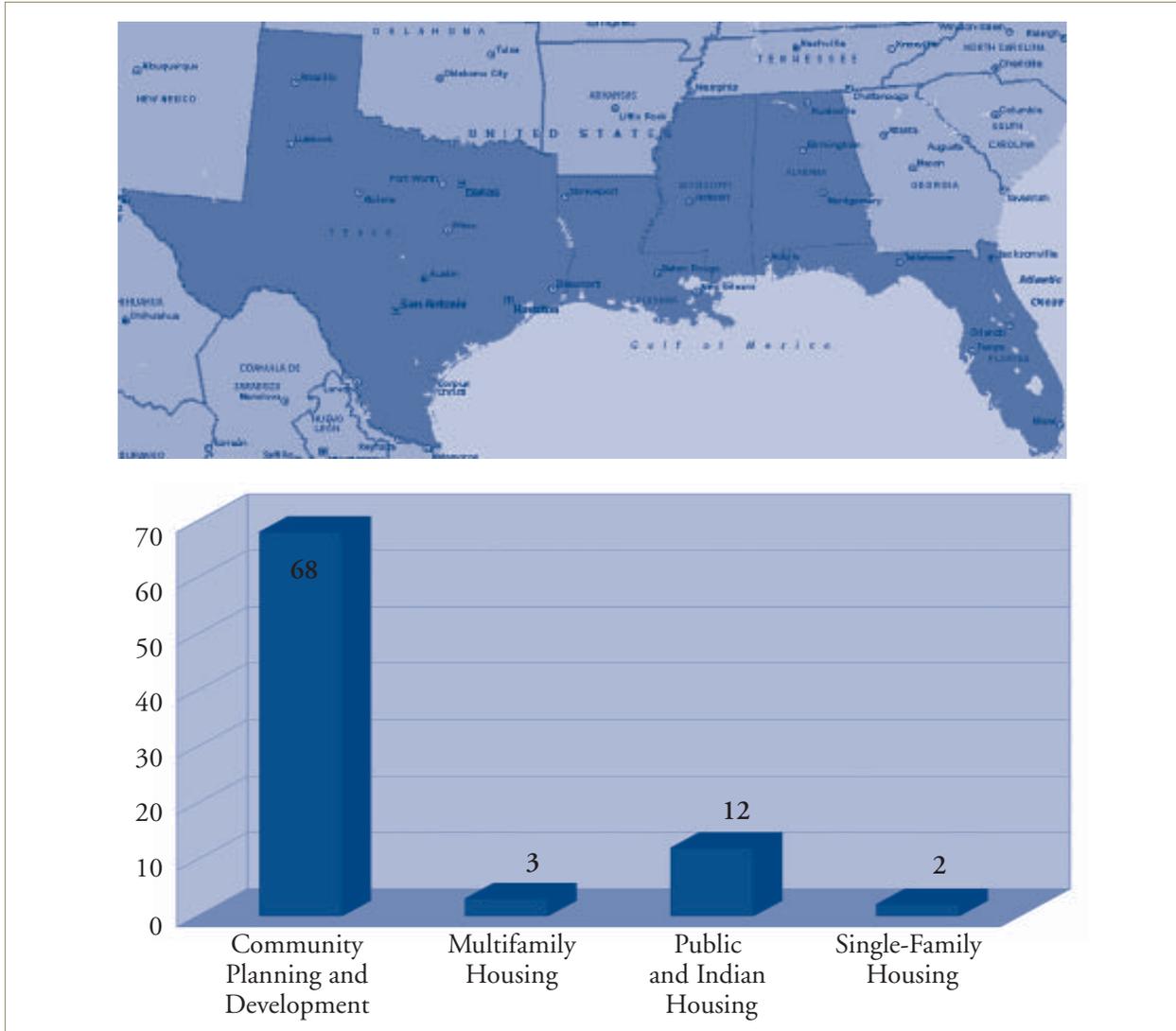
James Middleton, the former executive director for Southside Community Development and Housing Corporation (Southside), an organization that received HUD HOME funds, was sentenced in U.S. District Court, **Richmond, VA**, to 3 years probation, ordered to pay the Philip Morris Employees Community Fund \$26,532 in restitution, and fined \$1,000 for his earlier guilty plea to mail fraud. Middleton provided fraudulent applications to private corporations and obtained \$300,000 in grants and loans to pay cost overruns on Southside building projects.



Chapter 5
**Hurricane Relief
Oversight**

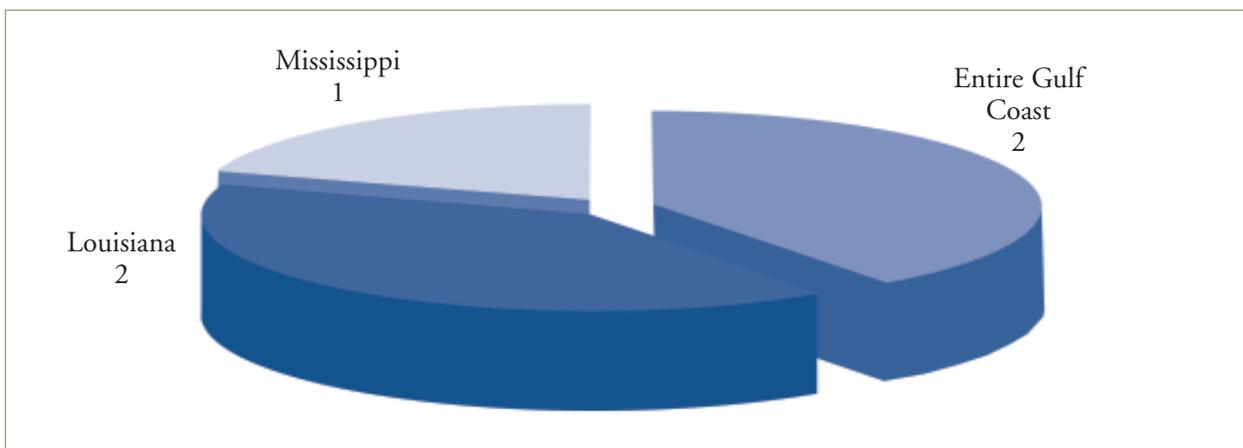


Investigation cases closed by program area*



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

Gulf Coast audit reports issued by location





Introduction and Background

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), successfully established the Gulf Coast Region Offices of Audit and Investigation in the Gulf Coast disaster areas to prevent, detect, and combat fraud, waste, and abuse of HUD program disaster funds. HUD received supplemental appropriations of approximately \$20 billion. HUD has approved numerous State action plans and distributed billions of dollars in the form of HUD Community Development Block Grants (CDBG) for housing and other needs. In addition, HUD has responsibility for temporary housing assistance for approximately 45,000 Federal Emergency Management Agency (FEMA) households from the declared disaster areas under a FEMA interagency agreement in the new Disaster Housing Assistance Program (DHAP). HUD has also provided a variety of public housing program funds for repair and reconstruction of severely damaged public housing properties, most notably in Biloxi, MS, and New Orleans, LA.

The Office of Audit (OA) continues to be diligent in its efforts to pursue fraud, waste, and abuse in the audits of the \$20 billion in HUD's emergency supplemental funding provided to the Gulf Coast States. The Gulf Coast Region OA has completed five audits of the supplemental funding resulting in findings of questioned costs of more than \$16 million. Currently, auditors are evaluating the Housing Authority of New Orleans (HANO) as part of a congressional request. It should be noted that OA is monitoring the funding for Louisiana's Road Home program, which exceeds \$9 billion, and the amount obligated for Mississippi's Homeowner Grant Assistance program, which totals \$2.5 billion.

The Office of Investigation (OI) has concentrated on hurricane fraud in the Gulf Coast States by focusing its resources in the recently established Gulf Coast Region, headquartered in New Orleans, LA. The Gulf Coast Region conducts the majority of HUD OIG's disaster investigations, and a number of HUD OIG field offices conduct criminal investigations related to Hurricane Katrina fraud throughout the country.

OI has provided training, presentations, and outreach on HUD disaster recovery funding and investigative matters to prosecutors and law enforcement and State agencies. In the Gulf Coast States, OI has been working with the State agencies and grantees to implement antifraud measures, which they have used in their disbursement of disaster funds. One example is the State agencies in Louisiana, Mississippi, and Texas, which have established many fraud controls recommended by OI for their homeowner assistance grant programs. The Gulf Coast Region is actively participating in the U.S. Department of Justice (DOJ) Hurricane Katrina Fraud Task Force (HKFTF) in Baton Rouge, LA, which receives approximately 1,000 hotline calls monthly related to hurricane fraud.

OI monitors and assists with all disaster investigations nationwide. It works closely with OA to coordinate audits and to monitor and conduct research regarding all HUD disaster program funds. It continues to implement fraud prevention measures within HUD and in the affected States of the Gulf Coast Region. Most recently, OI has partnered with the HUD Office of Public and Indian Housing (PIH); the Office of Multifamily Housing (MH); and the Office of Policy, Development, and Research (PD&R) to identify and investigate duplicate benefits in HUD and FEMA disaster rental assistance programs.

Hurricane Financial Profiles of HUD Community Development Block Grant Funds

The following provides a status as of March 31, 2008, of the HUD CDBG disaster funds appropriated to the five Gulf States and a summary of the homeowners programs for Mississippi and Louisiana. HUD's distribution of the funds and the receipt and use of the funds by State agencies, contractors, consultants, homeowners, and evacuees are being tracked and monitored for waste, fraud, and abuse by HUD OIG OA and OI.

Disaster Community Development Block Grant

States	Allocations	Disbursements	Balance
Alabama			
1st & 2nd supplemental total	\$95,613,574	\$16,920,445	\$78,693,129
Florida			
1st & 2nd supplemental total	\$182,970,518	\$5,249,718	\$177,720,800
Louisiana			
1st, 2nd & 3rd supplemental total	\$13,410,000,000	\$7,106,085,784	\$6,303,914,216
Mississippi			
1st & 2nd supplemental total	\$5,481,221,059	\$2,005,808,477	\$3,475,412,582
Texas			
1st & 2nd supplemental total	\$503,194,849	\$21,707,968	\$481,486,881
Totals	\$19,673,000,000	\$9,155,772,392	\$10,517,227,608

State of Louisiana

The Road Home Program (authorized \$9.93 billion; disbursed \$4.16 billion)

The Road Home program is the major program set up to rebuild Louisiana's impacted communities. Devastated communities will be subjected to abandoned homes, clouded land titles, and disinvestments if a large portion of the financial assistance is not provided to homeowners. Some owner-occupants, however, may choose none of the basic options to repair, rebuild, or relocate in Louisiana. In these instances, the State will compensate the homeowner for 60 percent of the home's prestorm value, less insurance and FEMA repair funds. The State of Louisiana received an additional \$3 billion in emergency funding during this period. The status of the Road Home program is described below.

State of Louisiana homeowner program status

Community Planning and Development Community Development Fund The Road Home snapshot Analysis of the homeowner applications State of Louisiana Status as of March 31, 2008	
Line items	Totals
Total applications received and recorded to date	185,106 (final)
Closings held	103,377
Average award	\$58,900

Source of Funds: Emergency Supplemental Appropriations I, II, & III (P.L. 109-148, P.L. 109-234, & P.L. 110-116)

State of Mississippi

Homeowner Grant Assistance Program (authorized \$2.5 billion; disbursed \$1.5 billion)

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

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

State of Mississippi homeowner program status

The Homeowner Grant Assistance Program Snapshot analysis of the homeowner applications State of Mississippi Status as of March 31, 2008	
Line items	Totals
Applications received	31,006
Grants paid	19,786
Dollar value of grants paid	\$1.5 billion
Average grant paid	\$71,300

Source of Funds: Emergency Supplemental Appropriations I & II (P.L. 109-148 and P.L. 109-234) 96



Audit



Emerging Oversight Trends

OA will continue to pursue audits of Louisiana's largest disaster grant program, the Road Home program. However, auditors are currently, as part of a congressional request, evaluating the Housing Authority of New Orleans (HANO). In addition, auditors are finishing up an audit of the Road Home program to determine the impact of the Additional Compensation Grant and the eligibility of its recipients. There are four other audits planned in addition to the HANO review. One audit will look at the Road Home program (E-grants), and the others involve Mississippi's small rental program, Texas's homeowner program, and the small business loan program. The objectives of the planned audits are as follows:

HANO - To determine whether HANO carried out its housing activities in accordance with HUD requirements, including procurement, Section 8 and public housing activities, and financial condition.

State of Mississippi Small Rental Program - To determine whether controls are adequate to ensure that funds are only expended for eligible participants and awards are properly calculated.

Louisiana's Road Home Program (E-grants system) - To determine whether E-grants system data provide results that are accurate and adequately supported.

Economic Development (Small Business Loan Program) - To determine whether duplicate loans were given on behalf of HUD and the Small Business Administration (SBA). OIG wants to ensure that HUD loans do not duplicate SBA assistance. OIG is proposing a joint audit review with SBA/OIG.

Texas Homeowner Program - To determine whether controls are in place to ensure that funding issued for intended purposes and awards are provided to eligible applicants and are properly calculated.



Final Audit Products

During this period, OIG issued five audits of the supplemental funding resulting in findings of questioned costs of more than \$16 million. The auditors concentrated their efforts on the community planning and development programs, as well as some of the public and Indian housing programs during this period. In one audit of the Louisiana Road Home program, auditors found that the State funded 411 applicants who were coded ineligible or lacking an eligibility determination, resulting in possible overpayment totaling \$15.5 million. The audits completed during this period are summarized as follows:

HUD OIG, **Washington, DC**, audited HUD's Katrina Disaster Housing Assistance Program (KDHAP) and Disaster Voucher Program (DVP) administered by public housing agencies to determine whether HUD (1) properly determined the eligibility of KDHAP/DVP participants and (2) implemented adequate measures to prevent KDHAP/DVP participants from receiving duplicate housing assistance from other HUD housing programs.

HUD did not always ensure that only eligible KDHAP/DVP participants received disaster housing assistance. As a result, as of August 31, 2007, \$760,317 in Federal funds had been misspent for 84 KDHAP/DVP participants who were ineligible for disaster assistance. If ineligible costs continue to be incurred, HUD could spend an additional \$153,808 on ineligible participants from September 2007 to the end of the program. However, these 84 participants count as less than 1 percent of the total number of participants.

OIG recommended that HUD take appropriate actions deemed necessary to recover or write off the Federal funds that were misspent on 84 ineligible participants, immediately cease paying funding on the participants ineligible for KDHAP and/or DVP, and take appropriate actions to remove any other ineligible participants from the Disaster Information System. (Audit Report: 2008-AO-0001)



HUD OIG audited the performance of the State of Louisiana's Road Home program housing manager, ICF Emergency Management Services, **Baton Rouge, LA**, to determine whether ICF provided contract deliverables in accordance with the terms and conditions of its contract with the State. The State is a CDBG disaster recovery grantee under the Department of Defense Appropriations Act of 2006.

ICF did not always provide contract deliverables in accordance with the terms and conditions of its contract with the State, thereby causing the State to reject the deliverables. Specifically, the State rejected 6 of 80 deliverables provided by ICF. Of the rejected deliverables, the homeowner management information system deliverable was most critical, since it was the core processing mechanism needed for the progress of the homeowner assistance program. Collectively, the management information system, in conjunction with the State's perpetual modification requirements to the system, and inadequate monitoring of system modification requirements during phase 1 of the program contributed to delaying the distribution of grants to eligible homeowners.

OIG recommended that HUD require the State to set realistic goals for ICF, taking timely appropriate action against ICF when performance problems arise as stipulated by the contract, and verify whether the State adequately implemented its new monitoring policies and procedures. (Audit Report: 2008-AO-1001)





HUD OIG audited the State of Louisiana's additional compensation grant component of the Road Home homeowner assistance program, managed by the State's contractor, ICF Emergency Management Services, LLC, **Baton Rouge, LA**. OIG initiated the audit in conjunction with the OIG Gulf Coast Region's audit plan and examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. During the audit to determine grant eligibility, OIG identified possible eligibility issues through a review of the electronic data. To immediately address the issues, OIG developed an additional objective to determine eligibility for those grants coded ineligible or lacking an eligibility determination.

Of 22,135 grants, the State funded 418 (2 percent) grants coded ineligible or lacking an eligibility determination, totaling \$15.8 million, because ICF did not have system controls in place to prevent these improper disbursements. File reviews of 26 (6 percent) of the 418 grants, determined that, as of October 13, 2007, the State had misspent Federal funds for 17 ineligible and two unsupported grants. The remaining seven grants were eligible or had input or coding errors.

OIG recommended that HUD require the State to (1) repay amounts disbursed for ineligible grants to its Road Home program, (2) either support or repay amounts disbursed for unsupported grants, (3) review all of the remaining 392 grants coded ineligible or lacking an eligibility determination and either support or repay the \$14.6 million disbursed for them, and (4) implement system controls to prevent future improper disbursements. (Audit Report: **2008-AO-1002**)



HUD OIG audited HUD's KDHAP and DVP administered by various public housing agencies. The audit objective was to determine whether HUD established controls to ensure that HANO pre-Hurricane Katrina Housing Choice Voucher program participants did not receive duplicate assistance under KDHAP and/or DVP.

OIG determined that in most cases, HUD ensured that KDHAP/DVP participants receiving assistance were not also receiving assistance under HANO's Housing Choice Voucher program. However, in a few instances (4 of 51), the participants received duplicate assistance. In all four cases, this occurred because HUD allowed Housing Choice Voucher Homeownership program (Homeownership program) participants to execute and receive KDHAP/DVP payments on their behalf while continuing to receive mortgage payments under the Homeownership program. HANO continued to pay participants Homeownership program assistance payments after Hurricane Katrina to avoid placing the participants into foreclosure. Since the Housing Choice Voucher and KDHAP/DVP program regulations prohibit families from receiving assistance while receiving another housing subsidy or receiving assistance for more than one unit or a unit in which they do not reside, \$13,147 in Homeownership program funds was misspent. In addition, two of the four participants also received CDBG funding totaling \$161,090 to rebuild their property, and the other two applied for assistance but had not received it as of October 2007. Finally, all four participants had also received duplicate rental assistance funding from FEMA totaling \$14,655 as of September 2006. In addition, there is a risk that additional duplicate participants exist that were not detected by our testing methodology, as Social Security number information in HANO's register was not always reliable.

OIG recommended that the HUD take appropriate actions to recover the ineligible funding totaling \$13,147 for four duplicate participants, prevent duplicate payments by working with the lenders to rework the mortgages and suspending payment or seek a waiver for the duplicate payment prohibition for Homeownership

program participants, and work with FEMA to ensure that its assistance did not duplicate HUD's rental assistance and recover any ineligible duplicate assistance payments, which currently total \$14,655. (Audit Report: 2008-AO-0801)



HUD OIG audited the Homeowner's Assistance Grant Program, a component of the **State of Mississippi's** administration of the \$5.058 billion in CDBG disaster recovery funds provided to the State in the aftermath of Hurricane Katrina. The State allocated \$3 billion to help homeowners in Southern Mississippi recover from Hurricane Katrina. The audit objectives were to determine whether the State and/or its contractor (1) allowed only eligible homeowners to participate in the Program and (2) implemented adequate controls to prevent the homeowners from receiving duplication of benefits.

The State and its contractor had controls to ensure that only eligible homeowners participated in the Program. One of the 103 applicants reviewed was not eligible for the Program because the applicant did not meet one or more of the five eligibility requirements. The ineligible applicant received \$16,871 in grant assistance. In addition, the State and its contractor had adequate controls to prevent homeowners from receiving duplicate benefits for the same damage. Of the 103 applicants reviewed, only one received a duplication of benefits totaling \$3,700.

OIG recommended that HUD require the Authority to repay the Program \$20,571 for ineligible costs. (Audit Report: 2008-AO-1801)



Investigations



During this reporting period, OIG opened 112 and closed 85 investigations in the Gulf Coast Region disaster relief program areas. Judicial action taken on these cases included more than \$1.1 million in investigative recoveries; \$11.5 million in funds put to better use; 38 indictments or informations; 31 convictions, pleas, or pretrial diversions; 13 administrative actions; and 38 arrests.

OI continues to concentrate on disaster funding fraud in the Gulf Coast region. The primary focus during this period remains in both Mississippi and Louisiana with the homeowner grant programs and small rental grant programs. 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 program is designed to provide compensation to those impacted by the hurricane. The small rental grant programs provide financial assistance to small rental property owners to return an estimated 18,000 affordable and ready to be occupied units to the rental housing market. The primary purposes of this financing program is to enable small-scale rental properties to return to the market while limiting the amount of debt required for the properties so that the owners will be able to charge affordable rents. Investigations of these programs and others require continued close coordination by the Gulf Coast Region office with SBA OIG, the Federal Bureau of Investigation (FBI), and the Department of Homeland Security Office of Inspector General (DHS OIG).

OI continues to conduct outreach to law enforcement partners, State agencies, multifamily property owners and managers, and HUD personnel in a continuing effort to implement antifraud measures and to ensure that information flows to the HKFTF Command Center in Baton Rouge, LA. The main HUD program areas are the Office of Community Planning and Development, Office of Public Housing, Office of Multifamily Housing, and the Office of Single Family Housing.



OI continues to support the HKFTF and during this period has conducted analysis of more than 2,000 hotline complaints, referring more than 70 of those complaints to the regional office for further evaluation. The Gulf Coast Region office has referred more than 50 of the HKFTF complaints to the Road Home program for additional review, resulting in 20 criminal investigations being initiated jointly by HUD OIG and the FBI on suspected fraud in the homeowner assistance program.

The Gulf Coast Region and HUD's Office of Public Housing have collaborated on antifraud measures in DHAP, over which HUD assumed administrative control from FEMA in late 2007. DHAP, as a continuation of the FEMA DVP, provides for the immediate need for housing assistance that disaster-displaced families face, relieving FEMA of this responsibility. HUD, through an interagency agreement with FEMA, is administering DHAP with more than \$565 million in FEMA grant funds. HUD has control of DHAP for up to 18 months of rental assistance and case management services for approximately 45,000 FEMA families, using public housing authorities nationwide. During this period, HUD has referred more than 150 potential DHAP criminal investigations of duplicate benefits by landlords, which are being reviewed and analyzed at the HKFTF for FEMA fraud, HUD fraud, SBA fraud, and other potential violations.

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

Homeowner Grant Fraud

Barbara Robicheaux was sentenced in U.S. District Court, **Lafayette, LA**, to 5 years probation; ordered to pay SBA \$121,000, FEMA \$8,211, and the U.S. Department of Agriculture (USDA) \$798 in restitution; directed to remit \$294 in monthly supervision costs for 5 years; and fined \$15,000 for her earlier guilty plea to making false claims. Robicheaux applied for and received SBA, FEMA, and USDA disaster assistance and attempted to obtain \$150,000 in CDBG disaster recovery funds through the Louisiana Road Home program for hurricane-damaged residential property, but the property damaged was not her residence during Hurricane Rita.



Mario LeLeaux was sentenced in U.S. District Court, **Gulfport, MS**, to 12 months probation and ordered to pay MDA \$35,413, FEMA \$16,712, and USDA \$792 in restitution for his earlier guilty plea to making false claims, theft of government funds, and food stamp fraud. LeLeaux applied for and received FEMA and USDA disaster assistance and CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not his primary residence.



Debra Savage was sentenced in U.S. District Court, **Gulfport, MS**, to 6 months home confinement with electronic monitoring and 60 months supervised release and ordered to perform 60 hours of community service and pay the Mississippi Development Authority (MDA) \$39,616 and FEMA \$17,182 in restitution for her earlier guilty plea to making false statements and filing false claims. Savage applied for and received FEMA

and CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not her primary residence.



Pamelia Conroy was sentenced in U.S. District Court, **Gulfport, MS**, to 21 months confinement and 36 months supervised probation and ordered to perform 70 hours of community service and pay FEMA \$22,815 in restitution for her earlier guilty plea to making false statements, filing false claims, and theft of government funds. Conroy applied for and received FEMA disaster assistance and attempted to obtain USDA, SBA, and \$100,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not her primary residence.



Vincent Pempeit was sentenced in U.S. District Court, **Gulfport, MS**, to 3 years probation and 6 months home confinement with electronic monitoring and ordered to pay FEMA \$9,558 in restitution for his earlier guilty plea to making false statements and filing false claims. Pempeit applied for and received FEMA disaster assistance and attempted to obtain \$150,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not his primary residence.



William and Deane Palmer were each sentenced in U.S. District Court, **Gulfport, MS**, for their earlier guilty pleas to making false statements and filing false claims. William Palmer was sentenced to 18 months incarceration and 3 years supervised release, ordered to pay FEMA \$6,706 and SBA \$47,078 in restitution, and fined \$4,000. Deane Palmer was sentenced to 36 months probation, ordered to pay the above restitution jointly and severally with her husband, and fined \$600. William and Deane Palmer applied for and received \$56,706 in FEMA and SBA disaster assistance and attempted to obtain \$68,780 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not their primary residence.



Christina Moses was sentenced in U.S. District Court, **Gulfport, MS**, to 6 months home confinement and 5 years probation and ordered to perform 70 hours of community service and pay FEMA \$24,337 in restitution for her earlier guilty plea to making false statements and filing false claims. Moses applied for and received FEMA disaster assistance and attempted to obtain \$150,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not her primary residence.



Three plead guilty to fraud
2 get probation, 1 gets prison

SUN HERALD

GULFPORT — Three South Mississippi residents have entered guilty pleas for Hurricane Katrina fraud, officials said Tuesday.

A rundown of the cases:

- Debra A. Savage, of Gautier, has been sentenced to probation with six months of home confinement after pleading guilty to making a false FEMA claim and a false statement to the Mississippi Development Authority. She was sentenced Nov. 14 in federal court. Savage also was ordered to pay restitution of \$17,881.69 to FEMA and \$39,613.97 to MDA. According to a news release from U.S. Attorney Dunn Lampton and State Auditor Phil Bryant, Savage filed for disaster benefits with FEMA and an MDA home grant on a rental property in Goutier as her primary residence.
- Wesley R. Ford III of Long Beach pleaded guilty this week and was sentenced in U.S. District Court to serve three years of probation for Hurricane Katrina fraud, U.S. Attorney Dunn Lampton said. Ford also was ordered to repay \$2,358 to FEMA, and ordered to complete 40 hours of community service.
- Joseph Pugh of Diamondhead was sentenced Nov. 14 to serve 12 months and one day in federal prison for Katrina fraud, Lampton and Bryant said. Pugh was also ordered to repay \$12,107.47 to FEMA, the U.S. Department of Agriculture and the American Red Cross.

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Joseph Pugh was sentenced in U.S. District Court, **Gulfport, MS**, to 12 months and 1 day incarceration and 36 months supervised release, ordered to perform 50 hours of community service and pay FEMA \$8,000 and SBA \$10,156 in restitution, and fined \$3,000 for his earlier guilty plea to making false statements and theft of government funds. Pugh applied for and received FEMA and SBA disaster assistance and attempted to obtain \$150,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not his primary residence.



Dominic Leperi, Jr., was sentenced in U.S. District Court, **Gulfport, MS**, to 5 months incarceration, 5 months home confinement, and 24 months supervised release and ordered to perform 100 hours of community service and pay FEMA \$24,634 in restitution for his earlier guilty plea to making false statements and filing false claims. Leperi applied for and received FEMA disaster assistance and attempted to obtain \$64,503 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not his primary residence.

Retired auditor goes to prison

By **ROBIN FITZGERALD**
rfitzgerald@sunherald.com

GULFPORT — A retired federal auditor has reported to prison to serve time for filing false claims for disaster assistance after Hurricane Katrina.

Dominic T. Leperi Jr., who retired from the U.S. Department of Agriculture in January 2005, claimed he owned a home in Biloxi on applications for federal assistance after the hurricane.

Leperi moved to Ocean Springs from Rockville, Md., in April 2006, eight months after the hurricane. The Biloxi home he claimed to own belongs to his mother, who suffers from Alzheimer's, court records show.

Leperi was charged in a 10-count indictment last March and later pleaded guilty on two counts. He was sentenced by U.S. District Judge Halil "Sul" Ozerden on Dec. 6.

Leperi was to turn himself in by Feb. 8 to serve five months, followed by five months of home confinement and two years' probation. He has begun serving his time at a federal prison camp in Pensacola.

Ozerden ordered him to make restitution before he left for prison. Leperi was ordered to pay FEMA \$14,634 and to pay the Small Business Administration \$10,000. He also must provide 100 hours of community service.

"It was a very confusing time after the

hurricane," said his attorney, Billy Guice.

"Given the number of charges involved and the interplay with the federal agencies, it was somewhat better for him to plead guilty than fight the charges."

Leperi is due for release from prison on May 19.

He is a major partner in a business that sold bait and fuel and rented skiffs from the Biloxi Small Craft Harbor. The business was destroyed by the storm.

Leperi looks forward to helping rebuild the business, his attorney said.

The case was investigated by the Hurricane Katrina Task Force, composed of 20 federal and state law enforcement agencies in the Southern District of Mississippi.

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Catherine Pruitt pled guilty in U.S. District Court, **Gulfport, MS**, to making false statements and mail fraud. Pruitt applied for and received \$4,358 in FEMA disaster assistance and attempted to obtain \$100,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not her primary residence.



Doris Wilkerson was indicted in U.S. District Court, **Jackson, MS**, for making false statements, filing false claims, theft of government funds, and wire fraud. Wilkerson allegedly applied for and attempted to obtain \$150,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not her primary residence.



Fraud involved \$113K

Convicted got \$90K Katrina grant

By MARGARET BAKER
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GULFPORT — A Moss Point man convicted of Katrina fraud and other charges lied about where he was living when the storm hit to obtain more than \$113,000 in disaster funds and other assistance from federal and state agencies, according to U.S. Attorney Dunn Lampton.

Lee Taylor was convicted earlier this month of three counts of fraud and one count each of theft against FEMA and making false

statements to the Mississippi Development Authority to obtain homeowner grant assistance.

Taylor lied about living in a home he owned in Moss Point when Hurricane Katrina came ashore in 2005. As a result, FEMA gave him \$23,841 and a travel trailer to live in.

He also was approved for more than \$90,000 in MDA grants as result of the fraud.

At the time of his conviction, Taylor was living in a hotel at FEMA's expense and a Hurricane Katrina cottage was being placed on his

property. Taylor is scheduled for sentencing before U.S. District Judge Haili S. Ozerden at 10 a.m. on June 16. Taylor is facing a maximum penalty of up to 105 years in prison and more than \$1.2 million in fines.

Lee Taylor was convicted in U.S. District Court, **Gulfport, MS**, of making false statements, theft of government funds, and wire fraud. Taylor applied for and received \$25,841 in FEMA disaster assistance and attempted to obtain \$150,000 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but Taylor did not own or occupy the property during Hurricane Katrina.



Annette and Roger Williams were each indicted in U.S. District Court, **Gulfport, MS**, for making false statements, filing false claims, theft of government funds, committing fraud in connection with a government loan, and civil forfeiture. Annette and Roger Williams allegedly applied for and received \$17,814 in FEMA, \$80,600 in SBA, and \$13,667 in USDA disaster assistance and attempted to obtain \$4,219 in CDBG disaster recovery funds through MDA for hurricane-damaged residential property, but the property damaged was not their residence during the storm.

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FEMA and Other Fraud by HUD Tenants

Erica Prince, a Houston Housing Authority (HHA) Section 8 tenant, and Linda Prince, Carroll Ashton, Tawana Chevis, Roland Dixon, and Tarrance Manning each pled guilty in U.S. District Court, **Houston, TX**, to conspiracy to file false claims. Erica Prince and the above conspirators and others filed 77 fraudulent FEMA disaster assistance applications and received \$92,958 in FEMA assistance they were not entitled to receive.



Sixteen defendants were indicted or charged in U.S. District Court, **Tucson, AZ**, or Maricopa County Superior Court, **Phoenix, AZ**, for making false statements, theft of government funds, or committing forgery. The above defendants allegedly applied for and collectively received \$67,000 in HUD-funded housing assistance and FEMA or American Red Cross disaster assistance after they claimed to be displaced victims of Hurricane Katrina, but each defendant resided in Arizona during the storm.



16 in Arizona charged with fake Katrina, Rita claims

By Lindsey Colleen
THE ARIZONA REPUBLIC

Sixteen people in Arizona were indicted after federal and Arizona authorities said they claimed to be victims of Hurricane Katrina or Hurricane Rita.

Federal officials said the suspects pretended they had lost their homes and all their possessions and received a total of \$67,000 in federal assistance. In reality, they had been living either in the Phoenix area or Tucson all along.

U.S. marshals arrested nine suspects during a roundup Tuesday morning, and two others turned themselves in. Five suspects are not yet in custody.

"These 16 indictments certainly send the message to people that -- there is somebody watching from behind who is going to make you accountable for your actions," said James Todak, special agent in charge of the U.S. Department of

See FRAUD Page A18

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Willie Blackmon, Jr., a former unauthorized Mississippi Regional Housing Authority Section 8 tenant, was sentenced in U.S. District Court, **Jackson, MS**, to 12 months incarceration and 36 months supervised release and ordered to pay FEMA \$14,750 in restitution for his earlier guilty plea to making false statements, theft of government funds, aiding and abetting, and mail fraud. Blackmon applied for and received \$14,750 in FEMA disaster assistance after he claimed residency in a Biloxi Housing Authority (BHA) subsidized unit during Hurricane Katrina, but Blackmon was not an authorized BHA tenant before the storm.



Linda Southall and Pamela Courtney, Thibodaux Housing Authority (THA) public housing tenants, each pled guilty or were sentenced in U.S. District Court, **New Orleans, LA**. Southall pled guilty to theft of government funds, and Courtney was sentenced to 3 years supervise probation and ordered to pay FEMA \$500 in restitution for her earlier guilty plea to making false statements and claims. Southall and Courtney each applied for and received FEMA disaster assistance after they claimed personal property damage from Hurricane Katrina, but THA suffered no storm damage, nor were tenants evacuated.



Michelle Chapman, Chemeca Gant, Janale King, and Aaron Jones, authorized or unauthorized San Francisco Housing Authority (SFHA) Section 8 or public housing tenants, were each charged in U.S. District Court, **San Francisco, CA**, with theft of government funds. In addition, Antoinette Perea, a SFHA Section 8 tenant, was sentenced to 12 months probation and ordered to pay FEMA \$2,000 in restitution for her earlier guilty plea to theft of government funds. Chapman, Gant, King, and Jones allegedly and Perea admittedly applied for and received FEMA disaster assistance after they claimed to be displaced victims of Hurricane Katrina, but the above defendants resided in SFHA subsidized housing units during the storm.



Renada Thornton, a Slidell Housing Authority Section 8 tenant and former DVP participant at both the Omaha Housing Authority and the Fulton County Housing Authority, pled guilty in U.S. District Court, **New Orleans, LA**, to wire and mail fraud. Thornton claimed hurricane evacuee status on 14 separate occasions at the American Red Cross Disaster Assistance Centers in Louisiana and Georgia and fraudulently obtained \$18,580 in disaster assistance she was not entitled to receive.



Shantelle Griffin, a Section 8 tenant at Himbola Manor Apartments (Himbola), a HUD-funded multifamily housing development, was sentenced in U.S. District Court, **Lafayette, LA**, to 36 months probation and ordered to pay FEMA \$2,000 in

Slidell woman guilty in Katrina swindle

By Benjamin Alexander-Bloch
St. Tammany bureau

A 27-year-old Slidell woman pleaded guilty Thursday to defrauding the Red Cross out of more than \$17,000 in aid during the two months after Hurricane Katrina.

Renada Thornton, 1534 Beech St., pleaded guilty to six counts of wire fraud and one count of mail fraud, stemming from a series of applications she submitted to Red Cross facilities in Louisiana, Georgia, Alabama and Mississippi.

Thornton will face a maximum of 20 years in federal

prison and a \$250,000 fine when sentenced April 10.

After the storm, the Red Cross made available a one-time only grant of up to \$1,565 for people affected. To receive the money, applicants had to present identification that showed they lived in a storm-ravaged area. They also were required to sign a statement certifying they had not received any other financial assistance from another Red Cross facility.

Thornton applied to 14 Red Cross assistance centers between Sept. 9 and Oct. 19, 2005, authorities said.

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restitution for her earlier guilty plea to making a false claim. Griffin applied for and received FEMA disaster assistance after she claimed personal property damage from Hurricane Rita, but Himbola suffered no storm damage, nor were tenants evacuated.



Lawanda Clark, a Section 8 tenant at Scotland Square Apartments (Scotland), a HUD-funded multifamily housing development, pled guilty in U.S. District Court, **Baton Rouge, LA**, to mail fraud. In addition, former Scotland Section 8 tenants Stephanie Jackson, Bridgette Toney, and Aretha Morris were each sentenced for their earlier guilty pleas to theft of government funds or filing false claims. Jackson and Toney were each sentenced to 2 years probation; Morris was sentenced to 3 years probation; and Jackson, Toney, and Morris were ordered to collectively pay FEMA \$4,517 in restitution. The above defendants applied for and received FEMA disaster assistance after they claimed property damage or hurricane Katrina evacuee status, but Scotland suffered no storm damage, nor were tenants evacuated.



Loretta Russell, a former Baton Rouge Housing Authority (BRHA) Section 8 tenant, was sentenced in U.S. District Court, **Baton Rouge, LA**, to 2 years probation and ordered to pay FEMA \$2,000 in restitution for her earlier guilty plea to making false claims. Russell applied for and received FEMA disaster assistance after she claimed Hurricane Katrina evacuee status, but BRHA suffered no storm damage, nor were tenants evacuated.



Patricia Franklin, a former Oakland Housing Authority (OHA) Section 8 tenant, was sentenced in U.S. District Court, **Oakland, CA**, to 2 years probation, ordered to pay FEMA \$4,110 in restitution, and fined \$1,000 for her earlier guilty plea to theft of government funds. Franklin applied for and received FEMA disaster assistance after she claimed to be a displaced victim of Hurricane Katrina, but Franklin resided in OHA subsidized housing during the storm.



Penny Joseph, a former Indianapolis Housing Authority (IHA) Section 8 tenant, was convicted in Marion County Superior Court, **Indianapolis, IN**, of welfare fraud. Joseph applied for and received \$2,600 in IHA housing assistance after she claimed to be a displaced victim of Hurricane Katrina, but Joseph resided in Indianapolis during the storm.



Pamela Burdine, a Mississippi Regional Housing Authority VIII (MRHA) Section 8 tenant, was indicted in U.S. District Court, **Gulfport, MS**, for theft of government funds and mail fraud. Burdine allegedly obtained a DHAP voucher after Hurricane Katrina but failed to reside in the MRHA unit and subleased the unit to others. HUD's loss is estimated at \$4,838.



Shaunena Staple, a former Mississippi Regional Housing Authority VIII (MRHA) Section 8 tenant, was arrested after her indictment in U.S. District Court, **Minneapolis, MN**, for making false claims. Staple allegedly applied for and received \$5,688 in MRHA housing assistance and \$2,537 in FEMA disaster assistance after she claimed personal property damage and Hurricane Katrina evacuee status, but Staple resided in Minnesota during the storm.

Other Fraud

Travis Frank and Regina Dewey were each sentenced in U.S. District Court, **Houston, TX**, for their earlier guilty pleas to conspiracy. Frank was sentenced to 8 months incarceration and 3 years supervised release, Dewey was sentenced to time served (approximately 2 months) and 3 years supervised release, and Frank and Dewey were ordered to pay FEMA \$12,112 in restitution, severally and individually. Frank applied for and received FEMA disaster assistance after he claimed residency in a Housing Authority of New Orleans (HANO) subsidized unit during Hurricane Katrina, but Frank never resided in HANO subsidized housing. Dewey provided fraudulent documents and falsified Frank's residency in a HANO subsidized unit.



Latasha Maloid was sentenced in U.S. District Court, **Baton Rouge, LA**, to 3 years probation and ordered to pay FEMA \$2,000 in restitution for her earlier guilty plea to submitting a false claim. Maloid applied for and received FEMA disaster assistance after she claimed to be a HANO evacuee, but Maloid resided in Baton Rouge, LA, during Hurricane Katrina.



Stanley Burrell was indicted in U.S. District Court, **Beaumont, TX**, for making false claims and mail fraud. Burrell allegedly applied for and received \$12,750 in FEMA disaster assistance after he claimed residency in a HANO subsidized unit during Hurricane Katrina, but Burrell never resided in HANO assisted housing.



Joy Carter pled guilty in U.S. District Court, **Jackson, MS**, to embezzling Federal funds and was sentenced to 1 year probation and ordered to perform 40 hours of community service and pay FEMA \$893 in restitution. Carter applied for and obtained \$2,000 in FEMA disaster assistance after she fraudulently claimed property damage from Hurricane Katrina.

Hurricane-Related Outreach

Louisiana Outreach

Assistant Special Agent in Charge (ASAC) Fernando Ramos and Senior Forensic Auditor (SFA) Windell Durant presented fraud awareness briefings in **Baton Rouge, LA**, to Louisiana Road Home program contractor ICF International staff members involved in the Small Landlord Rental and Road Home Recoupment programs. ASAC Ramos and SFA Durant provided an overview of HUD OIG's responsibilities when conducting audits and investigations, discussed systemic problems previously identified and methods of

reporting suspected fraud and suspicious activity, and described specific tenant and rental rate issues involving the programs identified above. Approximately 12 ICF International staff members attended the briefings.

Mississippi Outreach

Special Agent in Charge (SAC) Thomas Luke and SFA Windell Durant provided an overview of HUD OIG's mission and authority, described fraud detection and enforcement methods used to successfully prosecute Federal Housing Administration-insured and subsidized multifamily fraud, and discussed HUD's role in the FEMA DHAP or DVP at a Southeastern Affordable Housing Management Association meeting held in **Biloxi, MS**. Approximately 100 Mississippi multifamily development owners, agents, and employees attended.

Hurricane-Related Federal Sentencing Guidelines

Pursuant to Section 5 of Pub. Law 100-179 (Jan. 7, 2008), the Department of Justice (DOJ) proposed amendments to Section 2B1.1 of the Federal Sentencing Guidelines, including enhancing the offense level for disaster fraud. By letter to the U.S. Sentencing Commission, OIG expressed its support for DOJ's proposal. Additionally, Deputy Assistant Inspector General Ruth A. Ritzema testified before the U.S. Sentencing Commission, during a hearing concerning DOJ's proposal. As a consequence of HUD's efforts to respond the September 11, 2001 terrorist attack in New York City, the devastation of the Gulf Coast by Hurricanes Katrina, Rita and Wilma, and other natural disasters, OIG is acutely aware of the vulnerability of Federal disaster assistance to fraud. OIG strongly believes that this vulnerability derives largely from the laudable motivation to quickly provide assistance to those in need during their time of need, not months later; and the unfortunate realities that the volume of assistance payments complicates detection, and that the relatively small dollar amount of the majority of such payments tends to reduce the likelihood of prosecution. The U.S. Sentencing Commission concurred with these beliefs, and—effective November 1, 2008—amended Section 2B1.1 to enhance the offense for level disaster fraud by 2 with a floor of 12. See 73 Fed. Reg. 26923, 26933 (May 9, 2008). OIG is convinced that this enhancement of the offense level for disaster fraud will improve the likelihood of prosecution of disaster fraud cases and increase deterrence, and, thus, will reduce the vulnerability of disaster assistance to fraud.

Hurricane-Related OIG Hotline

During this reporting period, the Hotline received and processed 77 complaints related to Hurricanes Katrina, Rita, and Wilma.



Inspections and Evaluations

Biloxi Housing Authority Risk Assessment: An Evaluation of HUD Community Development Block Grant and Office of Public and Indian Housing Funds Disbursed for Hurricane Katrina Reconstruction

The Biloxi Housing Authority provided housing for 455 families at six developments when Hurricane Katrina destroyed 172 units and seriously damaged more than 300 more on August 29, 2005. Since August 2005, the Biloxi Housing Authority has managed both the source and use of more than \$22 million in disaster recovery funds to rebuild its damaged sites.

HUD OIG completed a risk assessment of the HUD funding associated with the Biloxi Housing Authority reconstruction efforts. The reconstruction funding derived from the Office of Public and Indian Housing, CDBG through MDA, the State agency responsible for administering and monitoring Katrina recovery efforts, and other HUD sources. The evaluation found that the Biloxi Housing Authority demonstrated sufficient accounting and management control over these resources to minimize the risk of funding overlaps. However, since the State of Mississippi allocated an additional \$41 million in CDBG funds to support its continued recovery, HUD and MDA need to scrutinize each grant application and the sites selected for redevelopment and carefully monitor future construction and related expenditures of taxpayer funds. HUD OIG provided HUD with this report as a management advisory without formal recommendations. (I&E Report: IED 08 001)

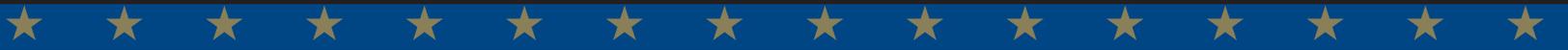


The Biloxi Housing Authority used disaster recovery funds to rebuild its HOPE VI development to architecturally complement the historical character of Mississippi coastal homes.



Chapter 6

**Other Significant
Audits and Investigations/
OIG Hotline**



In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 7, pages 122 and 125).

Audits

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	6 audits	---	\$922 million
Our focus	Page 108	- Audit of HUD's financial statements	
	Page 108	- FHA financial statements	
	Page 109	- Audit of the Government National Mortgage Association's (Ginnie Mae) financial statements	
	Page 109	- Review of FHA controls over its IT resources	
	Page 109	- Review of Unisys performance and security controls	
	Page 113	- Fiscal year 2007 review of information systems controls in support of the financial statement audit	

Audit of HUD's Financial Statements

HUD OIG, Washington, DC, audited HUD's fiscal years 2007 and 2006 financial statements. The financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. OIG identified (a) two material weaknesses, (b) eight significant weaknesses, and (c) one instance of noncompliance with applicable laws and regulations; assessed actions taken by HUD to mitigate the deficiencies noted; and made recommendations for corrective actions. (Audit Report: 2008-FO-0003)

FHA Financial Statements

Urbach Kahn and Werlin LLP, Washington, DC, audited the Federal Housing Administration's (FHA) financial statement for the years ending September 30, 2007 and 2006.

FHA's principal financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Three significant deficiencies were identified, two of which, relating to FHA's home equity conversion mortgage system and subsidy cash flow model, were considered to be material weaknesses. The audit did not identify any instances of noncompliance with laws and regulations. (Audit Report: 2008-FO-0002)



Audit of the Government National Mortgage Association's Financial Statements

Carmichael, Brasher, Tuvell and Company, Washington, DC, audited the Government National Mortgage Association's (Ginnie Mae) financial statements for the years ending September 30, 2007 and 2006.

The financial statements presented fairly, in all material respects, the financial position of Ginnie Mae as of September 30, 2007, and September 30, 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The audit identified one significant deficiency in Ginnie Mae's internal controls and no material weaknesses or reportable instances of noncompliance with laws, regulations, and provisions of contracts. (Audit Report: 2008-FO-0001)

Review of FHA Controls Over its Information Technology Resources

HUD OIG, Washington, DC, audited the Federal Housing Administration's (FHA) management of its information technology resources and compliance with HUD and other Federal information security requirements. Additionally, OIG assessed FHA efforts to comply with HUD policy to close out all information security vulnerabilities by November 2007.

FHA had made progress in meeting the November deadline to close out known information technology security vulnerabilities and update required security documents. However, FHA had not implemented the Federal information security risk management framework and did not comply with laws, directives, executive orders, policies, standards, or regulations. In addition, HUD had not fully implemented an information security program to provide a full range of role-based training needed by FHA application system owners to assume the system owner responsibilities stated in HUD's policy.

OIG recommended that HUD (1) align FHA's information security line of delegation and accurately define roles to ensure that security controls are effectively implemented, (2) address and eliminate known security vulnerabilities, (3) identify the resources needed to provide the necessary security for its applications and ensure that staff with significant information security responsibilities obtain necessary training to assume assigned information security roles and responsibilities, and (4) complete the implementation of its security program for staff with specific security responsibilities and implement additional tools and forums to provide system owners the access needed to ensure that their data and systems are protected. (Audit Report: 2008-DP-0002)

Review of Unisys Performance and Security Controls

HUD OIG, Washington, DC, audited HUD's security and performance controls over the Unisys 2200 operating system, on which financial systems reside, to determine whether operational, technical, and management controls were in place and adequately protected HUD's data and resources.

HUD was not in full compliance with applicable Federal laws and guidelines; and operational, technical, and management deficiencies existed in implementing effective security and performance controls over the Unisys 2200 operating system.



OIG determined that the contents of this report would not be appropriate for public disclosure; therefore, OIG has limited its distribution to selected HUD officials. (Audit Report: 2008-DP-0001)

Fiscal Year 2007 Review of Information Systems Controls in Support of the Financial Statement Audit

HUD OIG reviewed general and application controls for selected information systems to assess management controls over HUD's computing environments as part of OIG's audit of HUD's financial statements for fiscal year 2007 under the Chief Financial Officer's Act of 1990.

There were weaknesses and deficiencies in controls that stemmed from HUD's noncompliance with (1) requirements for internal controls established by the Office of Management and Budget (OMB), (2) guidance issued by the National Institute of Standards and Technology (NIST) for securing information systems, 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: 2008-DP-0003)



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	29	\$168,000	5	0

The investigation discussed below was generated from leads provided by HUD program staff and conducted jointly with Federal, State, or local law enforcement agencies.

Michelle Meek, a HUD employee and the former treasurer for the American Federation of Government Employees (AFGE) Local Union 3435, was indicted in U.S. District Court, **Columbus, OH**, for making false statements and theft. Meek allegedly provided false accounting statements and embezzled about \$9,000 in AFGE Local Union 3435 funds.



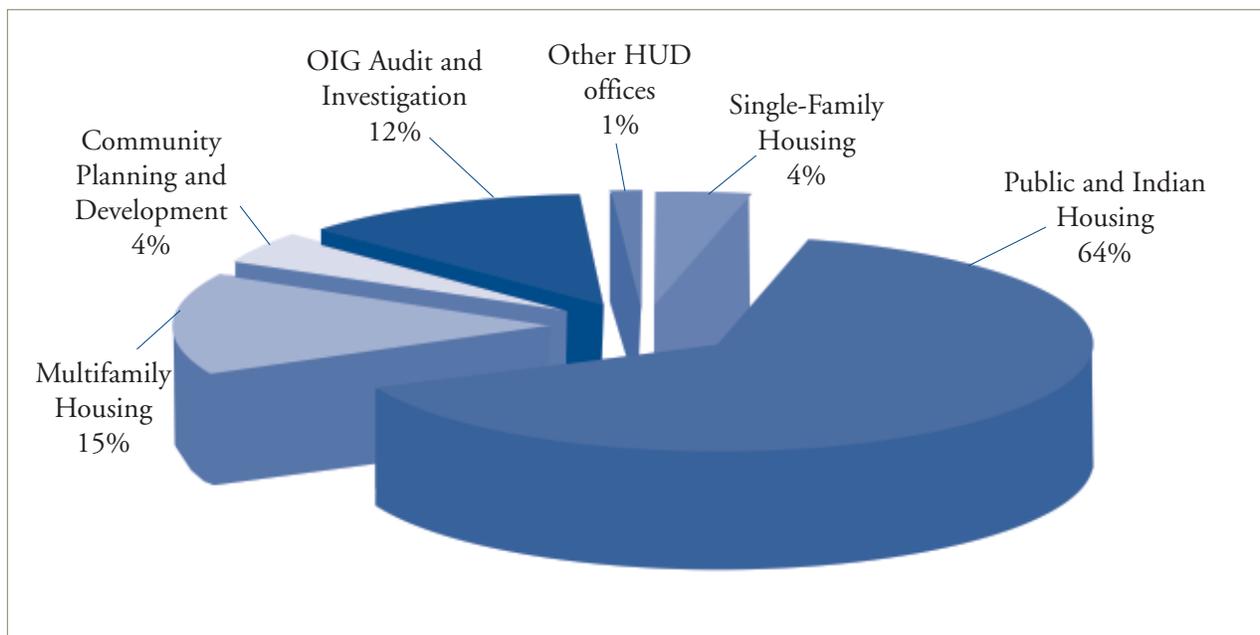
OIG Hotline

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 10 full-time OIG employees who take allegations of waste, fraud, abuse, or serious mismanagement in HUD or HUD-funded programs from HUD employees, contractors, and the public. The Hotline also coordinates reviews with internal audit and investigative units or with HUD program offices.

During this reporting period, the Hotline received and processed 10,114 complaints – 78 percent received by telephone, 15 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, 874 were related to the mission of OIG and were addressed as Hotline cases. Hotline cases are referred to OIG's Offices of Audit and Investigation or to HUD program offices for action and response. The following illustration shows the distribution of Hotline case referrals by percentage.

Chart 6.1: Hotline cases opened by program area



The Hotline closed 1,765 cases this reporting period. The closed Hotline cases included 138 substantiated allegations. The substantiated allegations resulted in eight administrative sanctions including actions taken against HUD employees for misusing their e-mail accounts and HUD contractors for contracting improprieties. The Department also took 130 corrective actions that resulted in \$131,080 in recoveries of losses and more than \$2.3 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 6.2: Hotline dollar impact from program offices

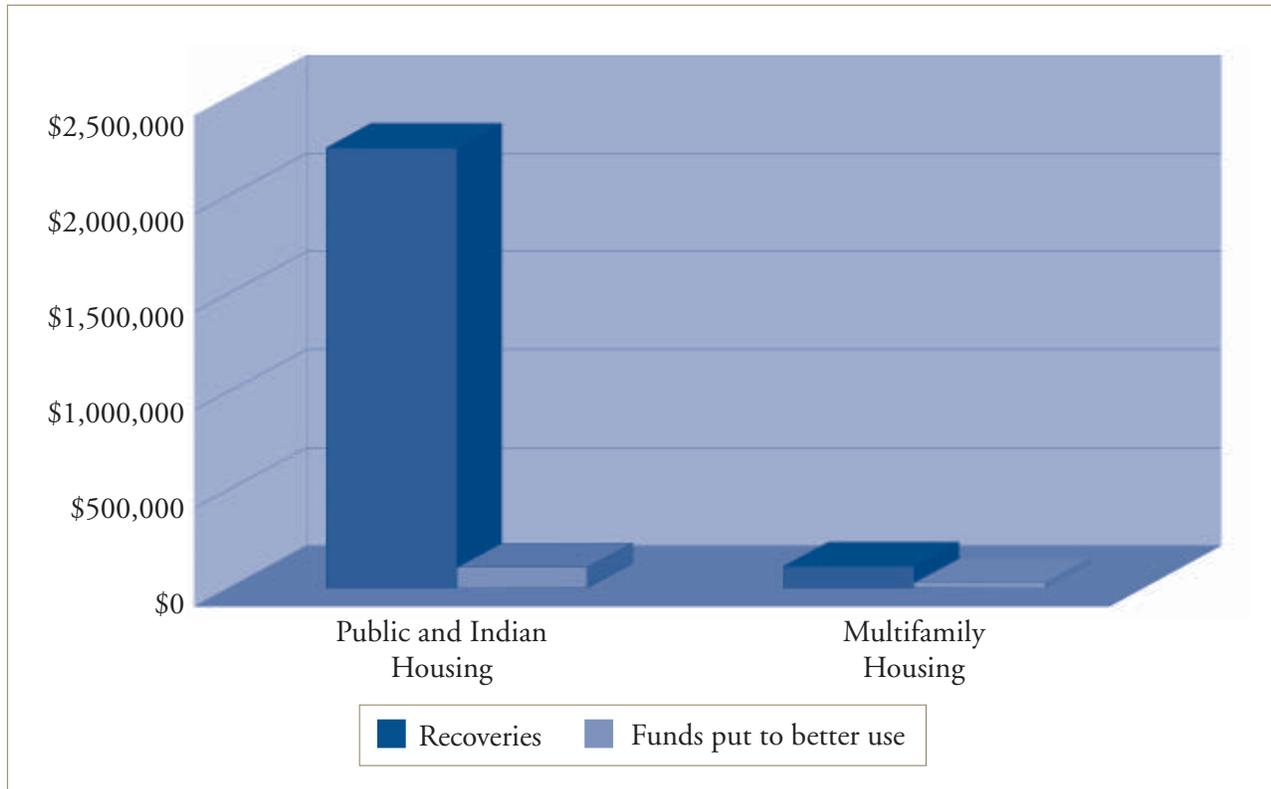
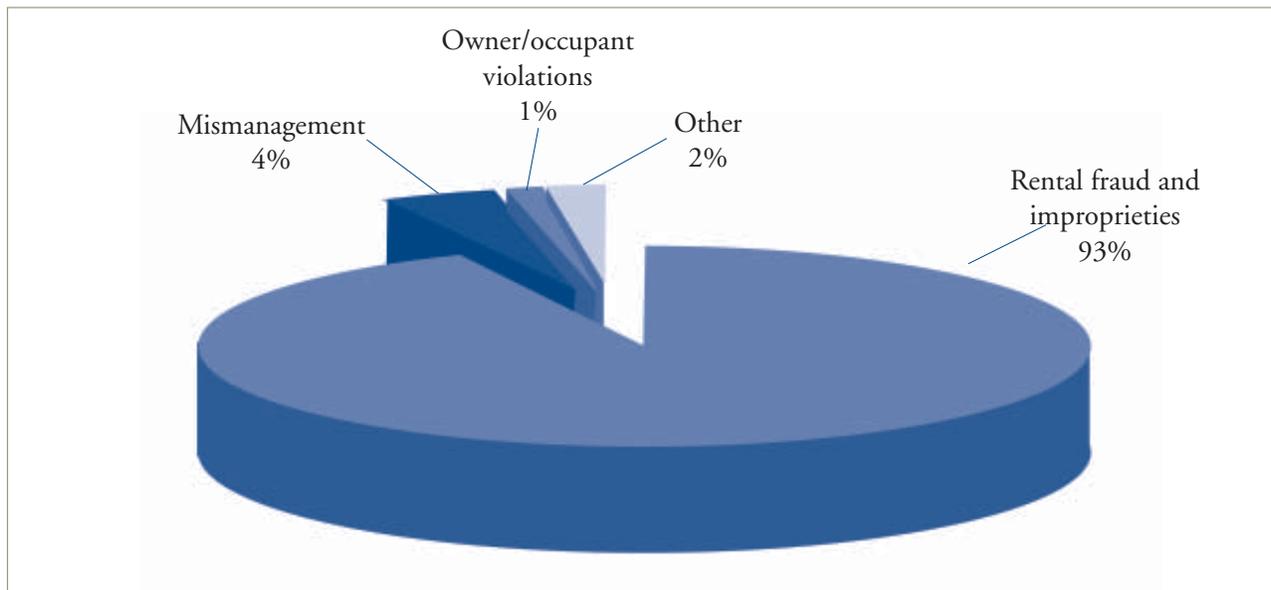
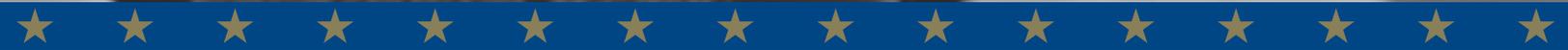
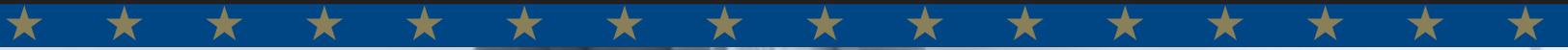


Chart 6.3: Substantiated cases by type of complaint received by Hotline



Chapter 7
**Outreach
Efforts**



To foster cooperative, informative, and mutually beneficial relationships with agencies and organizations assisting the U.S. Department of Housing and Urban Development (HUD) in accomplishing its mission, the Office of Inspector General (OIG) participates in special outreach efforts. The outreach efforts described below complement routine coordination with Federal, State, and local law enforcement agencies, various congressional committees or subcommittees, and other OIGs. During outreach efforts, OIG personnel present information about HUD OIG's role and function, provide audit and investigative results, and discuss desired goals and objectives.

Single-Family Housing Programs

Special Agent in Charge (SAC) Barry McLaughlin and Regional Inspector General for Audit (RIGA) Heath Wolfe provided an overview of single-family programs, the Program Fraud Civil Remedies Act, and common Federal Housing Administration (FHA) mortgagee audit findings at an Illinois Mortgage Bankers Association (MBA) conference held in **Springfield, IL**. More than 20 members attended.



SAC Rene Febles and Special Agent (SA) Michael Carlucci described mortgage fraud "red flag" indicators to New York City and Long Island Credit Union Real Estate Network members meeting in **Brookhaven, NY**. Approximately 20 members attended.



SAC Barry McLaughlin provided a presentation, entitled "Staying Ahead of Mortgage Fraud - Solutions, Tools, and Strategies for the Mortgage Industry," for more than 80 Illinois MBA members meeting in **Naperville, IL**. Special Assistant U.S. Attorney Patrick Layng and Federal Bureau of Investigation (FBI) Supervisory Special Agent Anthony D'Angelo also addressed the members.



SAC Barry McLaughlin, Federal National Mortgage Association senior industry relations manager Amy Heinz, and Freddie Mac lead investigator Robb Hagberg described mortgage fraud schemes, trends, and consequences for the secondary mortgage market at an MBA National Fraud Conference held in **Chicago, IL**. More than 125 members attended.



SAC Barry McLaughlin provided an overview of HUD OIG, mortgage fraud, predatory lending, and common fraud schemes and trends at a Milwaukee Chapter of the League of Woman Voters meeting held in **Milwaukee, WI**. More than 30 members attended.



Assistant Special Agent in Charge (ASAC) Brad Geary provided a presentation, entitled "An Informed Discussion of Nontraditional Mortgage Products and Escalating Foreclosures," and described the role of HUD OIG in both FHA and Section 8 landlord rescue fraud investigations at a Federal Reserve Bank meeting held in **Waukesha, WI**. In addition, ASACs Brad Geary and Ray Espinosa provided two training sessions, entitled



"Current Trends in Mortgage and Real Estate Fraud," described mortgage fraud schemes and "red flag" indicators, and hosted a question and answer forum at a Federal Reserve Bank meeting in Milwaukee, WI. More than 160 financial, legal, mortgage institution, nonprofit, and local governmental representatives attended.



ASACs Ray Espinosa and Brad Geary provided an overview of real estate and mortgage fraud schemes at a National Association of Realtors meeting held in **Chicago, IL**. ASACs Espinosa and Geary described inflated appraisals, property flipping, equity skimming, and rescue fraud for more than 80 attorneys in attendance.



ASAC Suzanne Steigerwald provided an overview of HUD OIG's mission and authority and described fraud detection and enforcement methods used to successfully prosecute investigations at a real estate fraud conference hosted by the HUD Homeownership Center in **Denver, CO**. More than 100 real estate professionals attended.



ASAC Brad Geary provided a presentation, entitled "Mortgage Fraud: Destruction of Neighborhoods," and explained the impact of bankruptcy and mortgage fraud on communities at a U.S. Trustee meeting held in **Detroit, MI**. In addition, SA Jim Waldron provided an overview of bankruptcy issues that affect single-family and public housing programs. Approximately 75 U.S. Trustees, Assistant U.S. Attorneys, and others attended.



ASAC Brad Geary provided a presentation, entitled "The Latest Trends in Mortgage and Real Estate Fraud," and described property flipping, rescue fraud, and FHA vulnerabilities at the Illinois Association of Mortgage Professionals Midwest Lending conference held in **Lombard, IL**. Approximately 50 association members attended.



ASAC Herschell Harvell discussed mortgage fraud trends and patterns at an annual Fraud and Risk Conference sponsored by SourceMedia in **Las Vegas, NV**. Approximately 110 mortgage industry representatives attended.



ASAC Brad Geary provided a presentation, entitled "Real Estate Fraud and Bankruptcy Prosecutions," and discussed foreclosure and rescue fraud trends and investigations at a U.S. Trustees meeting held at the Department of Justice National Advocacy Center in **Columbia, SC**. More than 50 trial attorneys attended.



ASAC Brad Geary provided an overview of HUD OIG bankruptcy investigations and real estate schemes within the FHA and Section 8 programs to more than 25 bankruptcy trustees meeting in **Madison, WI**, and more than 80 bankruptcy trustees and attorneys meeting in **Chicago, IL**.



Special Agent (SA) Kedric McKnight provided an overview of FHA mortgage fraud and current trends involving FHA loan fraud schemes at a North Texas Housing Coalition conference held in **Irving, TX**. Approximately 550 individuals representing the mortgage and real estate industries attended.



SA Heather Yannello and Auditor Patrick Anthony provided a presentation, entitled "Flip or Fraud, Know your Limits," at the Buffalo/Niagara Board of Realtors Association's annual conference held in **Buffalo, NY**. SA Yannello and Auditor Anthony described illegal property flipping and other real estate fraud schemes for more than 100 real estate agents in attendance. In addition, SAC Febles discussed HUD fraud and responded to questions from association members.



SA Murray Stravers provided an overview of HUD OIG, FHA and conventional loans, and general mortgage fraud schemes at an Association of Certified Fraud Examiners conference sponsored by Freddie Mac in **Las Vegas, NV**. In addition, SA Stravers described fraud indicators, applicable Federal criminal and civil statutes, administrative remedies, fraud prevention measures, tips on packaging mortgage fraud referrals, investigative procedures and interviewing techniques, and the importance of mortgage fraud task forces. More than 110 individuals including Assistant U.S. Attorneys; financial and real estate professionals; and Federal, State, and local government officials and law enforcement personnel attended.



SA Michael Wagenhauser and FBI SA Todd Urheim provided an overview of HUD OIG and mortgage fraud schemes at a Richmond Association of Realtors meeting in **Richmond, VA**. SAs Wagenhauser and Urheim described document and appraisal fraud, property flipping, equity skimming, bankruptcy fraud, Real Estate Settlement Procedures Act violations, and identity theft for approximately 35 association members.



SA Kedric McKnight was the keynote speaker at a U.S. Office of Thrift Supervision seminar held in **Irving, TX**. SA McKnight presented common mortgage fraud schemes, described HUD OIG's role in loan origination fraud investigations, and hosted a question and answer forum following his presentation. Approximately 50 individuals representing various lending institutions, real estate firms, and nonprofit corporations attended.



Forensic Auditor James Hoogian provided an overview of HUD OIG and appraisal fraud relating to FHA-insured mortgages at an Appraisal Fraud Prevention Seminar sponsored by HUD and the Appraisal Institute in **Santa Ana, CA**. More than 80 licensed appraisers attended.



Public Housing and Rental Assistance Programs

SAC Rene Febles described housing fraud and prevention techniques at a National Association of Housing and Redevelopment Officials (NAHRO) conference held in Galloway **Township, NJ**. More than 40 housing authority representatives attended.



ASAC Michael Wixted and Assistant Regional Inspector General for Audit (ARIGA) Michael Motulski described housing program fraud and detection methods at a Connecticut NAHRO conference in **Meriden, CT**. Following their presentation, ASAC Wixted and ARIGA Motulski hosted a question and answer forum for approximately 40 NAHRO members in attendance.



SAs Melissa McFadden and Amy Durso provided an overview of HUD OIG's mission and authority and described fraud detection and enforcement methods used to successfully prosecute investigations at a NAHRO conference held in **Omaha, NE**. Approximately 30 NAHRO members attended.



SA Murray Stravers and ARIGA Helen Sparks provided an overview of HUD OIG and described public and Indian housing internal fraud schemes at a NAHRO conference held in **Las Vegas, NV**. The presentation included case studies, fraud indicators, applicable Federal statutes, administrative remedies, and general fraud prevention measures. More than 30 NAHRO members attended.



SAC Rene Febles and SA Michael Carlucci provided a presentation describing public corruption and Section 8 fraud at an Association of Long Island Housing Authorities meeting in **Brookhaven, NY**. Approximately 20 representatives from various Suffolk County housing authorities attended.



SAC Barry McLaughlin and HUD public and Indian housing staff members Debra Kravik and Linda Woolever provided an overview of the HUD Enterprise Income Verification system, common tenant fraud schemes, and housing management responsibilities at a Minnesota Multifamily Association meeting held in **Brooklyn Center, MN**. Approximately 80 association members attended.



SAC Rene Febles, RIGA Edgar Moore, and ARIGA John Harrison provided an overview of HUD OIG's mission and authority and described both the investigative and audit processes at a HUD-sponsored training session held in **New York City, NY**. Approximately 50 public and Indian housing executive directors and HUD public and Indian housing personnel from both HUD headquarters and the New York City field office attended.





ASAC Tony Meeks and SAs Charles Grace and Kimberly Studerus provided a presentation, entitled "Preventing and Identifying Section 8 Fraud," at a housing authority colloquium held at the Bremerton Government Center in **Bremerton, WA**. ASAC Meeks and SAs Grace and Studerus described HUD OIG initiatives relating to rental assistance programs; fraud indicators; criminal and civil statutes; administrative remedies; general fraud prevention measures; and investigations involving sex offenders, unreported income, and unauthorized tenants. Approximately 40 Bremerton, Longview, Tacoma, and Kitsap County Housing Authority representatives attended.



ASAC Kathleen Hatcher provided an overview of HUD OIG's mission, priorities, and public and assisted housing programs and participated as a panelist for a training session, entitled "Identifying and Preventing Fraud in Housing Programs," at an annual Quadel Consulting Corporation (QCC) National Housing Choice Voucher conference held in **Washington, DC**. QCC provides direct management, training, and consulting services for the affordable housing industry. At the conclusion of the training session, ASAC Hatcher and others hosted a question and answer forum for approximately 200 housing representatives in attendance.



Senior Special Agent (SSA) Daniel Ellis provided an overview of HUD OIG's mission and initiatives and discussed fraud identification and prevention at an annual Lancaster Housing Development Corporation (Lancaster HDC) conference held in **Mountville, PA**. Lancaster HDC owns and operates 36 HUD-funded multifamily housing developments in or around the Pennsylvania counties of Berks, Chester, Dauphin, Lancaster, Lebanon, and York. Approximately 30 Lancaster HDC managers attended.



SA Michael Wagenhauser provided an overview of HUD OIG and presented a public housing and Section 8 fraud training session at the United Council on Welfare Fraud training conference held in **Virginia Beach, VA**. SA Wagenhauser described rental assistance fraud and successful prosecutions for approximately 100 members in attendance.



SA Mack Walker described public housing and Section 8 fraud schemes, portability issues, financial recoveries, and prosecution guidelines to Central and Southern Illinois Housing Authority Association members meeting in **Galesburg, IL**. Approximately 25 housing authority representatives attended.



SA Brian Rymill provided an overview of HUD OIG and described housing assistance fraud for housing managers from Landura Management Associates, a management agent for HUD-funded multifamily housing developments in **Winston-Salem, NC**. SA Rymill also described successful tenant fraud investigations and discussed methods to identify and report fraud for criminal, civil, or administrative actions. Approximately 60 housing managers attended.





Law Enforcement Outreach

SAC Phyllis Grissom Robinson discussed mortgage fraud issues specific to Utah in a meeting held at the U.S. Attorney's Office in **Salt Lake City, UT**. U.S. Attorney General Michael B. Mukasey and U.S. Attorney for the State of Utah, Brett Tolman, attended.



SAC Barry McLaughlin hosted two meetings of the Illinois Mortgage Fraud Working Group in **Chicago, IL**. Chicago Title vice president Allison Rabin provided a presentation on antifraud provisions and Appraisal Research Counselors vice president Russ Haraus illustrated appraisal industry guidelines and trends. More than 40 representatives from State regulatory agencies and Federal and local law enforcement agencies attended.



ASACs Ray Espinosa and Brad Geary provided a presentation, entitled "The Latest Trends in Real Estate Fraud," at a mortgage fraud seminar sponsored by HUD OIG and the Chicago Police Department in **Chicago, IL**. In addition, Brenda Grauer, a prosecutor with the Illinois Attorney General's Office, provided an overview of the Illinois rescue fraud statutes for more than 50 law enforcement, financial institution loss prevention, and HUD quality assurance staff in attendance.



ASAC George Dobrovic and SA Dave Fredrick presented an overview of HUD OIG and described mortgage fraud in HUD's Housing Choice Voucher and FHA insurance programs at a meeting of the Cuyahoga County Mortgage Fraud Task Force in **Cleveland, OH**. In addition, Dean Wyman, a Special Assistant U.S. Attorney assigned to the U.S. Bankruptcy Trustees Office, presented an overview of bankruptcy and mortgage fraud and described joint investigative efforts involving HUD OIG. More than 20 representatives from the U.S. Attorney's Office, the Ohio State Attorney General's Office, the Cuyahoga County Prosecutor's Office, the Cuyahoga County Sheriff's Office, the Cuyahoga County Recorder's Office, the City of Solon, OH, and local law enforcement personnel attended.



ASAC Brad Geary and SA Julien Kubesh provided an overview of HUD OIG and described single-family and housing assistance fraud schemes at a Minnesota Fraud Investigators Association meeting held in **Minneapolis, MN**. More than 50 fraud investigators attended.

Audit-Related Outreach

ARIGA Frederick Smith participated in a meeting of the accounting advisory board for the University of Northern Colorado School of Business in **Greeley, CO**. He explained how HUD OIG accomplishes its mission by conducting independent and objective audits, investigations, and other activities relevant to the HUD missions; keeps the Secretary, Congress, and the American public fully and currently informed; and



works collaboratively with HUD staff and program participants to ensure success in meeting HUD program goals.



RIGA Ron Hosking participated as a panelist during a session of the Association of Government Accountants Kansas City Chapter Professional Development Seminar in **Kansas City, MO**. The topic of the panel was "Improving Government through Oversight." The other panelists included RIGAs from the Department of Veterans Affairs OIG and the Social Security Administration OIG. Each of the panelists spoke about a significant audit that was performed by their agency. RIGA Hosking spoke about the series of late endorsement audits performed by HUD OIG. He reported that the audits identified more than 7,000 loans, valued at more than \$1 billion, that were submitted by lenders for endorsement more than 60 days after closing when the borrowers had already missed making mortgage payments.



ARIGA Michael Motulski, Auditor Jodi Desorcy, SAC Peter C. Emerzian, and ASAC Michael Wixed made a presentation to the acting executive director and principal staff of the Connecticut Housing Finance Authority (CHFA) in **Rocky Hill, CT**, to discuss HUD OIG's mission, role, and responsibility with regard to detecting and investigating fraud, waste, and mismanagement in HUD's multifamily, community planning and development, and FHA programs. CHFA provided information on its recent program to assist subprime borrowers' transition to FHA-insured loans. Areas of mutual concern were identified, and channels of communication were established.



ARIGA Kevin Smullen, SAC Peter C. Emerzian, and ASAC Diane DeChellis made a presentation to the staff of the Maine State Housing Authority in **Augusta, ME**, to discuss HUD OIG's mission, role, and responsibility with regard to detecting and investigating fraud, waste, and mismanagement in HUD's multifamily, community planning and development, and FHA programs. As a result of the meeting, many areas of collaboration were identified, and additional training opportunities were discussed for other real estate industry professional organizations in the State of Maine.



ARIGA Michael Motulski and SAC Peter C. Emerzian made a presentation to the staff of the Massachusetts Housing Finance Agency in **Boston, MA**, to discuss HUD OIG's mission, role, and responsibility with regard to detecting and investigating fraud, waste, and mismanagement in HUD's multifamily and FHA programs. During the meeting, the anticipated FHA market share increase in Massachusetts and FHA home equity conversion mortgages (HECM) were discussed, as well as OIG's role in monitoring these programs.



RIGA John Dvorak and SAC Peter C. Emerzian made a presentation to the staff of the New Hampshire Housing Finance Agency in **Bedford, NH**, to discuss HUD OIG's mission, role, and responsibility with regard to detecting and investigating fraud, waste, and mismanagement in HUD's Section 8, multifamily, and FHA

programs. During the meeting, the anticipated FHA market share increase in New Hampshire and FHA HECM were discussed, as well as OIG's role in monitoring these programs. In addition, the use of HUD's Enterprise Income Verification (EIV) system to monitor and detect Section 8 tenant fraud was discussed.



ARIGA Michael Motulski, SAC Peter C. Emerzian, ASAC Michael Wixted, and SA Alexander Rosania made a presentation to the staff of the Rhode Island Housing Agency (RIHA) in **Providence, RI**, to discuss HUD OIG's mission, role, and responsibility with regard to detecting and investigating fraud, waste, and mismanagement in programs administered by RIHA. These programs include HUD's Community Development Block Grant, HOME Investment Partnerships, Section 8, multifamily, and FHA programs. During the meeting, RIHA origination of FHA loans including FHA HECM to assist in the mortgage crisis in Rhode Island and were discussed, as well as the assistance OIG could provide in monitoring these programs.



SAC James Todak and RIGA Joan Hobbs served on a four-member panel at the NAHRO conference held in **San Diego, CA**. The national conference had approximately 450 people in attendance, and the topic of the session was "Fraud Detection: Preserving Assets and Saving Public Dollars." Most of the attendees were commissioners and executive directors of public housing authorities. Discussion and questions centered around how housing authorities can prevent fraud within their own ranks and the legal issues surrounding the performance of annual background checks.



RIGA Heath Wolfe and Auditor Cynthia Fierro participated in the Federal Executive Board's 2008 Government Job Fair at Roosevelt University in **Chicago, IL**. They spoke to students about HUD OIG's mission and the benefits of pursuing student volunteer and auditing positions with HUD OIG. They informed students that OIG has student volunteer opportunities at its Chicago, IL; Detroit, MI; and Columbus, OH, offices and accepted resumes from students interested in both a career and student volunteer position with HUD OIG.



RIGA Heath Wolfe and ARIGA Kelly Anderson participated in the Loyola University Chicago Spring 2008 "Call to Serve" Non-Profit Job and Internship Fair in **Chicago, IL**. They spoke with students about OIG's mission and the benefits of pursuing student volunteer and career positions with HUD OIG and accepted resumes from students interested in the student volunteer program at OIG's Chicago, IL; Columbus, OH; or Detroit, MI, Offices of Audit and careers with HUD OIG.



RIGA Edgar Moore and SAC Rene Febles met with Mr. Bob Young, Acting Assistant Deputy Secretary for Field Policy and Management, the HUD Region 2 Director, and other Region 2 officials in **New York, NY**. They provided an overview of the responsibilities of the Region 2 Offices of Audit and Investigation and explained the general audit and investigation areas that OIG has focused on this year based on its strategic plan.





ARIGA Karen Campbell and Senior Auditor Mary Rose Aylwin met with Robert Scofield, Director of the HUD field office in **Albany, NY**, to discuss the OIG mission and annual audit plan, process for audit planning and selection of auditees, and possible future audits within the Albany field office's jurisdiction. They also discussed the results of recent audits conducted by OIG Albany staff. In addition, they discussed HUD's centralized EIV system and debt collection activity at HUD's Financial Operations Center's Asset Recovery Division in Albany. The EIV system is a HUD-provided Internet-based wage and benefit tool that allows public housing agencies and multifamily program users to validate the accuracy of tenant-reported income from an independent source that systematically and uniformly maintains income information in computerized form.



Senior Auditors Mike Hall, Larry McMillion, and Joanna Varenhorst made a presentation to a graduate auditing class at St. Mary's University in **San Antonio, TX**. The team described the OIG mission, provided an overview of HUD OIG, discussed the difference between private industry and the public sector, and described the benefits of pursuing a career with HUD OIG. They also discussed recent audit reports, the HUD OIG annual report, and how OIG has impacted the community.



Senior Auditor Martin Bardak and IT (information technology) Specialist Adam Bernstein participated in the Federal Cyber Service Scholarship for Service program 2008 annual job fair and symposium in **Washington, DC**. They spoke with students about careers with HUD OIG and collected resumes from students interested in internships and full-time positions. HUD OIG was one of more than 35 federal agencies participating in the job fair, which hosts an elite cadre of specialists dedicated to protecting the Nation's information technology infrastructure.

Other Outreach

RIGA Heath Wolfe made a presentation to Loyola University Chicago's Beta Alpha Psi in **Chicago, IL**. He spoke to students about the benefits of pursuing student volunteer and auditing positions with HUD OIG, as well as OIG's overall mission. Students were informed that OIG has student volunteer opportunities in Chicago, IL; Columbus, OH; and Detroit, MI. More than 40 students attended the presentation.



RIGA Heath Wolfe made a presentation to the University of Illinois-Springfield's Student Accounting Society in **Springfield, IL**. He spoke to students and faculty about the benefits of pursuing student volunteer and auditing positions with HUD OIG, as well as OIG's overall mission. Students were informed that OIG has student volunteer opportunities in Chicago, IL; Columbus, OH; and Detroit, MI.



RIGA Heath Wolfe and ARIGA Carrie Gray participated in the 2008 Springfield Collegiate Fair in **Springfield, IL**. The Fair was sponsored by the University of Illinois-Springfield, Robert Morris College, and Lincoln Land Community College. RIGA Wolfe and ARIGA Gray spoke with students about OIG's mission and the benefits of pursuing student volunteer and career positions with the HUD OIG. They accepted

resumes from students interested in the student volunteer program at OIG's Chicago, IL; Columbus, OH; or Detroit, MI, Offices of Audit and careers with HUD OIG.



RIGA Heath Wolfe and ARIGA Carrie Gray participated in the Career Network '08 Career Fair in **Edwardsville, IL**. The fair was sponsored by Southern Illinois University at Edwardsville, Blackburn College, Greenville College, Illinois College, McKendree University, and Principia College. RIGA Wolfe and ARIGA Gray spoke with interested students about HUD OIG's mission and the benefits of pursuing a career with HUD OIG. They accepted resumes from students interested in the student volunteer program and careers with HUD OIG.



RIGA Heath Wolfe and ARIGA Carrie Gray participated in the Bradley University's Social Service Government Career Fair in **Peoria, IL**. They spoke with students about OIG's mission and the benefits of pursuing student volunteer and career positions with HUD OIG. They accepted resumes from students interested in a career or a student volunteer position with HUD OIG Offices of Audit in St. Louis, MO; Chicago, IL; Columbus, OH; or Detroit, MI.



ARIGA Carrie Gray and Auditor Tina Venker participated in the University of Missouri-St. Louis Spring Internship and Job Fair in **St. Louis, MO**. They spoke with interested students about HUD OIG's mission and the benefits of pursuing a career with HUD OIG. They accepted resumes from students interested in the student volunteer program and careers with HUD OIG.



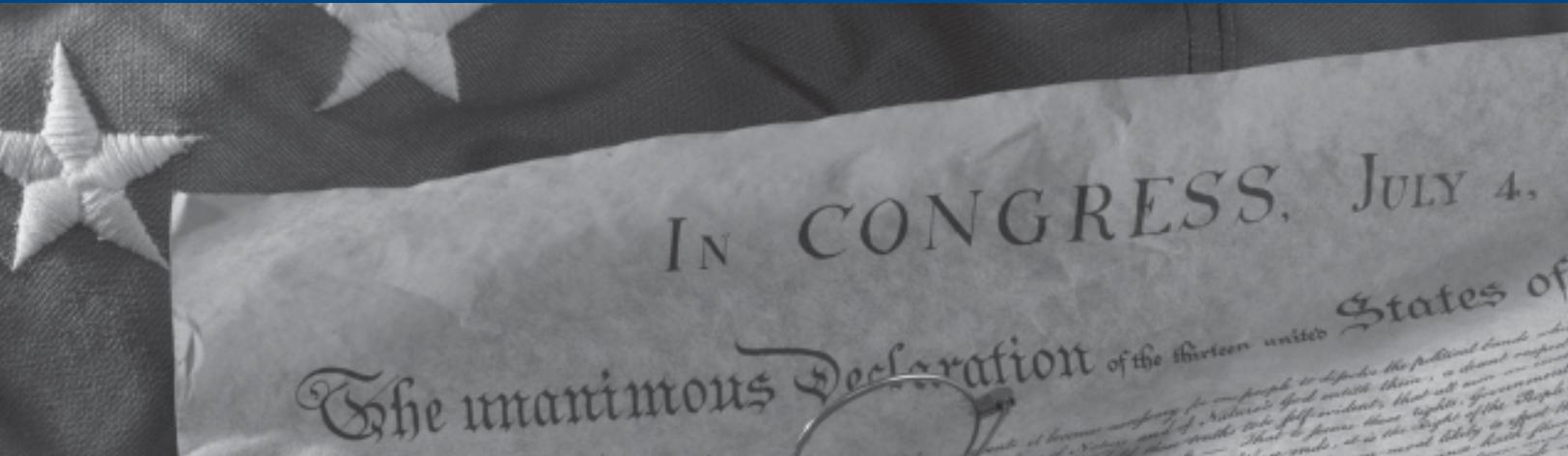
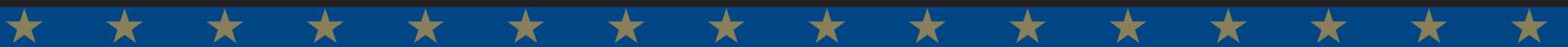
ARIGAs Carrie Gray and Brent Bowen participated in the Southern Illinois University Edwardsville, **Chicago, IL**, career fair, along with more than 100 other employers. They spoke with more than 50 students about HUD OIG's mission and the benefits of pursuing a career and/or a student volunteer position with HUD OIG. They accepted resumes from students interested in a career or a student volunteer position with HUD OIG Offices of Audit in St. Louis, MO, or Columbus, OH.



ARIGA Kim Randall and Senior Auditor Dan Tipton attended the University of Central Missouri Career Fair in **Warrensburg, MO**. They spoke with students about careers with HUD OIG and collected resumes from students interested in internships and full-time positions. HUD OIG was one of more than 150 employers participating in the career fair.



Chapter 8
**Review of
Policy Directives**





Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the U.S. Department of Housing and Urban Development, Office of Inspector General's (HUD OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG reviewed 111 issuances. This chapter highlights some of OIG's prior comments on notices, comments for this reporting period, and other policy directives.

Proposed Legislation

Due to the collapse of the subprime mortgage market and resulting increase in foreclosures, Congress has proposed a number of legislative solutions. OIG continues to review the proposed legislation and HUD's role. As of this reporting period, none of the proposed legislation has become law. OIG plans to continue to monitor Congress' efforts in this area.

FHA Modernization

The U.S. Department of Housing and Urban Development (HUD) has proposed legislation that would allow increased flexibility in setting insurance premiums based on risk and reduce downpayment requirements. As noted in the President's fiscal year 2008 budget, through the Expanding Homeownership Act of 2006, HUD has sought to provide workable solutions for homebuyers who do not qualify for prime financing, giving them more affordable and safer ways to achieve the "American dream." The key components of the legislative proposal are to

- Modify the current statutory 3 percent minimum downpayment.
- Create a new, risk-based insurance premium structure for the Federal Housing Administration (FHA) that would match the premium amount with the credit profile of the borrower.
- Increase and simplify FHA's loan limits.

In the last Semiannual Report, OIG published its concerns related to the proposed legislation. As of this report, Congress has not passed the proposed legislation.

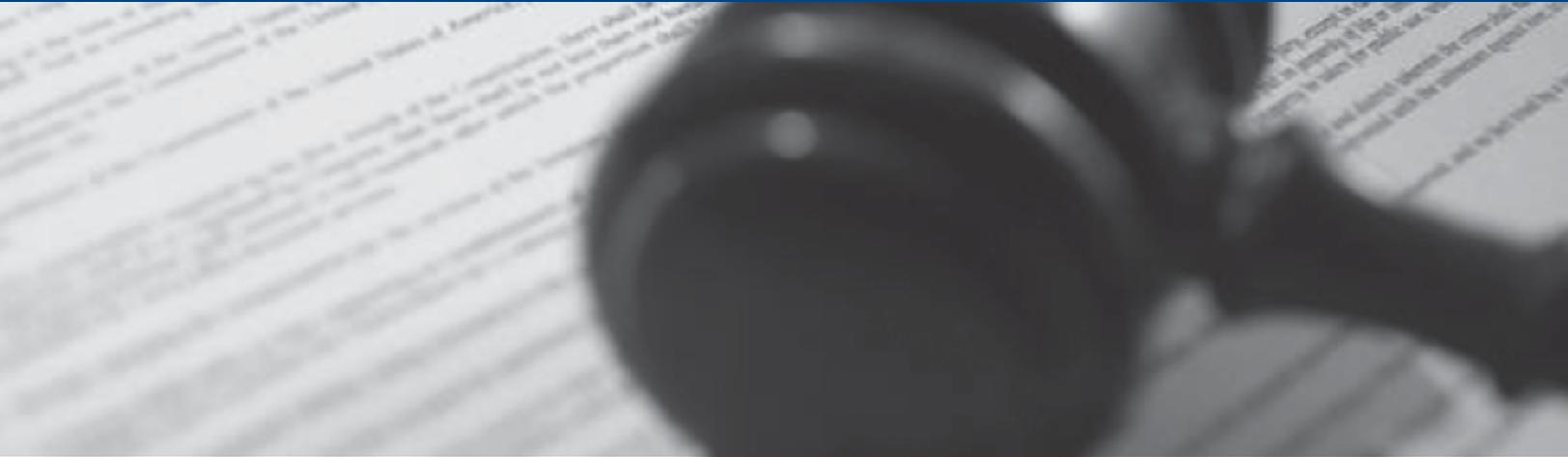
Proposed Rules

HUD proposed Mortgagee Letter 2008-05, Expansion of FHASecure and Clarification on Cash-Out Refinance. OIG nonconcurred with an initial draft of the mortgagee letter. OIG raised concerns regarding these higher risk loans and HUD's plans to monitor the performance of the loans. After considering our input, FHA provided additional documents regarding the risk to the FHA fund and its plans for monitoring the performance of the loans.

OIG continues to work with HUD to resolve other nonconcurrence.



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, 2008."

Audit Reports Issued before Start of Period with No Management Decision as of March 31, 2008

Office of Housing, Washington, DC

Single-Family Mortgage Insurance Claims Issued July 11, 2006. The Inspector General referred this issue to the Deputy Secretary on December 4, 2006, because agreement could not be reached with the Office of Housing. The three recommendations relate to the Office of Housing's not independently determining that mortgage loans insured under the Mutual Mortgage Insurance Fund met program requirements after paying billions in single-family insurance claims. During the period October 1, 2003, through June 3, 2005, HUD received and paid claims on loans for which the lender did not show that the borrower (1) was able to make the required monthly payments, (2) made the minimum investment in the property, and (3) was creditworthy. HUD paid the claims and did not subsequently review the loan files for compliance with the program requirements, fraud, and/or misrepresentations. HUD relied upon lender certifications that loans were eligible and contained all required supporting documents, a preendorsement review of the insurance applications for key documents, and risk-based compliance testing of recently insured loans. We estimate that final HUD costs for claims that HUD's files did not support as meeting program requirements during the period reviewed totaled \$356 million on those claims for which all revenues and expenses were finalized.

In his February 23, 2007, response, the Deputy Secretary stated support of OIG's objective and agreed with the overall conclusions reached. The Deputy Secretary directed the Office of Housing to immediately begin implementing procedures in conjunction with and acceptable to OIG to effect the recommendations. However, the Office of Housing did not submit its plan to implement the Deputy Secretary's directive until March 30, 2007. Even then, the plan was unacceptable. Then on June 11, 2007, the Office of Housing submitted an additional proposal, which was also rejected by OIG. 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. Since June 2007, we have received no further correspondence from the Office of Housing on this matter. The recommendations remain open, without management decisions, until the Office of Housing submits a corrective action plan that accurately reflects the Deputy Secretary's instructions and demonstrates a good faith effort to implement OIG's recommendations. (Report No. 2006-SE-0001).



Significantly Revised Management Decisions

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significant revised management decisions made during the reporting period. During the current reporting period, there were significant revised management decisions on two audits.

Carbondale Nursing Home - Carbondale, PA

Issue Date: March 25, 2004. In response to an audit request by the Philadelphia Multifamily Hub, we audited Carbondale Nursing Home (project), a Section 232 HUD-insured project owned by CNH, Incorporated (owner). The purpose of our audit was to assess the owner's compliance with the terms and conditions of the regulatory agreement and all other applicable HUD requirements.

The owner did not comply with the regulatory agreement and other HUD requirements in operating the project. In total, the owner made nearly \$1.3 million in ineligible and unsupported payments from project funds. Specifically, the owner received nearly \$375,000 in ineligible salary payments, collected more than \$170,000 in ineligible distributions/repayment of advances, paid nearly \$486,000 in ineligible expenses for another company, disbursed nearly \$133,000 in ineligible extension fees, and paid nearly \$98,000 in unsupported loan payments. Several staff members at the project, including the controller and administrator, stated that the owner was not aware of the HUD requirements prohibiting these expenditures. If the owner had complied with HUD requirements and used project funds for only necessary operating expenses of the project, the owner could have used these funds to pay the mortgage costs (principal and interest) for more than 2 years and possibly avoided bankruptcy and default on the HUD-insured loan.

We recommended that HUD require the owner to repay nearly \$1.2 million in ineligible expenditures and either support or repay the nearly \$98,000 in unsupported expenditures and take appropriate administrative action against the owner. On April 30, 2004, HUD sent the owner a letter requiring her to repay all questioned costs identified in the audit report. On May 10, 2004, HUD received correspondence from the owner's attorneys stating that they were representing the owner in her Chapter 11 bankruptcy proceedings and questioning HUD's authority to collect these funds. HUD responded by explaining that it is authorized to demand payment pursuant to the regulatory agreement, and HUD again requested repayment of the questioned costs.

Due to the owner's unresponsiveness, HUD requested the assistance of the U.S. Attorney's Office to resolve this matter. On June 15, 2005, the U.S. Attorney's Office advised the owner's attorney that HUD had referred the matter to it for resolution. On August 29, 2005, the owner's attorney notified the U.S. Attorney's Office that he was no longer representing the owner and had advised the owner to obtain new counsel. The U.S. Attorney's Office then contacted the owner directly, advising that the owner or an attorney on the owner's behalf contact the U.S. Attorney's Office to discuss the matter. In the interim, a portion of the ineligible costs were recovered. HUD received a check from the lender in the amount of nearly \$133,000 for the reported ineligible extension fees. The payment reduced the total ineligible costs from nearly \$1.2 million to just over \$1 million. No further recoveries were made.

On January 17, 2007, HUD received notification that the U.S. Attorney's Office had decided not to initiate civil proceedings against the owner. HUD continued to believe that the matter should be pursued, however, and attempted to persuade the U.S. Attorney's Office to reopen the case to no avail. On May 17,



2007, HUD was notified that the owner had passed away. On September 14, 2007, the Director of Philadelphia's Multifamily Hub sent a letter to HUD's Departmental Claims Officer requesting a full write-off of the remaining disallowed costs due to the above events. Pursuant to the Federal Claims Collection Standards, 31 CFR [Code of Federal Regulations] 903.1(b), the U.S. Department of Justice authorized HUD's Departmental Claims Officer to terminate collection action on January 16, 2008. On January 31, 2008, disallowed costs of more than \$1.1 million were written off, and the audit was closed. (Audit Report: 2004-PH-1004)

Idaho Housing and Finance Association, Boise, ID

Issue Date: September 16, 2005. HUD OIG audited Idaho Housing and Finance Association in Boise, ID. The audit objectives were to determine whether Idaho Housing followed Federal regulation and HUD guidelines when it (1) allowed project owners to prepay project mortgages and (2) refunded bonds in 1994.

Idaho Housing did not properly follow Federal regulations and HUD guidelines when it allowed 10 project owners to prepay project mortgages. As a result, HUD paid more than \$8.5 million in subsidies in excess of fair market rents for these projects. Further, Idaho Housing did not properly follow Federal regulations and HUD guidelines when it did not return HUD's 50 percent share of the savings of more than \$6 million generated from the 1994 bond refunding for 30 McKinney Act projects and did not use more than \$997,000 of its 50 percent of the McKinney Act savings appropriately. As a result, the McKinney Act savings were not available for HUD programs, including those administered by Idaho Housing.

The original recommendation 2A stated that Idaho Housing should reimburse HUD from nonfederal funds nearly \$6.2 million for its share of the McKinney Act savings resulting from the 1994 bond refund. The original recommendation 2B stated that Idaho Housing should reimburse its Federal program accounts from nonfederal funds nearly \$998,000 for its portion of the McKinney Act savings that was not appropriately expended. Specifically, owners of nonprofit and limited distribution properties received funds in excess of the allowable limited distribution amount.

On December 13, 2005, HUD agreed that OIG should amend recommendation 2B for consideration of just over \$1 million in excessive distributions that had been included in the amount in recommendation 2A, which was closed due to a HUD Office of General Counsel decision that the McKinney Act did not apply to these projects. On June 5, 2006, Idaho Housing sent an appeal to Secretary Jackson to remove recommendation 2B on the question of whether loan funds constituted owner distributions. The Office of General Counsel reviewed the appeal and in a March 14, 2008, memorandum to the Multifamily Hub Director in Seattle, stated that it had determined that the proceeds from the refunding program were not considered distributions and were, therefore, not subject to HUD's limited distribution rules. As a result, HUD requested that recommendation 2B be withdrawn and the associated monetary amounts eliminated. OIG agreed to eliminate recommendation 2B. (Audit Report: 2005-SE-1008)

Significant Management Decision with Which OIG Disagrees

During the reporting period, there were no significant management decisions with which OIG disagreed.



Federal Financial Management Improvement Act of 1996

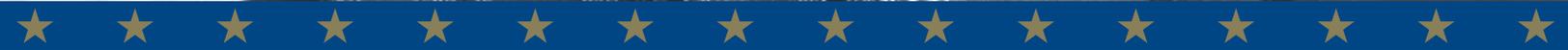
In fiscal year 2007, HUD did not substantially comply with FFMIA. In this regard, HUD's financial management systems did not substantially comply with Federal financial management system requirements.

FFMIA requires that HUD implement a remediation plan that will bring financial systems into compliance with Federal financial management system requirements within 3 years or obtain Office of Management and Budget (OMB) concurrence if more time is needed.

FFMIA requires OIG to report in its Semiannual Reports to the Congress instances and reasons when an agency has not met the intermediate target dates established in its mediation plan required by FFMIA. In April 1998, HUD determined that 38 of its systems were not in substantial compliance with FFMIA. At the end of 2007, the Department reported that 2 of its 42 financial management systems were not in substantial compliance with FFMIA. These two systems are the HUD Procurement System (HPS) and Small Purchase System (SPS).



Appendix 1
**Audit Reports
Issued**





Internal Reports

15 Audit Reports

Chief Financial Officer (2 Reports)

- 2008-DP-0003 FY 2007 Review of Information Systems Controls in Support of the Financial Statements Audit, 03/04/2008.
- 2008-FO-0003 Additional Details to Supplement Our Report on HUD's FY 2007 and 2006 Financial Statements, 11/14/2007. Better use: \$922,300,000.

Chief Information Officer (1 Report)

- 2008-DP-0001 Review of Unisys Performance and Security Controls, 10/19/2007.

Community Planning and Development (2 Reports)

- 2008-NY-0001 HUD's Monitoring Controls and Procedures Regarding the CDBG Program Were Not Adequate, 12/31/2007.
- 2008-PH-0001 HUD's Process for Tracking the American Dream Downpayment Initiative Had Weaknesses, 03/26/2008.

Government National Mortgage Association (1 Report)

- 2008-FO-0001 Audit of the Government National Mortgage Association's Financial Statements for FY 2007 and 2006, 11/07/2007.

Housing (6 Reports)

- 2008-BO-0001 Office of Multifamily Housing Boston Hub Staff Effectively Used Contract Fee Inspectors, 02/14/2008.
- 2008-DP-0002 Review of FHA Controls over Its Information Technology Resources, 10/31/2007.
- 2008-FO-0002 Audit of the FHA's Financial Statements for FY 2007 and 2006, 11/08/2007.
- 2008-KC-0001 HUD's Quality Assurance Division Did Not Always Resolve Materially Deficient or Potentially Fraudulent Loans Consistently, 01/14/2008. Questioned: \$233,351; Better use: \$722,652.
- 2008-LA-0001 The Los Angeles Multifamily Hub Did Not Properly Monitor Its Performance-Based Contract Administrator, Los Angeles LOMOD, 11/05/2007. Questioned: \$1,465,219; Better use: \$38,839.
- 2008-LA-0002 HUD Did Not Have Adequate Internal Controls over Its FHA Appraiser Roster, 03/04/2008.

Public and Indian Housing (3 Reports)

- 2008-AO-0001 HUD Had a Less Than 1 Percent Error Rate in Housing Ineligible Participants for Katrina Disaster Housing Assistance Program and Disaster Voucher Program Disaster Housing Assistance, 12/04/2007. Questioned: \$760,317; Better use: \$153,808.
- 2008-AT-0001 The Atlanta PIH Did Not Ensure That the Housing Authority of DeKalb County Accurately Implemented Its Memorandum of Agreement, 01/10/2008.

2008-KC-0002 HUD Did Not Ensure That Housing Authorities Properly Administered the Community Service and Self-Sufficiency Requirement, 03/24/2008. Better use: \$257,712,000.

Audit-Related Memoranda¹

Community Planning and Development (1 Report)

2008-NY-0801 CDBG Disaster Recovery Assistance Funds Lower Manhattan Development Corporation, New York, NY, 10/23/2007.

Public and Indian Housing (2 Reports)

2008-AO-0801 Review of Duplication of Participants Benefits under HUD's Katrina Disaster Housing Assistance Program and Disaster Voucher Program, 03/28/2008. Questioned: \$27,802.

2008-AT-0801 Corrective Action Verification, Miami-Dade Housing Agency Did Not Ensure Section 8-Assisted Units Met Housing Quality Standards, 2006-AT-1001, 02/11/2008.



External Reports

47 Audit Reports

Community Planning and Development (17 Reports)

2008-AO-1001 State of Louisiana's Road Home Program, ICF, Did Not Always Provide Contract Deliverables As Required, Baton Rouge, LA, 12/19/2007.

2008-AO-1002 State of Louisiana, Road Home Program, Funded 418 Grants Coded Ineligible or Lacking an Eligibility Determination, Baton Rouge, LA, 01/30/2008. Questioned: \$15,528,378; Unsupported: \$14,785,034.

2008-AT-1002 The Municipality of Canovanas Needs to Improve Administration of Its CDBG Program, Canovanas, PR, 11/15/2007. Questioned: \$1,951,996; Unsupported: \$1,822,026.

2008-AT-1003 The City of Jacksonville Lacked Proper Support for Some Subrecipient Purchases and Expenditures, Jacksonville, FL, 12/26/2007. Questioned: \$190,552; Unsupported: \$34,552.

2008-AT-1004 The City of West Palm Beach Did Not Properly Administer Its CDBG Program, West Palm Beach, FL, 01/09/2008. Questioned: \$3,397,170; Unsupported: \$3,397,170; Better use: \$157,122.

¹ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government audit standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, to report results, or to report the results of civil actions or settlements.

- 2008-AT-1005 The City of Fort Lauderdale Did Not Properly Administer Its CDBG Program, Fort Lauderdale, FL, 01/11/2008. Questioned: \$5,114,130; Unsupported: \$5,114,130; Better use: \$722,377.
- 2008-AT-1006 Fulton County Lacked Adequate Controls Over Its HOME Program, Atlanta, GA, 03/07/2008. Questioned: \$4,285,846; Unsupported: \$1,780,971; Better use: \$2,159,649.
- 2008-BO-1001 The City of Chicopee Did Not Properly Administer More Than \$4.3 Million in CDBG Funds, Chicopee, MA, 11/07/2007. Questioned: \$4,320,387; Unsupported: \$3,106,886; Better use: \$62,975.
- 2008-BO-1003 The Maine State Housing Authority Needs to Improve Controls over Its Administration of the HOME Program, Augusta, ME, 01/18/2008. Better use: \$13,686.
- 2008-FW-1004 Community Development Corporation of Brownsville Did Not Use Its Housing Counseling Grants for the Intended Purpose, Brownsville, TX, 12/18/2007. Questioned: \$716,309; Unsupported: \$539,170.
- 2008-FW-1007 City of Dallas Incurred Ineligible and Unsupported Expenses for Its HOPWA Grant, Dallas, TX, 03/20/2008. Questioned: \$165,232; Unsupported: \$138,979; Better use: \$16,345.
- 2008-LA-1001 The City of Huntington Park Did Not Always Ensure That HOME Program Requirements Were Met, Huntington Park, CA, 11/01/2007. Questioned: \$296,599; Unsupported: \$296,599; Better use: \$204,442.
- 2008-LA-1003 Home for Life Foundation Did Not Properly Administer Its Supportive Housing Program Grants, Los Angeles, CA, 12/18/2007. Questioned: \$2,124,624; Unsupported: \$2,119,137.
- 2008-LA-1004 The City of Los Angeles Housing Department Did Not Adequately Monitor HOME Program-Assisted Rehabilitation Construction, Los Angeles, CA, 01/15/2008. Questioned: \$6,073,275; Unsupported: \$6,073,275; Better use: \$72,835.
- 2008-NY-1001 The City of New Rochelle Had Administrative Control Weaknesses in Its HOME Program, New Rochelle, NY, 11/08/2007. Questioned: \$12,000; Unsupported: \$12,000.
- 2008-NY-1003 The City of New York's Department of Housing Preservation and Development Had Administrative Weaknesses in Its HOME Program, New York, NY, 01/23/2008. Questioned: \$34,100,000.
- 2008-NY-1004 Lower Manhattan Development Corporation CDBG Disaster Recovery Assistance Funds, New York, NY, 03/31/2008. Better use: \$6,782.

Housing (7 Reports)

- 2008-BO-1004 Multifamily Project Deficiencies Resulted in More Than \$1.1 Million in Cost Exceptions for Mohegan Commons, Norwich, CT, 02/04/2008. Questioned: \$926,898; Better Use: \$267,344.
- 2008-BO-1005 Multifamily Project Deficiencies Resulted in More Than \$2.8 Million in Cost Exceptions for Windham Heights Apartments, Windham, CT, 02/05/2008. Questioned: \$2,510,318; Better use: \$317,675.

- 2008-FW-1008 The Owner of Century Mission Oaks Violated Its Regulatory Agreement with HUD, San Antonio, TX, 03/21/2008. Questioned: \$3,286,489; Unsupported: \$3,023,965.
- 2008-LA-1006 Phoenix Apartments Did Not Use Project Funds in Accordance with HUD Requirements, Concord, CA, 02/04/2008. Questioned: \$207,971; Unsupported: \$118,220.
- 2008-NY-1002 Richard A. Hutchens and Associates, Management Agent, Used Project Funds for Ineligible and/or Unsupported Costs, Buffalo, NY, 12/05/2007. Questioned: \$1,643,726; Unsupported: \$1,056,282; Better use: \$91,650.
- 2008-PH-1002 National City Mortgage Generally Complied with HUD Requirements in Originating FHA-Insured Single-Family Loans, Plymouth Meeting, PA, 11/20/2007. Questioned: \$857; Better use: \$57,533.
- 2008-PH-1005 Elders Place, Incorporated, Did Not Administer Project Operating Funds in Accordance with HUD Requirements, Philadelphia, PA, 03/28/2008. Questioned: \$383,376; Unsupported: \$309,929; Better use: \$13,155.

Public and Indian Housing (23 Reports)

- 2008-AT-1001 The Municipality of Ponce Needs to Improve Controls over Its Section 8 Program, Ponce, PR, 11/08/2007. Better use: \$447,300.
- 2008-BO-1002 Holyoke Housing Authority's Lack of Management Controls Resulted in Section 8 Units Not Meeting Housing Quality Standards, Holyoke, MA, 11/26/2007. Questioned: \$6,193; Better use: \$1,654,350.
- 2008-CH-1001 The Housing Authority of the City of Michigan City Failed to Follow Federal Requirements for Its Nonprofit Development Activities, Michigan City, IN, 11/19/2007. Questioned: \$1,520,878; Better use: \$1,814,838.
- 2008-CH-1002 The Akron Metropolitan Housing Authority Lacked Adequate Controls over Its 5(h) Homeownership Proceeds, Akron, OH, 01/09/2008. Better use: \$384,691.
- 2008-CH-1003 The Highland Park Housing Commission Did Not Effectively Administer Its Public Housing and Capital Fund Programs, Highland Park, MI, 02/15/2008. Questioned: \$346,864; Unsupported: \$297,199; Better use: \$70,437.
- 2008-DE-1001 The Housing Authority of the City of Colorado Springs Improperly Managed Contracts and Improperly Maintained Its Section 8 Waiting List, Colorado Springs, CO, 11/27/2007.
- 2008-DE-1002 The Housing Authority of the City of Brighton Did Not Maintain Proper Inventory Records and Improperly Awarded Contracts, Brighton, CO, 03/18/2008.
- 2008-FW-1001 The Housing Authorities of the City of Konawa, City of Langston, City of Pauls Valley, City of Wynnewood, Town of Cheyenne, and Caddo Electric Cooperative Improperly Awarded Their Management Contracts and Did Not Manage Certain Operations or Administer Funds Properly, Ada, OK, 10/26/2007. Questioned: \$205,174; Unsupported: \$194,716; Better use: \$84,332.
- 2008-FW-1002 The Shreveport Housing Authority Did Not Ensure That Section 8 Units Met Housing Quality Standards, Shreveport, LA, 11/28/2007. Better use: \$6,145,796.

2008-FW-1003	The Dallas Housing Authority Mismanaged Its Portable Vouchers, Dallas, TX, 12/05/2007. Questioned: \$3,789,254; Unsupported: \$3,789,254.
2008-FW-1005	The Housing Authority of the City of McKinney Inappropriately Advanced Funds and Transferred Real Estate to Its Not-for-Profit Affiliate, McKinney, TX, 01/07/2008. Questioned: \$994,546; Unsupported: \$79,059.
2008-FW-1006	Dallas Housing Authority Management Failed to Implement Internal Controls over Its Housing Choice Voucher Program, Dallas, TX, 03/20/2008. Questioned: \$32,440,786; Unsupported: \$32,440,786; Better use: \$648,530.
2008-KC-1001	The Douglas County Housing Authority Improperly Encumbered and Spent Its Public Housing Funds, Omaha, NE, 02/11/2008. Questioned: \$925,520; Unsupported: \$729,361; Better use: \$2,116,159.
2008-KC-1002	The Schuyler Housing Authority Improperly Used Public Housing Funds to Support a Non-HUD Assisted Living Program, Schuyler, NE, 02/20/2008. Questioned: \$84,133; Better use: \$102,000.
2008-LA-1002	The Housing Authority of the City of Napa Did Not Adequately Determine and Support Section 8 Rents, Napa, CA, 11/30/2007. Questioned: \$63,466.
2008-LA-1005	The Anaheim Housing Authority Did Not Always Operate Its Section 8 Housing Choice Voucher Program Effectively, Anaheim, CA, 01/16/2008. Questioned: \$6,297; Unsupported: \$200; Better use: \$90.
2008-LA-1007	The Housing Authority of the County of Los Angeles Did Not Adequately Administer Its Section 8 Voucher Program, Los Angeles, CA, 02/08/2008. Questioned: \$3,702,296; Unsupported: \$5,860; Better use: \$2,838.
2008-LA-1008	The Housing Authority of the County of San Joaquin Did Not Administer Capital Funds in Accordance with HUD Requirements, Stockton, CA, 03/06/2008. Questioned: \$292,227; Unsupported: \$1,346; Better use: \$77,188.
2008-PH-1001	The District of Columbia Housing Authority Did Not Ensure That Its Program Units Met Housing Quality Standards under Its MTW Program, Washington, DC, 11/05/2007. Questioned: \$192,821; Better use: \$21,743,120.
2008-PH-1003	The Housing Authority of the City of Allentown Needs to Settle Interfund Accounts Monthly and Revise Its Method of Allocating Administrative Salary and Benefit Costs, Allentown, PA, 11/21/2007. Questioned: \$910,946; Better use: \$926,726.
2008-PH-1004	The Housing Authority of Baltimore City Generally Had Adequate Controls over Its Tenant Files, Baltimore, MD, 12/19/2007. Questioned: \$3,193; Better use: \$2,596.
2008-SE-1001	Accounting for Program Income from NAHASDA-Assisted 1937 Act Housing Projects at Warm Springs Housing Authority, Warm Springs, OR, 10/30/2007. Questioned: \$1,613,071; Unsupported: \$1,613,071.
2008-SE-1002	Oneida Housing Authority Did Not Properly Recognize and Use Program Income from Native American Housing Assistance and Self-Determination Act-Assisted 1937 Act Housing Projects, Oneida, WI, 02/20/2008. Questioned: \$2,228,880; Unsupported: \$2,228,880.



Audit-Related Memorandums¹

Community Planning and Development (1 Report)

2008-AO-1801 The State of Mississippi's and/or Its Contractor's Procedures for and Controls over the Homeowner's Assistance Grant Program Generally Ensured Eligibility and Prevented Duplication of Benefits, Jackson, MS, 03/06/2008. Questioned: \$20,571.



¹ *The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government audit standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, to report results, or to report the results of civil actions or settlements.*

Appendix 2
Tables





Table A

Audit reports issued prior to start of period
with no management decision at March 31, 2008

** Significant audit reports described in previous semiannual reports*

Report number and title	Reason for lack of management decision	Issue date/target for management decision
*2006-SE-0001 Single Family Mortgage Insurance Claims	See chapter 9, page 130	07/11/2006

Table B

Significant audit reports described in previous semiannual reports in which final action had not been completed as of March 31, 2008

Report number	Report title	Issue date	Decision date	Final action
1997-AT-1003	Municipality of Mayaguez, CDBG and Section 108 Loan Guarantee Assistance Programs, Mayaguez, PR	07/01/1997	10/29/1997	06/30/2009
2001-CH-1007	Detroit Housing Commission, Hope VI Program, Detroit, MI	05/16/2001	09/13/2001	06/30/2008
2002-AT-1002	Housing Authority of the City of Tupelo, Housing Programs Operations, Tupelo, MS	07/03/2002	10/31/2002	04/30/2010
2002-KC-0002	Nationwide Survey of HUD's Office of Housing Section 232 Nursing Home Program	07/31/2002	11/22/2002	Note 2
2002-PH-1005	Philadelphia Regional Alliance of HUD Tenants, Outreach and Training Assistance Grant and Intermediary Technical Assistance Grant, Philadelphia PA	09/30/2002	03/31/2003	04/01/2008
2003-SE-1002	Tenants Union, Outreach and Training Assistance Grant and Intermediary Training Assistance Grant, Seattle, WA	12/02/2002	03/31/2003	04/01/2008
2004-BO-1004	Danbury Housing Authority, Capital Fund Program, Boston, MA	12/05/2003	04/05/2004	12/01/2008
2004-AO-0001	Award and Administration of Lead-Based Paint Hazard Reduction Grants	02/06/2004	06/30/2004	04/01/2008
2004-PH-1003	The Congress of National Black Churches, Incorporated, Housing Counseling Program, Washington, DC	02/19/2004	06/18/2004	11/15/2008
2004-DP-0002	Application Control Review of the Tenant Rental Assistance Certification System	02/25/2004	07/14/2004	08/30/2008
2004-PH-1008	Safe Haven Outreach Ministry, Incorporated, Washington, DC	06/03/2004	08/31/2004	Note 2

Report number	Report title	Issue date	Decision date	Final action
2004-AT-1012	Housing Authority of the City of Durham, NC	08/02/2004	11/29/2004	12/01/2014
2004-CH-1803	Somerset Point Nursing Home, Multifamily Equity Skimming, Shaker Heights, OH	08/09/2004	08/09/2004	07/31/2009
2004-PH-1012	Mortgage America Bankers, LLC, Nonsupervised Loan Correspondent, Kensington, MD	09/10/2004	01/06/2005	09/21/2008
2004-FW-1009	Mays Property Management, Inc., Multifamily Management Agent, Little Rock, AR	09/17/2004	02/23/2005	10/01/2008
2004-LA-1008	United States Veterans Initiative, Inc., Inglewood, CA	09/27/2004	03/31/2005	04/15/2013
2005-AT-1004	Housing Authority of the City of Durham, NC	11/19/2004	03/15/2005	03/15/2015
2005-CH-1003	Royal Oak Township Housing Commission, Public Housing Program, Ferndale, MI	11/29/2004	03/29/2005	10/31/2008
2005-AT-1005	Pan American Financial Corporation, Nonsupervised Direct Endorsement Lender, Guaynabo, PR	01/27/2005	05/17/2005	05/15/2008
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 1
2005-DE-0001	HUD's Controls over FHA Claims Payments	05/12/2005	09/09/2005	Note 1
2005-CH-1012	Savanna Trace Apartments Multifamily Equity Skimming, Kalamazoo, MI	08/04/2005	12/28/2005	04/01/2008
2005-CH-1013	Ivan Woods Senior Apartments Multifamily Equity Skimming, Lansing, MI	08/05/2005	12/28/2005	04/01/2008
2005-LA-0001	Single Family Preforeclosure SaleProgram	09/13/2005	01/10/2006	Note 1

Report number	Report title	Issue date	Decision date	Final action
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	05/30/2008
2005-SE-1008	Idaho Housing and Finance Association, Boise, ID	09/16/2005	03/31/2006	Note 1
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	06/30/2008
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
2006-CH-0001	Real Estate Assessment Center's Physical Condition Assessment Was Compromised	11/30/2005	01/10/2006	11/30/2008
2006-AT-1001	Miami Dade Housing Agency Did Not Ensure Section 8 Assisted Units Met Housing Quality Standards, Miami, FL	12/21/2005	05/31/2006	10/01/2008
2006-AT-1004	The Housing Authority of the City of Prichard Did Not Ensure Section 8 Subsidy Payments Were for Eligible Units, Tenants, and Landlords, Prichard, AL	01/13/2006	04/25/2006	12/31/2008
2006-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

Report number	Report title	Issue date	Decision date	Final action
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-LA-1009	Fontana Native American Indian Center Did Not Adequately Administer Its Supportive Housing Program Grant, Fontana, CA	03/03/2006	03/17/2006	09/15/2008
2006-LA-1010	The Owner and Agent of Holiday Apartments, LA PRO 30, and Two Worlds II Mismanaged Project Finances and Operations, Los Angeles, CA	03/03/2006	06/23/2006	04/30/2008
2006-BO-1005	Hartford Housing Authority Had Housing Choice Voucher Program Deficiencies Resulting in More Than \$2.6 Million in Costs Exceptions, Hartford, CT	03/10/2006	07/07/2006	07/31/2008
2006-CH-1007	Huntington National Bank, Supervised Lender, Generally Complied with Requirements Regarding Submission of Late Requests for Endorsement and Underwriting of Loans, Columbus, OH	03/15/2006	09/18/2006	09/30/2008
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	09/30/2008
2006-LA-1011	Sundial Care Center Used \$659,746 in Project Funds for Ineligible and Undocumented Costs and Was Unable to Account for Revenue Totaling \$407,454, Modesto, CA	05/18/2006	09/14/2006	07/20/2008

Report number	Report title	Issue date	Decision date	Final action
2006-PH-0002	HUD Improperly Admitted the Housing Authority of Baltimore City into the MTW Demonstration Program, Baltimore, MD	05/31/2006	10/24/2006	10/01/2008
2006-NY-0001	HUD's Controls over the Reporting, Oversight, and Monitoring of the Housing Counseling Assistance Program Were Not Adequate	06/08/2006	01/08/2007	01/31/2009
2006-KC-0003	HUD Did Not Ensure That the Omaha Housing Authority Repaid Its Public Housing Programs \$2.7 Million, Omaha, NE	06/19/2006	09/13/2006	09/30/2008
2006-KC-1011	The Owner of Wellston Townhouses in St. Louis County Violated Its Regulatory Agreement, Wellston, MO	06/29/2006	09/06/2006	10/28/2008
2006-KC-1012	The Owner of HDC Retirement Village in St. Louis Violated Its Regulatory Agreement, St. Louis, MO	06/29/2006	08/31/2006	10/30/2008
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	05/21/2008
2006-NY-1008	The Freeport Housing Authority Has Financial and Management Control Weaknesses, Freeport, NY	06/30/2006	12/01/2006	06/30/2008
2006-BO-1009	The Rhode Island Housing and Mortgage Finance Corporation Incorrectly Made More Than \$1.8 Million in Section 8 Subsidy Payments and Released More Than \$900,000 from Restricted Residual Receipts Accounts, Providence, RI	07/06/2006	10/24/2006	12/01/2009
2006-BO-0001	HUD Incorrectly Approved \$42 Million in Operating Subsidies for Phase-Down for Demolition Add-On Funding	07/11/2006	10/13/2006	10/01/2008

Report number	Report title	Issue date	Decision date	Final action
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-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-AT-1016	The Municipality of Humacao Did Not Administer Its CDBG in Accordance with HUD Requirements, Humacao, PR	07/28/2006	11/17/2006	07/30/2008
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	09/08/2009
2006-SE-0002	The Office of Single Family Housing Expanded Late Endorsement Eligibility without Studying Associated Risks	08/16/2006	03/30/2007	Note 2
2006-KC-1013	The Columbus Housing Authority Improperly Expended and Encumbered Its Public Housing Funds, Columbus, NE	08/30/2006	10/17/2006	11/30/2012
2006-DP-0005	Review of HUD's Information Technology Contingency Planning and Preparedness	08/31/2006	11/17/2006	05/30/2008
2006-AT-1019	The Municipality of Toa Baja Did Not Administer Its Section 108 Loan Guarantee Assistance Program in Accordance with HUD Requirements, Toa Baja, PR	09/06/2006	12/11/2006	12/31/2008
2006-DP-0802	Assessment of HUD's Compliance with OMB Memorandum M-06-16, "Protection of Sensitive Agency Information"	09/21/2006	11/24/2006	10/01/2009

Report number	Report title	Issue date	Decision date	Final action
2006-NY-1012	The Housing Authority of the City of Passaic Has Allegations of Mismanagement That Need to Be Addressed, Passaic, NJ	09/22/2006	01/19/2007	08/30/2037
2006-CH-1018	Saginaw Housing Commission Improperly Used Public Housing Funds to Purchase Property, Saginaw, MI	09/28/2006	01/19/2007	12/31/2021
2007-KC-1001	The City of St. Louis Did Not Meet HUD's Requirements for Creating and Retaining Jobs, St. Louis, MO	10/11/2006	02/06/2007	04/30/2008
2007-AT-1002	Pine State Mortgage Company Did Not Always Comply with FHA Underwriting and Quality Control Requirements, Atlanta, GA	11/03/2006	03/02/2007	12/31/2008
2007-LA-0001	Tax Credit Project Owners Are Allowed to Charge Higher Rents for Tenant-Based Section 8 Voucher Households Than Non-Voucher Households	11/08/2006	07/05/2007	10/01/2010
2007-FO-0003	Additional Details to Supplement Our Report on HUD's FY 2006 and 2005 Financial Statements	11/14/2006	03/07/2007	Note 2
2007-LA-1003	The City of Long Beach Did Not Administer Its Continuum of Care Supportive Housing Program in Compliance with HUD Requirements, Long Beach, CA	12/12/2006	04/10/2007	04/10/2008
2007-CH-1001	The Marion Housing Authority Improperly Used HUD Funds for Nonprofit Development Activities, Marion, IN	12/13/2006	04/05/2007	07/01/2027
2007-PH-1002	The Montgomery County Housing Authority Improperly Used HUD Funds to Purchase, Renovate, and Maintain Its Main Office, Norristown, PA	12/13/2006	04/12/2007	08/08/2008
2007-DP-0002	Review of HUD's Information Technology Services Contracts	01/18/2007	05/25/2007	05/15/2008

Report number	Report title	Issue date	Decision date	Final action
2007-CH-1002	Benton Harbor Housing Commission Did Not Effectively Manage Its Public Housing Program and Has Not Used Special Purpose Grant Funds It Received More Than Nine Years Ago, Benton Harbor, MI	01/25/2007	05/25/2007	12/15/2008
2007-DP-0003	Review of HUD's Procurement Systems	01/25/2007	05/25/2007	12/31/2008
2007-KC-0002	HUD Can Improve Its Use of Residual Receipts to Reduce Housing Assistance Payments	01/29/2007	01/29/2007	07/30/2008
2007-CH-1003	The Housing Authority of the City of Evansville Needs to Improve Its Section 8 Housing Choice Voucher Program Administration, Evansville, IN	02/13/2007	06/11/2007	12/31/2016
2007-LA-1005	Oakland Housing Authority Did Not Comply with Procurement and Contracting Requirements, Oakland, CA	02/14/2007	06/14/2007	01/01/2009
2007-DP-0004	FY 2006 Review of Information Systems Controls in Support of the Financial Statements Audit	02/22/2007	06/21/2007	09/30/2008
2007-FW-1006	Aberdeen Villa Apartments, Formerly Asbury Square Apartments, FHA #118-35200, Spent Almost \$35,000 in Project Funds on Ineligible and Unsupported Costs, Tulsa, OK	03/07/2007	05/22/2007	07/23/2008
2007-AT-1004	The Wilmington Housing Authority Needs to Improve Internal Controls over Its Program, Wilmington, NC	03/09/2007	06/25/2007	06/28/2010
2007-CH-1004	The Columbus Metropolitan Housing Authority Failed to Adequately Operate Its Section 8 Housing Choice Voucher Program, Columbus, OH	03/15/2007	05/24/2007	04/11/2008

Report number	Report title	Issue date	Decision date	Final action
2007-BO-1003	The Office of Community Development, City of Chicopee, Did Not Properly Award and Administer CDBG and HOME Funds Used for its Housing Activities, Chicopee, MA	03/21/2007	07/19/2007	04/21/2008
2007-BO-1004	Harris Health Center Did Not Ensure That Renovations Were Properly Completed, Paid \$21,729 for Unnecessary and Nonproject Costs, and Did Not Calculate Management Fees Properly, East Providence, RI	03/22/2007	05/24/2007	04/30/2008
2007-CH-1005	The Housing Authority of the City of Gary Lacked Adequate Controls over Refunding Savings, Gary, IN	03/23/2007	07/19/2007	12/31/2056
2007-CH-1006	Colony Mortgage Corporation, Supervised Lender, Did Not Always Comply with HUD's Requirements Regarding Underwriting of Loans and Quality Control Reviews, Fairview Park, OH	03/26/2007	09/27/2007	07/23/2008
2007-AT-1005	The Puerto Rico Department of Housing Did Not Effectively Administer Its Section 8 Housing Program, San Juan, PR	03/29/2007	07/16/2007	06/30/2008
2007-DP-0005	Review of HUD's Information Technology Security Program	04/05/2007	08/03/2007	04/15/2008
2007-LA-1008	The Navajo Housing Authority Should Discontinue Its Use of Subgrantees for Development Projects or Implement Additional Program Controls, Window Rock, AZ	04/09/2007	08/02/2007	06/30/2008
2007-AT-1007	The Municipality of Toa Baja Needs to Improve Its CDBG Program Administration, Toa Baja, PR	04/11/2007	07/16/2007	04/11/2008
2007-KC-0003	HUD Did Not Recapture Excess Funds from Assigned Bond-Financed Projects	04/30/2007	08/27/2007	01/31/2009

Report number	Report title	Issue date	Decision date	Final action
2007-AO-1001	The State of Mississippi's Homeowner's Assistance Grant Program Did Not Appropriately Calculate Grants and Monitor the Program, Jackson, MS	05/07/2007	09/26/2007	06/30/2008
2007-FW-1009	Countrywide Home Loans, Inc., Generally Complied with HUD Requirements in Originating FHA-Insured Single-Family Mortgages, Houston, TX	05/10/2007	08/09/2007	05/10/2008
2007-BO-0002	HUD Did Not Process Multifamily Accelerated Processing Applications within Established Processing Goals and the Multifamily Accelerated Processing Guide Is Outdated	05/21/2007	09/07/2007	09/30/2008
2007-LA-1011	Suburban Mortgage Company Did Not Comply with HUD Requirements in the Origination of FHA-Insured Single-Family Mortgages, Phoenix, AZ	05/29/2007	12/31/2007	09/30/2008
2007-LA-1012	Central City Lutheran Mission Did Not Properly Administer Its Supportive Housing Program Grants, San Bernardino, CA	06/04/2007	09/21/2007	09/21/2008
2007-SE-0001	HUD Did Not Ensure That Payments to Contract Administrators Were for Work Performed or That Interest Was Earned on Advances and Recovered	06/07/2007	10/05/2007	10/31/2008
2007-FW-1010	Alethes Mortgage, LLC, and Its Dallas, Texas, Branch, Waters Edge Mortgage, LLC, Did Not Comply with All HUD Underwriting Requirements, Dallas, TX	06/08/2007	08/24/2007	06/08/2008
2007-LA-1013	The Los Angeles Homeless Services Authority Did Not Perform On-Site Fiscal Monitoring of Its Project Sponsors, Los Angeles, CA	06/08/2007	09/28/2007	09/28/2008

Report number	Report title	Issue date	Decision date	Final action
2007-NY-1007	The City of Jersey City Did Not Always Adequately Administer Its HOME Investment Partnerships Program, Jersey City, NJ	06/13/2007	09/24/2007	09/12/2008
2007-CH-1008	The Dayton Metropolitan Housing Authority Did Not Effectively Operate Its Section 8 Housing Choice Voucher Program, Dayton, OH	06/19/2007	08/24/2007	05/15/2008
2007-NY-1008	The City of Newark Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Newark, NJ	06/22/2007	10/17/2007	10/17/2008
2007-NY-1009	The Town of Alexandria's Small Cities CDBG Program Did Not Meet Its Program Objective of Job Creation, Alexandria, NY	06/29/2007	10/05/2007	06/30/2008
2007-FW-1011	Capmark Finance, Inc., Misrepresented Asbury Square Apartments' Financial and Physical Condition When Underwriting the \$9.098 Million Loan, Tulsa, OK	07/02/2007	10/23/2007	10/29/2008
2007-FW-1012	Fallbrook Apartments' Owner and/or Management Agent Made Unauthorized Distributions of the Project's Funds, Houston, TX	07/06/2007	10/10/2007	12/31/2008
2007-CH-1009	The Boyne City Housing Commission Failed to Follow HUD's Requirements for Its Nonprofit Development Activities, Boyne City, MI	07/17/2007	11/06/2007	10/31/2017
2007-CH-1010	The Madison County Housing Authority Did Not Effectively Administer Its Section 8 Housing Choice Voucher Program, Collinsville, IL	07/20/2007	11/16/2007	05/31/2008
2007-CH-1011	The Indianapolis Housing Agency Lacked Adequate Controls over Expenses Charged to Its Section 8 Program, Indianapolis, IN	07/23/2007	11/19/2007	01/31/2025

Report number	Report title	Issue date	Decision date	Final action
2007-PH-1009	The Newport News Redevelopment and Housing Authority Did Not Effectively Operate Its Housing Choice Voucher Program, Newport News, VA	07/24/2007	11/13/2007	07/31/2008
2007-BO-1006	Multifamily Project Deficiencies Resulted in More Than \$730,000 in Cost Exceptions for Moosup Gardens Apartments, Moosup, CT	07/25/2007	11/20/2007	02/27/2009
2007-PH-1010	Countrywide Home Loans Generally Complied with HUD Requirements in Originating FHA-Insured Single-Family Loans, Plymouth Meeting, PA	07/26/2007	10/16/2007	07/31/2008
2007-LA-1014	The Housing Authority of the County of San Mateo Did Not Use HUD Program Funds in Accordance with HUD Requirements, San Mateo, CA	07/27/2007	11/23/2007	11/24/2017
2007-CH-1012	The Plymouth Housing Commission Needs to Improve Its Section 8 Housing Choice Voucher Program Administration, Plymouth, MI	08/03/2007	11/23/2007	11/30/2008
2007-DE-1006	The State of Utah Did Not Comply with HOME Investment Partnerships Program Requirements, Salt Lake City, UT	08/10/2007	10/19/2007	10/01/2008
2007-AT-1010	The Cathedral Foundation of Jacksonville Used More Than \$2.65 Million in Project Funds for Questioned Costs, Jacksonville, FL	08/14/2007	12/03/2007	12/31/2008
2007-PH-1011	The Housing Commission of Anne Arundel County Did Not Always Operate Its Housing Choice Voucher Program in Accordance with Federal Requirements, Glen Burnie, MD	08/14/2007	12/11/2007	06/30/2008
2007-NY-1011	The Hoboken Housing Authority Requires Improved Controls over Its Capital Fund Program and Cash Disbursement Process, Hoboken, NJ	08/17/2007	12/11/2007	06/30/2008

Report number	Report title	Issue date	Decision date	Final action
2007-PH-0002	HUD's Oversight of Contractors' Marketing of Its Real Estate-Owned Properties	08/17/2007	12/12/2007	12/31/2008
2007-PH-1012	The State of Maryland Did Not Always Administer Its Homeownership Assistance Program in Accordance with Federal Regulations and Written Agreements, Crownsville, MD	08/27/2007	12/19/2007	04/30/2008
2007-DP-0006	Review of HUD's Personal Identity Verification and Privacy Program	08/28/2007	12/20/2007	04/30/2009
2007-BO-1008	Holyoke Housing Authority Needs to Improve Its Internal Controls over the Voucher Program, Cost Allocations and Transfers, Holyoke, MA	08/29/2007	12/31/2007	06/30/2008
2007-LA-1015	The Housing Authority of the City of North Las Vegas Significantly Underleased Its Section 8 Housing Choice Voucher Program, North Las Vegas, NV	09/04/2007	11/07/2007	04/30/2008
2007-NY-1012	The City of Passaic's Community Development Department Has Weaknesses in Its HOME Investment Partnerships Program, Passaic, NJ	09/12/2007	12/17/2007	12/12/2008
2007-AT-0001	HUD Needs to Improve Controls over Its Contract Administration Processes	09/19/2007	09/19/2007	09/30/2009
2007-DP-0007	Vulnerability Assessment of HUD's Computer Network	09/19/2007	01/28/2008	08/31/2008
2007-LA-1016	A Community of Friends Did Not Always Administer Its Cash Match in Compliance with HUD Requirements, Los Angeles, CA	09/21/2007	01/18/2008	01/17/2009
2007-CH-1014	The Peoria Housing Authority Did Not Effectively Administer Its Section 8 Housing Choice Voucher Program, Peoria, IL	09/24/2007	01/14/2008	05/31/2008

Report number	Report title	Issue date	Decision date	Final action
2007-KC-0004	More Than 80 Percent of Recently Insured Title II Manufactured Housing Loans Are on Homes with Substandard Foundations	09/24/2007	03/28/2008	11/30/2008
2007-KC-0801	Lenders Submitted Title II Manufactured Housing Loans for Endorsement without the Required Foundation Certifications	09/24/2007	03/11/2008	03/07/2009
2007-AT-1011	The Wilmington Housing Authority Did Not Follow HUD Requirements for Its Nonprofit Development Activities, Wilmington, NC	09/26/2007	01/24/2008	01/01/2011
2007-CH-1015	Cook County Lacked Adequate Controls over Its HOME Investment Partnerships Program, Chicago, IL	09/26/2007	01/24/2008	09/30/2008
2007-PH-1013	The Harrisburg Housing Authority Did Not Properly Administer Its Low-Rent Public Housing Program, Harrisburg, PA	09/27/2007	11/28/2007	12/31/2024
2007-CH-1016	The Plymouth Housing Commission Failed to Adequately Administer Its Section 8 Housing Choice Voucher Program, Plymouth, MI	09/28/2007	01/24/2008	01/24/2009
2007-FW-0001	Overpayments in the Housing Choice Voucher Program Occurred When Public Housing Agencies Subsidized Rental Units with More Bedrooms Than Authorized	09/28/2007	01/24/2008	12/31/2008
2007-CH-0001	HUD Did Not Fully Implement Succession Planning	09/29/2007	10/26/2007	04/28/2008
2007-CH-1017	The City of Cincinnati Lacked Adequate Controls over Its HOME Investment Partnerships Program, Cincinnati, OH	09/30/2007	01/28/2008	09/30/2008



Report number	Report title	Issue date	Decision date	Final action
2007-CH-1018	The City of Milwaukee Needs to Improve Existing Controls over Its HOME Program Regarding Housing Conditions and Contracting, Milwaukee, WI	09/30/2007	03/20/2008	10/30/2009
2007-SE-1004	The Tacoma Consortium Did Not Properly Administer Its HOME Investment Partnerships Grants, Tacoma, WA	09/30/2007	01/25/2008	09/30/2008



Audits excluded

44 audits under repayment plans
 33 audits under formal judicial review, investigation, or legislative solution

Notes

- 1 Management did not meet the target date. Target date is over 1 year old.
- 2 Management did not meet the target date. Target date is under 1 year old.
- 3 No management decision



Table C

Inspector general-issued reports with questioned and unsupported costs at March 31, 2008

(Thousands)

Audit reports	Number of audit reports	Questiones costs	Unsupported costs
A1 For which no management decision had been made by the commencement of the reporting period	35	41,352	20,332
A2 For which litigation, legislation, or investigation was pending at the commencement of the reporting period	11	29,630	17,230
A3 For which additional costs were added to reports in beginning inventory	-	4,705	2,597
A4 For which costs were added to noncost reports	0	0	0
B1 Which were issued during the reporting period	44	139,076	85,108
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	90	214,763	125,267
C For which a management decision was made during the reporting period	54 ¹	67,696	33,712
(1) Dollar value of disallowed costs:			
- Due HUD	14 ²	19,115	9,084
- Due program participants	42	45,157	22,791
(2) Dollar value of costs not disallowed	13 ³	3,424	1,837
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	8	21,423	14,768
E For which no management decision had made by the end of the reporting period	28 <74> ⁴	125,644 <125,379> ⁴	76,787 <76,573> ⁴

¹ 37 audit reports also contain recommendations with funds to be put to better use.

² 3 audit reports also contain recommendations with funds due program participants.

³ 12 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, 2008

(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	30	333,233
A2 For which litigation, legislation, or investigation was pending at the commencement of the reporting period	9	90,852
A3 For which additional costs were added to reports in beginning inventory	-	507
A4 For which costs were added to noncost reports	0	0
B1 Which were issued during the reporting period	35	1,221,312
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	74	1,645,904
C For which a management decision was made during the reporting period	45 ¹	156,783
(1) Dollar value of disallowed costs:		
- Due HUD	11	54,599
- Due program participants	33	101,252
(2) Dollar value of costs not disallowed	4 ²	932
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	8	87,487
E For which no management decision had made by the end of the reporting period	21 <27> ³	1,401,634 <1,059,180> ³

¹ 37 audit reports also contain recommendations with questioned costs.

² 3 audit reports also contain recommendations with funds agreed to by management.

³ The figures in brackets represent data at the recommendation level as compared to the report level. See explanations of tables C and D.



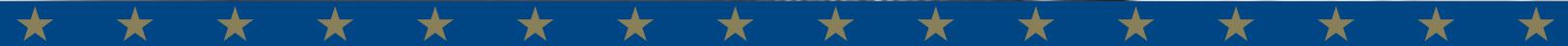
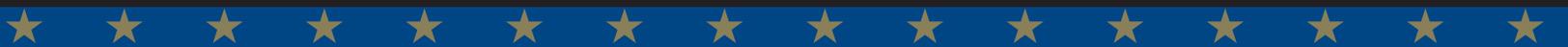
Explanations of tables C and D

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 in tables C and D (line E) reflects figures at the report level as well as the recommendation level.



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