

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



Semiannual Report to Congress

October 1, 2009, through March 31, 2010

Profile of Performance

Audit profile of performance
for the period October 1, 2009, through March 31, 2010

Results	This reporting period
Recommendations that funds be put to better use	\$588,128,115
Recommended questioned costs	\$45,269,113
Collections from audits	\$18,555,934
Administrative sanctions	1

Investigation profile of performance
for the period October 1, 2009, through March 31, 2010

Results	This reporting period
Funds put to better use	\$36,504,550
Recoveries/receivables ¹	\$392,531,068
Arrests ²	612
Indictments/informations	480
Convictions/pleas/pretrial diversions	509
Civil actions	50
Administrative sanctions ³	203
Suspensions	49
Debarments	46
Personnel actions ⁴	30
Search warrants	42
Subpoenas issued	790

Hotline profile of performance
for the period October 1, 2009, through March 31, 2010

Results	This reporting period
Funds put to better use	\$363,780
Recoveries/receivables	\$75,082

¹ The total recoveries include \$135,947,782 in conventional mortgages.

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

³ Administrative sanctions include limited denials of participation, relocations, removal from program participation, restraining orders, and systemic implication reports submitted.

⁴ Personnel actions include reprimands; suspensions; demotions; or terminations of the employees of Federal, State, or local governments or of Federal contractors and grantees as the result of OIG activities.

Inspector General Message



I am pleased to present our Semiannual Report to Congress, which summarizes the activities and accomplishments of the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), for the first half of fiscal year 2010. HUD OIG employees—auditors, agents, attorneys, analysts, and support staff—continue their critical efforts to improve economy and efficiency in programs administered by HUD.

This has been an exceedingly busy and productive period for our office and our key divisions, working collaboratively in a cross-disciplinary fashion and achieving significant results on behalf of HUD beneficiaries and American taxpayers. As an active partner in the newly formed Financial Fraud Enforcement Task Force, our office has been at the forefront of getting the message out to our communities about improving efforts across the Government, with our State and local partners, in investigating and prosecuting significant financial crimes, ensuring just and effective punishment for those who would perpetrate such crimes, and providing critical training in areas of our expertise.

During the last 6 months, we have focused on our widely enhanced Civil Fraud Initiative, in which we have dedicated a cadre of forensic auditors to focus on recovering the ill-gotten gains of those who commit civil fraud against HUD programs.

During this reporting period, we had \$588 million in funds put to better use, questioned costs of \$45 million, and \$392 million in recoveries and receivables. Using all means available to remove bad actors from HUD activities, we have closed more than 500 criminal cases and 50 civil actions and facilitated more than 200 administrative sanctions.

The effective implementation of the American Recovery and Reinvestment Act of 2009 (ARRA) and protecting these funds are discussed in the nearly 50 audits of communities, which address their capacity to administer additional funds received under ARRA. Recommendations for improvements in protecting these funds are continually provided to the Department.

One of our highlighted audits is the audit of HUD's controls over the low-income rental subsidy program, the Housing Choice Voucher program. Our audit uncovered payments for deceased tenants and tenants with invalid Social Security numbers and made recommendations that will correct HUD's monitoring deficiencies.

Further, a key investigation exemplifies our commitment to pursuing fraud against the Federal Housing Administration's (FHA) mortgage insurance program. The principals of GreatStone Mortgage received stiff prison sentences when it was proved that they altered appraisals and other loan documents used by unqualified borrowers to obtain FHA-insured mortgages. More than 900 fictitious loans were created that were securitized by the Government National Mortgage Association (Ginnie Mae) and sold to investors. HUD and Ginnie Mae realized losses of \$77.9 million after the mortgages defaulted.

Our investigators have also been focused on public corruption. We were able to successfully build a case against the assistant executive director of the Alamosa Housing Authority in Colorado, in which we showed that he and coconspirators embezzled more than \$1.8 million from the Authority and engaged in money laundering and tax evasion.

These examples show the exceptional work done by our staff that has resulted in a significant positive impact on fraud and against the misuse of taxpayer dollars. I am grateful to all of our employees nationwide who worked so tirelessly during this period.

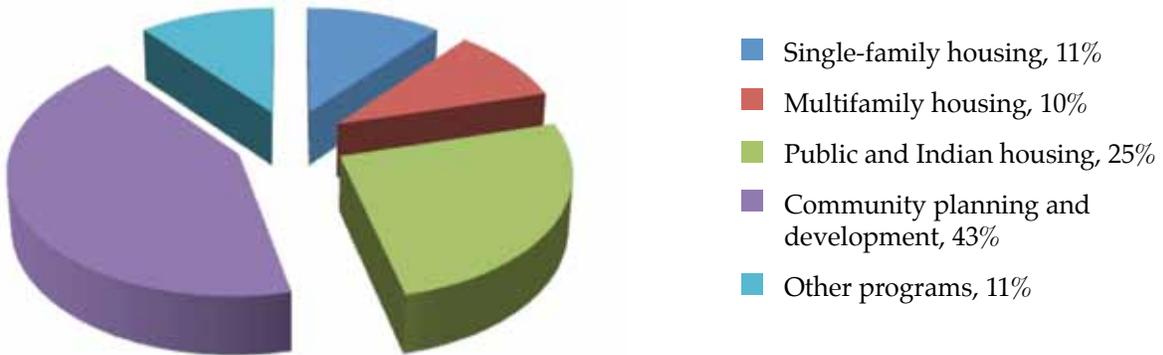
The enhancement of OIG operations comes at an especially important time for the oversight community. Every day, HUD OIG increases its dedication and commitment to becoming a more efficient and effective organization, becoming better at recovering taxpayer funds, and working with our partners to bring those to justice who seek to harm our vital programs. We look forward to continuing to fulfill our responsibilities in oversight of all of the programs administered by HUD, and we appreciate the dedicated funding that Congress has furnished to our office to carry out our important work.

As we address a very large and expanding mission to protect the much-needed programs of HUD, I would once again like to express my appreciation to Congress and the Department for their sustained commitment to supporting the important work of our office.

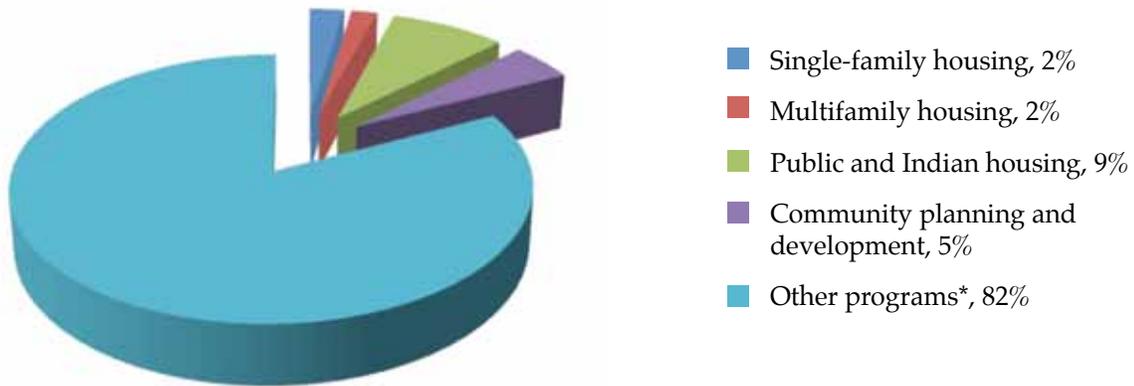


Kenneth M. Donohue
Inspector General

Audit reports issued by program

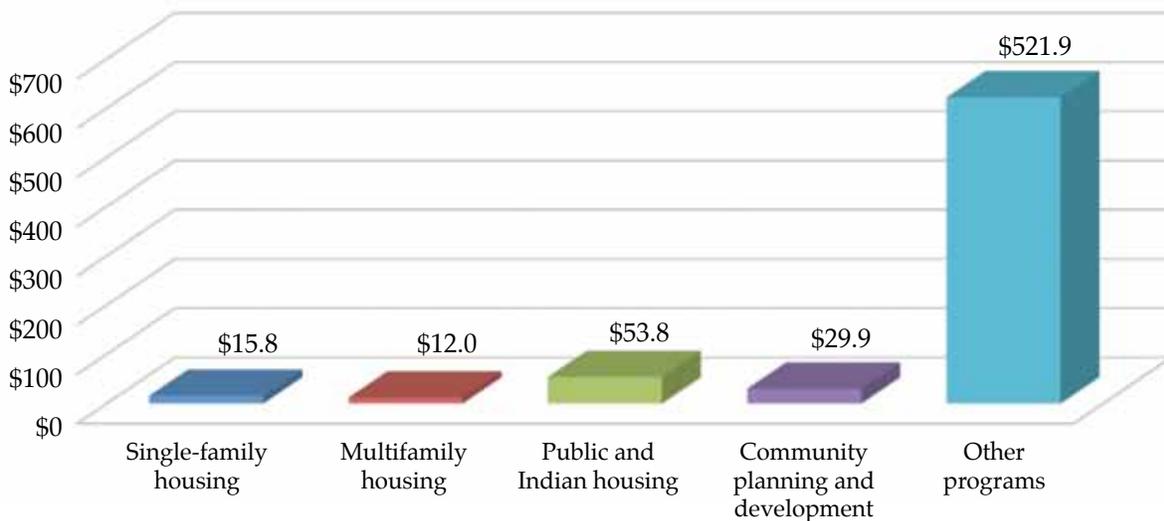


Audit monetary benefits identified by program

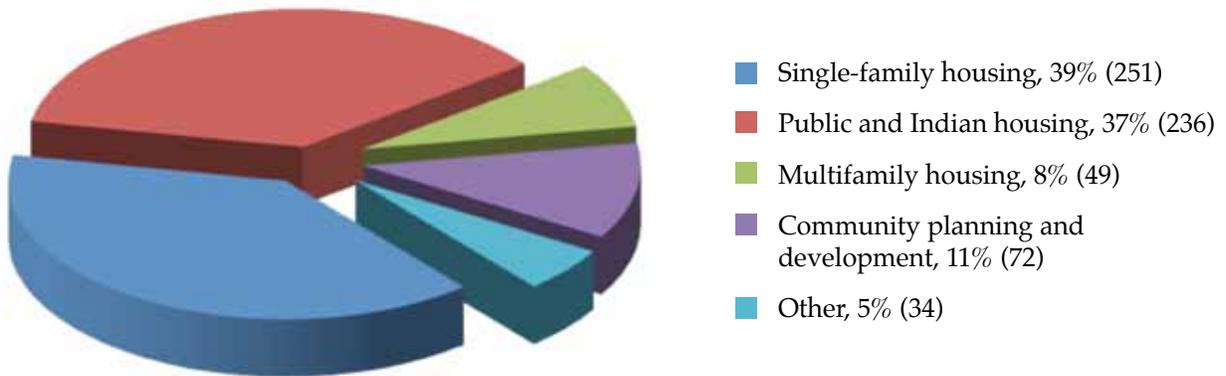


* Other programs include CFO and CIO related audits.

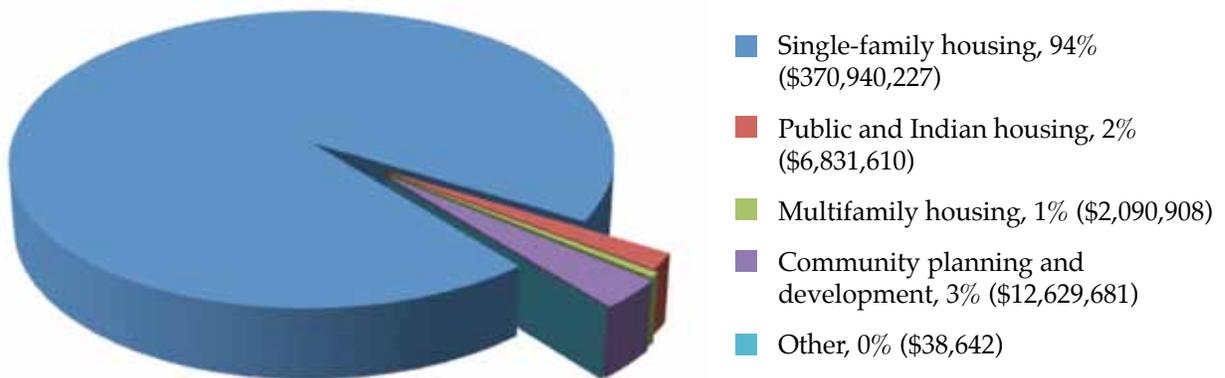
Audit monetary benefits identified in millions of dollars



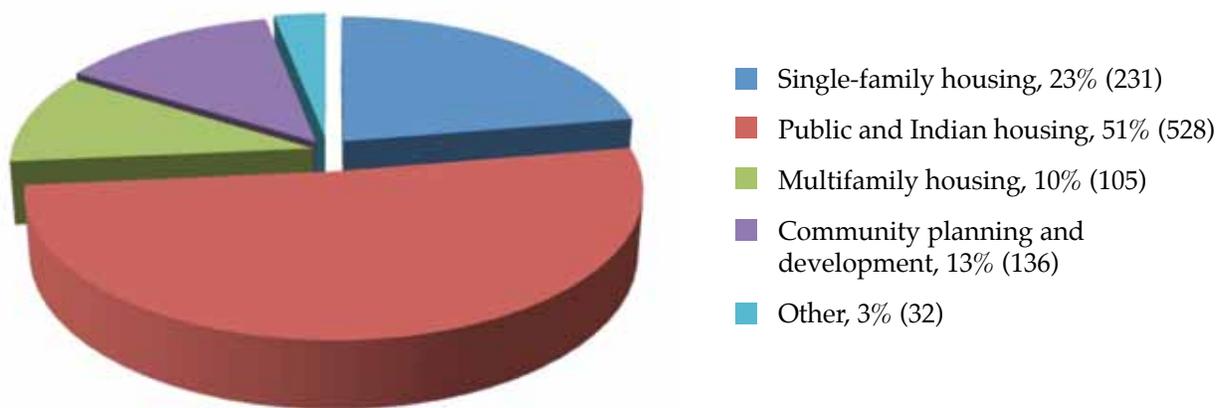
Investigative cases opened by program area (total: 642)



Investigative recoveries by program area (total: \$392,531,068)



Investigative cases closed by program area (total: 1032)



Acronyms List

AIGA	Assistant Inspector General for Audit
AIGI	Assistant Inspector General for Investigation
ARIGA	Assistant Regional Inspector General for Audit
ARRA	American Recovery and Reinvestment Act of 2009
ASAC	Assistant Special Agent in Charge
CDBG	Community Development Block Grant
CMP	Civil Money Penalties
CFR	Code of Federal Regulations
CPD	Office of Community Planning and Development
DRGR	Disaster Recovery Grant Reporting system
FEMA	Federal Emergency Management Agency
FERA	front-end risk assessments
FFI	Fugitive Felon Initiative
FFMIA	Federal Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FICO	Fair Isaac Credit Organization
FISMA	Federal Information Security Management Act
FOC	Financial Operations Center
FTE	full-time-equivalent
FY	fiscal year
Ginnie Mae	Government National Mortgage Association
HECM	home equity conversion mortgage
HERA	Housing and Economic Recovery Act of 2008
HOME	HOME Investment Partnerships Program
HOPWA	Housing Opportunities for Persons with AIDS
HUD	U.S. Department of Housing and Urban Development
IDIS	Integrated Disbursement and Information System
IG	Inspector General
IRS	Internal Revenue Service
IT	information technology
MAP	multifamily accelerated program
NAHASDA	Native American Housing Assistance and Self-Determination Act of 1996
NAHRO	National Association of Housing and Redevelopment Officials
NSP	Neighborhood Stabilization Program
OA	Office of Audit

OAM	Office of Asset Management
OAHP	Office of Affordable Housing Preservation
OI	Office of Investigation
OIG	Office of Inspector General
OMB	Office of Management and Budget
PFCRA	Program Fraud Civil Remedies Act
PHA	public housing agency
PIH	Office of Public and Indian Housing
RIGA	Regional Inspector General for Audit
SA	Special Agent
SAC	Special Agent in Charge
SBA	Small Business Administration
SFA	Senior Forensic Auditor
SSA	Senior Special Agent
SSA	Social Security Administration
SSN	Social Security number
U.S.C.	United States Code
USPS	United States Postal Service

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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.	1-108, 128
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	7-108
Section 5(a)(3)-identification of each significant recommendation described in previous semiannual report on which corrective action has not been completed.	Appendix 2, Table B
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	7-108
Section 5(a)(5)-summary of reports made on instances in which information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No Instances
Section 5(a)(6)-listing of each audit report completed during the reporting period and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 1
Section 5(a)(7)-summary of each particularly significant report and the total dollar value of questioned and unsupported costs.	7-108
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 2, Table C
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 2, Table D
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 2, Table A
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	132
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	135
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	135

Executive Highlights



Strategic Initiative 1

HUD Strategic Goal: Increase Homeownership Opportunities

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

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

Highlights: Results or impact of significant OIG work

- Audits of eight Federal Housing Administration (FHA) single-family mortgage lenders found that lenders did not follow HUD requirements when underwriting loans and performing quality control procedures. *page 9*
- HUD's Philadelphia Homeownership Center did not always ensure that required background investigations were completed for its contracted employees. *page 9*
- Florida mortgage fraud schemes cause HUD and the Government National Mortgage Association (Ginnie Mae) losses in excess of \$77 million. *page 14*
- Reverse mortgage fraud scheme is unraveling in Atlanta, GA. *page 17*
- Lend America is assessed more than \$500,000 in civil penalties. *page 19*
- A Chicago, IL, man was indicted for the alleged fraudulent resale of HUD real estate-owned (REO) properties. *page 22*
- Mortgage fraud is described for more than 230 concerned citizens attending a "town hall" meeting in Bakersfield, CA. *page 113*

Emerging Issues: Areas of OIG interest

- Initiated "Operation Watchdog" and served subpoenas on the corporate offices of 15 mortgage companies across the country demanding documents and data related to failed loans, which resulted in claims paid out by the FHA mortgage insurance fund
- Investigations focusing on HECM for Purchase program and on refinanced HECMs
- FHA's ability and capacity to oversee its expanding market share
- Effect on FHA programs from vulnerability and manipulation of Fair Isaac Credit Organization (FICO) scores
- Using civil remedies to recover losses resulting from mortgage fraud
- FHA's refinancing of riskier loans than it has historically had in its portfolio
- Strategy for housing counseling
- Loan limit increases opening new metropolitan areas with unknown risks

Strategic Initiative 2

HUD Strategic Goal: Promote Decent Affordable Housing

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

- American Recovery and Reinvestment Act of 2009 (ARRA) – to focus on grantee capacity to administer ARRA funds
- Reduce erroneous payments
- Contribute to improving the performance of entities managing rental assistance programs
- Investigative initiatives involving corruption in the management of troubled public housing authorities and multifamily developments
- Public and Department-wide outreach initiatives
- Rental assistance fraud initiatives targeting public housing agencies in receivership or on the HUD troubled list

Highlights: Results or impact of significant OIG work

- Audits of six Section 8 Housing Choice Voucher and leased housing activities found that the housing agencies were not following HUD’s requirements for administering the program. *page 27*
- The State of Connecticut Department of Social Services’ Section 8 housing units did not always meet HUD’s housing quality standards. *page 27*
- An audit of the Philadelphia Housing Authority’s controls over the housing assistance payments showed that the housing authority did not always calculate housing assistance payments accurately. *page 28*
- HUD was not effective in recovering the New London Housing Authority from troubled status and did not take the required regulatory or statutory action. *page 29*
- HUD improperly paid an estimated \$7 million in housing assistance for deceased tenants. *page 30*
- Former Alamosa Housing Authority officials were ordered to pay HUD more than \$1.2 million. *page 33*
- A former Newark, NJ, U.S. Attorney’s Office legal assistant allegedly obtained more than \$100,000 in housing assistance through fraud. *page 41*
- HUD’s performance-based contract administration contract was not cost effective. *page 49*
- A former HUD multifamily contractor was sentenced to home detention for committing a conspiracy to commit mail fraud. *page 53*
- HUD needs to ensure that the Housing Authority of New Orleans strengthens its capacity to adequately administer recovery funding. *page 75*
- The New York City Housing Authority had the capacity to administer capital funds provided under ARRA. *page 76*
- Tenant fraud was explained for more than 450 National Association of Housing and Redevelopment Officials members meeting in San Marcos, TX. *page 118*
- OIG oversight of ARRA funding was illustrated for 120 community planning and development grantees meeting in Chicago, IL. *page 119*

Emerging Issues: Areas of OIG interest

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

Strategic Initiative 3

HUD Strategic Goal: Strengthen Communities

OIG Strategy:

- Promote integrity, efficiency, and effectiveness of programs
 - Contribute to the reduction of fraud, waste, and abuse
- ARRA - focus on capacity audits for Neighborhood Stabilization Program (NSP) and Community Development Block Grant (CDBG) grantees
 - Audits of the CDBG, Supportive Housing, and HOME Investment Partnerships programs
 - Audits of disaster activities
 - Investigative initiative to fight corruption in the administration of State or local community programs
 - Disaster relief fraud in HUD CDBG-funded programs
 - Public dissemination of HUD OIG activities and outreach activities
 - U.S. Department of Justice Financial Fraud Enforcement Task Force and mortgage fraud working groups
 - Vulnerability of fraud in REO sales due to increased REO inventory

Highlights: Results or impact of significant OIG work

- A payroll supervisor was sentenced to prison for stealing CDBG and Supportive Housing funds. *page 66*
- OIG conducted capacity reviews of 24 entities to determine whether they had the capacity to manage the NSP and ARRA funds they will be receiving. *page 80*
- Miami-Dade County, FL needs to strengthen controls over its NSP. *page 81*
- The City of Atlanta, GA, needs to improve certain aspects of its NSP to meet the program's 18-month obligation deadline. *page 81*
- HUD's Office of Healthy Homes and Lead Hazard Control awarded grants to ineligible applicants. *page 84*
- A St. Vincent de Paul case worker was indicted for allegedly committing theft of ARRA funds. *page 86*
- The State of Iowa misspent CDBG disaster assistance funds and failed to check for duplicate benefits. *page 90*
- OIG audited the Lower Manhattan Development Corporation's use of CDBG Disaster Recovery Assistance funds. *page 91*
- A Mississippi couple who stole more than \$150,000 in CDBG Disaster Recovery Assistance and Federal Emergency Management Agency funds get jail time. *page 93*
- HUD OIG, NeighborWorks® America, and others hold a public education event to illustrate loan modification fraud schemes. *page 112*

Emerging Issues: Areas of OIG interest

- Audits and investigations of ARRA funding and NSP
- Investigations of loan modification and foreclosure rescue frauds against consumers

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 of and accountability for fiscal responsibilities**
- Referring audits and investigations to the Departmental Enforcement Center and other management officials to ensure the accountability of individuals and firms committing fraud
- Suspension and debarment referrals to the Departmental Enforcement Center to ensure the accountability of individuals and firms committing fraud
- Audits of HUD's financial statements
- Audits of HUD's information systems and security management

Highlights: Results or impact of significant OIG work

- Mortgage industry personnel in Newark, NJ, and Denver, CO, were suspended or debarred from procurement and nonprocurement transactions with the Federal Government. *pages 14 & 19*
- Personnel from New Jersey housing authorities were suspended or debarred after admitting to stealing government funds. *pages 35 & 43*
- A Kansas City, KS, housing director is suspended from transacting government business after she pleads guilty to making false statements. *page 53*
- OIG reviewed HUD's process for monitoring recipient reporting for ARRA. *page 74*
- OIG completed audits for HUD, FHA, and Ginnie Mae financial statements for fiscal year 2009. *pages 104 & 105*
- OIG reviewed Ginnie Mae's controls over its information technology resources. *page 105*

Emerging Issues: Areas of OIG interest

- Issuer accountability in loan portfolio defaults in the Ginnie Mae Mortgage-Backed Securities program
- Continued modernization and enhancement of HUDs information systems
- Impact of nonconveyance claims (short sales and loan modifications) on the FHA fund
- Quality control review of independent public accountants for Ginnie Mae issuers
- Audits of Ginnie Mae issuer reviews

Chapter 1

Single-Family Housing Programs



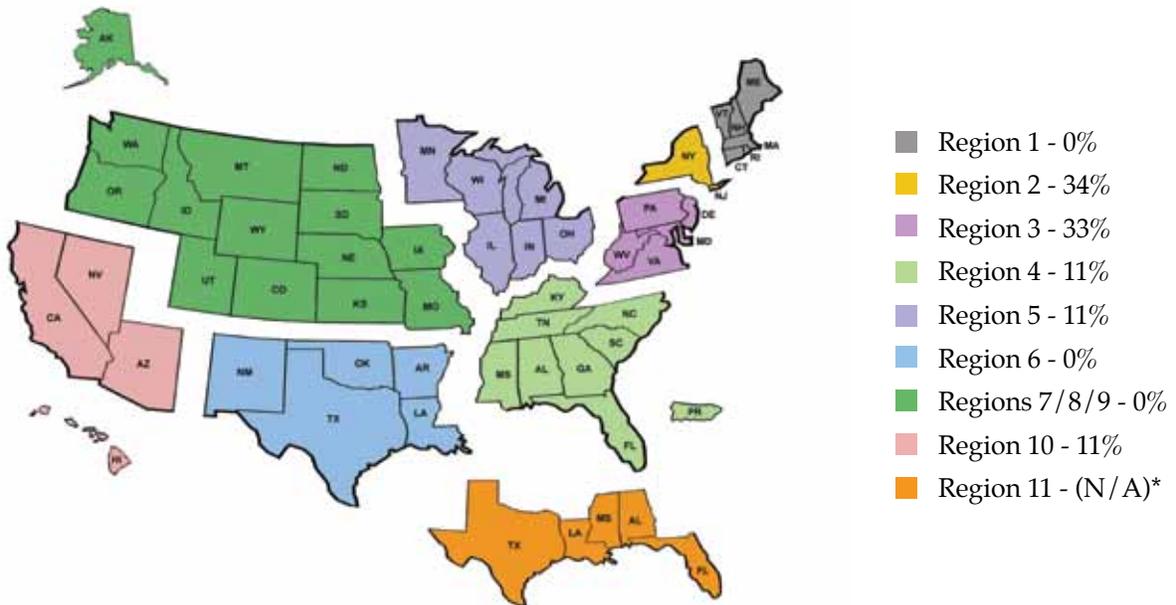
The Federal Housing Administration’s (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing to enable individuals and families to purchase, rehabilitate, or construct homes. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 8, page 110).

Audit

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

Key program results		Questioned costs	Funds put to better use
Audit	9 audits	\$5.9 million	\$9.9 million
Our focus	Page 9	<ul style="list-style-type: none"> • Homeownership center’s processing of Federal Housing Administration loan applications 	
	Page 9	<ul style="list-style-type: none"> • 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 disaster relief audits. See chapter 6 for these reviews.

Homeownership Center's Processing of Federal Housing Administration Loan Applications

HUD OIG audited HUD's **Philadelphia, PA**, Homeownership Center to determine whether the Center processed Federal Housing Administration (FHA) loan applications in accordance with applicable policies and procedures and ensured that required background investigations were completed for its contracted employees that performed functions associated with FHA loans.

The Center generally processed FHA loans in accordance with applicable policies and procedures. However, it did not always ensure that required background investigations were completed for its contracted employees that were responsible for processing FHA loan applications and monitoring the quality of lenders' underwriting. Of the Center's 29 contracted employees responsible for performing functions associated with FHA loans, 16 had not been through minimum background investigations required by contract clauses and HUD's policies on personnel security/suitability. HUD spent more than \$5.4 million on services from contracted employees who may not have been eligible to access its computer systems and other information sources containing sensitive, personally identifiable information.

OIG recommended that HUD direct the Center to (1) initiate and follow up on the required minimum background investigations for its contracted employees that had not been investigated to justify funds spent on the related contracts and (2) develop and implement controls to ensure that its contracted employees comply with contract terms and applicable HUD security policies. (Audit Report: **2010-PH-0001**)

Mortgagees, Loan Correspondents, and Direct Endorsement Lenders

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



HUD OIG audited Somerset Investors Corporation, dba Somerset Mortgage Bankers, an FHA-approved direct endorsement lender located in **Melville, NY**, and found that Somerset did not always originate refinanced loans in accordance with HUD/FHA requirements. Specifically, 8 of 11 loans reviewed exhibited underwriting deficiencies significant enough to warrant indemnification as did 6 loans subject to Somerset's quality control review. Consequently, 14 mortgage loans with an outstanding principal balance of more than \$4.6 million were improperly approved, which presented an unnecessary risk to the FHA insurance fund.

Somerset's written quality control plan complied with HUD/FHA requirements; however, the quality control reviews conducted did not comply with HUD's and its own quality control requirements regarding sample size and reporting. Consequently, there was less assurance that Somerset's quality control process would identify and address underwriting problems in a timely manner and thus protect Somerset and FHA from unacceptable risk.

OIG recommended that HUD require Somerset to (1) indemnify HUD for potential estimated losses of nearly \$2.8 million for 14 loans with significant underwriting deficiencies, (2) strengthen controls over its underwriting procedures to provide assurance that HUD/FHA requirements are met, and (3) implement procedures to ensure that quality control reviews comply with HUD/FHA requirements. (Audit Report: **2010-NY-1009**)



HUD OIG audited FHA-insured loan processes at two DHI Mortgage Company, LTD, branches in **Scottsdale, AZ**, and found that DHI Mortgage did not follow HUD requirements for originating, approving, or closing FHA-insured loans. Specifically, all 20 of the loans reviewed contained underwriting deficiencies, and 12 had significant deficiencies that impacted the insurability of the loan. The significant underwriting deficiencies included improper calculation of income, inadequate documentation of income, inadequate determination of credit and/or debt, and inadequate compensating factors when the debt-to-income ratio exceeded HUD's benchmark ratio. OIG also reviewed all of the loans in the audit period that were either "new construction" or "new condo" to determine whether improper restrictive covenants were recorded against the FHA-insured properties and identified eight loans that had prohibited restrictive addenda to the purchase contracts.

OIG recommended that HUD require DHI Mortgage to (1) indemnify HUD for more than \$2.5 million for loans that did not meet FHA insurance requirements and (2) reimburse HUD more than \$265,000 for the amount of claims and associated fees paid on loans that did not meet FHA insurance requirements. (Audit Report: **2010-LA-1009**)



HUD OIG audited Jersey Mortgage Company, a nonsupervised lender located in **Cranford, NJ**, and found that Jersey Mortgage did not always approve FHA-insured loans in accordance with the requirements of HUD/FHA. Specifically, it approved 13 loans in which there were significant underwriting deficiencies such as (1) inadequate verification of borrower's credit, (2) inadequate compensating factors for loans with high debt-to-income ratios, (3) inadequate verification of funds to close loans, and (4) improper verification of employment and income information. As a result, loans were approved for potentially ineligible borrowers, which caused HUD/FHA to incur an unnecessary insurance risk. Jersey Mortgage also did not ensure that its quality control plan was implemented in accordance with HUD/FHA's requirements. Consequently, the effectiveness of its quality control plan, which was designed to ensure accuracy, validity, and completeness in its loan underwriting process, was lessened.

OIG recommended that HUD require Jersey Mortgage to (1) indemnify HUD against future losses of nearly \$1.3 million on 12 loans with significant underwriting deficiencies, (2) reimburse HUD more than \$96,000 for the amount of claims and associated fees paid on one loan with significant underwriting deficiencies, and (3) implement quality control procedures to ensure compliance with the requirements to review early defaults and rejected loans. OIG also recommended that HUD's Homeownership Center's Quality Assurance Division follow up with Jersey Mortgage within 6 months to ensure that quality control review procedures have been properly implemented. (Audit Report: **2010-NY-1002**)



HUD OIG audited Residential Home Funding Corporation, **Gaithersburg, MD**, a nonsupervised lender approved to originate FHA single-family mortgage loans, and found that Residential Home Funding did not always comply with HUD requirements in its origination of FHA loans. For five loans reviewed, it did not properly verify or support the borrowers' income. As a result, the FHA insurance fund was exposed to an unnecessarily increased risk.

OIG recommended that HUD require Residential Home Funding to indemnify more than \$1.6 million for five loans, which it issued contrary to HUD's loan origination requirements, and refer the lender's principals and underwriting staff to HUD's Mortgagee Review Board for administrative sanctions as appropriate. (Audit Report: 2010-PH-1004)



HUD OIG audited Ark Mortgage, Incorporated, a nonsupervised direct endorsement lender located in **North Brunswick, NJ**, and found that Ark Mortgage officials did not always comply with HUD/FHA requirements in originating 11 of 12 loans reviewed. Specifically, (1) four loans exhibited significant underwriting deficiencies such as inadequate verification of funds to close, insufficient cash reserve for certain property, and inadequate verification of income and liabilities; (2) two loans, including one loan with a significant underwriting deficiency, were not closed as they were underwritten; and (3) the six remaining loans had technical deficiencies. As a result, loans were approved for potentially ineligible borrowers, causing HUD/FHA to incur an unnecessary insurance risk. Further, Ark Mortgage officials did not ensure that the lender's quality control plan had been implemented in accordance with HUD/FHA requirements.

OIG recommended that HUD require Ark Mortgage to (1) indemnify HUD against future losses of more than \$672,000 on four loans with significant underwriting deficiencies, (2) buy down one loan so that the value of insurance equals 75 percent of the value of the property if HUD is not provided with the additional documents to support that the property was owner occupied, and (3) implement its quality control plan to fully comply with HUD's requirements. OIG also recommended that HUD follow up with Ark Mortgage officials within 6 months to ensure that quality control reviews have been properly implemented. (Audit Report: 2010-NY-1004)



HUD OIG audited Mortgage Counseling Services, Inc., **College Park, GA**, an FHA-approved nonsupervised lender, and found that Mortgage Counseling Services did not follow HUD requirements when underwriting 8 of 16 FHA loans reviewed. HUD insured the eight loans, which unnecessarily placed the FHA insurance fund at risk for nearly \$434,000. Mortgage Counseling Services did not conduct its quality control reviews in a timely manner. In addition, the lender did not report a significant quality control violation to HUD. As a result, it did not ensure the accuracy, validity, and completeness of its loan originations. Also, Mortgage Counseling Services did not fully comply with HUD requirements in closing two loans and collected an uncustomary and unreasonable appraisal fee after loans closed. As a result, HUD could not be assured that loans were properly closed, and the risk to the FHA insurance fund could be increased.

OIG recommended that HUD require Mortgage Counseling Services to (1) indemnify HUD for the potential loss of nearly \$434,000 on the eight loans with material deficiencies, (2) reimburse HUD for overinsuring one loan, and (3) ensure that Mortgage Counseling Services conducts quality control reviews in a timely manner as required. OIG also recommended that HUD take appropriate action against Mortgage Counseling Services for its noncompliance in closing two loans. (Audit Report: 2010-AT-1001)



HUD OIG audited Infinity Home Mortgage Company, Inc., in **Cherry Hill, NJ**, a nonsupervised lender approved to originate FHA single-family mortgage loans, and found that Infinity Home Mortgage generally complied with HUD requirements, procedures, and instructions in the origination of FHA loans. However, it had not implemented a quality control plan in accordance with HUD requirements. It did not review all loans that defaulted within the first six payments as required by HUD or follow HUD requirements related

to the minimum percentage, frequency, and timeliness of quality control reviews. In addition, Infinity Home Mortgage was not able to support all of the quality control reviews that it stated it performed.

OIG recommended that HUD direct Infinity Home Mortgage to implement its quality control functions as required and follow up in 6 months to ensure the lender's compliance. (Audit Report: **2010-PH-1005**)



HUD OIG audited Leader Financial Services in **Parma, OH**, a Government National Mortgage Association (Ginnie Mae) issuer servicing FHA-insured loans, and found that Leader complied with HUD's requirements in the purchase and transfer of Fidelity Home Mortgage Corporation's loan-servicing portfolio. However, it failed to perform an adequate due diligence review. The loans contained a number of unacceptable compliance-related underwriting deficiencies, such as excessive borrower qualifying ratios without valid compensating factors, inaccurate borrower asset and income determinations, and/or credit deficiencies. As a result, Leader subjected itself to unnecessary risks.

OIG recommended that HUD determine the appropriate actions for the two underwriters that improperly underwrote 69 percent of the loans cited and implement adequate procedures and controls to safeguard the FHA insurance fund. (Audit Report: **2010-CH-1004**)



Investigations

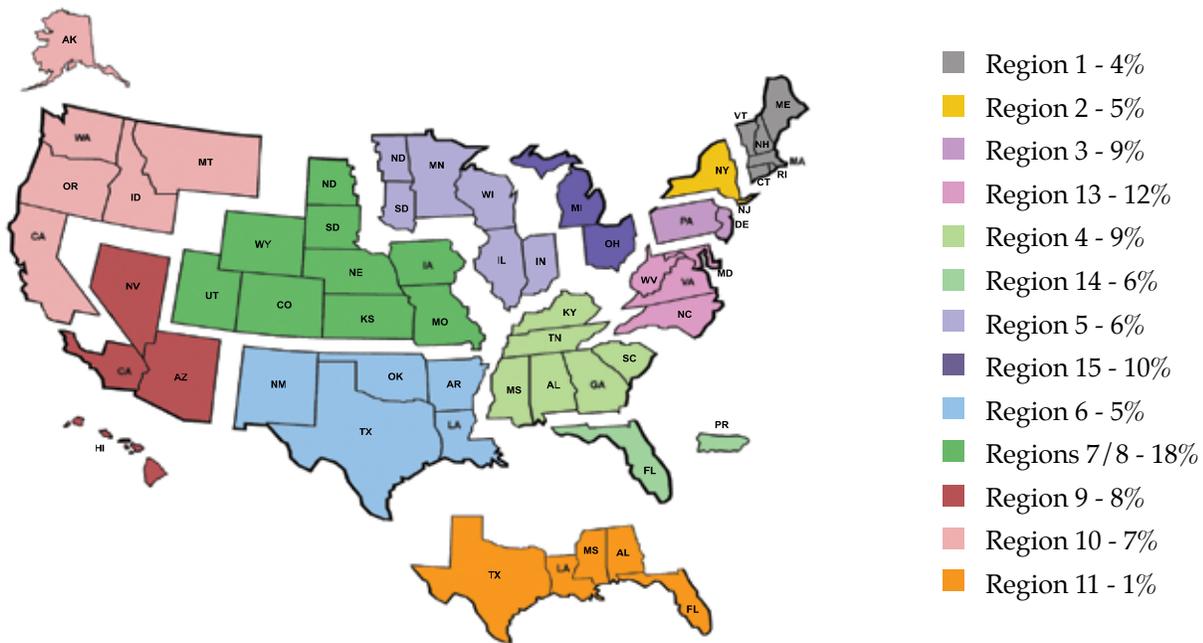
Some investigations discussed in this report were generated from leads provided by HUD single-family housing program staff and conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

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	231	\$370,940,227*	127	94
Our focus	Page 14 Page 18 Page 19 Page 20	<ul style="list-style-type: none"> • Loan origination fraud • Identity fraud and false Social Security numbers • Civil and administrative actions • Other single-family fraud 		

*The total recoveries include \$135,947,782 in conventional mortgages.

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



Loan Origination Fraud

Jorge Socorro, a former manager for Foundation Funding, doing business as GreatStone Mortgage (GreatStone), was charged in U.S. District Court, **Tampa, FL**, with allegedly making false statements and committing a conspiracy and fraud against HUD. In addition, the former GreatStone owner and underwriter Corey and Sandi Brower were collectively sentenced to 105 months incarceration and 72 months probation and ordered to jointly pay HUD and various financial institutions \$77.9 million in restitution for their earlier guilty pleas to making false statements and committing a conspiracy and fraud against HUD. From August 1999 to May 2001, Socorro and others allegedly and Corey and Sandi Brower admittedly altered appraisals and other loan documents used by unqualified borrowers to obtain FHA-insured mortgages that were eventually packaged and securitized by Ginnie Mae. In addition, Socorro and others allegedly and Corey and Sandi Brower admittedly created 930 bogus loans that were securitized by Ginnie Mae and sold to investors. HUD and Ginnie Mae realized losses of \$77.9 million after 3,164 mortgages defaulted.



John Varner, the former president for Mortgage One Corporation, was sentenced in U.S. District Court, **Riverside, CA**, to 156 months incarceration and 5 years probation and ordered to pay a number of victims not yet identified more than \$29.7 million in restitution for his earlier conviction of committing a conspiracy, filing false Federal income tax returns, and aiding and abetting. Varner and others caused the submission of fraudulent loan applications used by unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses exceeding \$29.7 million after more than 900 mortgages defaulted.



Consuela Cisneros and Blanca Torres, former employees for Energy Homes, were each indicted in the 86th District Court, **Kaufman, TX**, for allegedly engaging in organized criminal activities. In addition, Kally Marriott, the former president of Energy Homes, was sentenced to 5 years supervised release and ordered to perform 300 hours of community service for her earlier guilty plea to engaging in an organized criminal activity. From July 2006 to September 2008, Cisneros and Torres allegedly and Marriott and others admittedly forged signatures or provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$4.3 million after 74 mortgages defaulted.



Amer Mir, a loan officer for United Home Mortgage Company, and Frederick Ugwu were each convicted in U.S. District Court, **Newark, NJ**, of committing money laundering and a conspiracy to commit wire fraud. In addition, Mir, Ugwu, and Michael McGrath, Jr., the former president of U.S. Mortgage Corporation and its subsidiary, CU Nations Mortgage, LLC, who previously pled guilty to committing a conspiracy to commit money laundering and mail and wire fraud, were each suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government. From 2002 to 2006, Mir and Ugwu conspired with others and provided fraudulent information used by unqualified borrowers to obtain FHA-insured and conventional mortgages, and from January 2004 to February 2009, McGrath and others fraudulently sold credit union mortgage loans to Fannie Mae and used \$139 million in illicit proceeds to fund personal and business investments. HUD realized losses of \$2.7 million after about 100 mortgages defaulted.



Martha Amaya was sentenced in U.S. District Court, **Los Angeles, CA**, to 30 months incarceration and 3 years supervised release and ordered to pay HUD more than \$1.9 million in restitution for her earlier guilty plea to committing wire fraud. Amaya and others created or provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$1.9 million after 25 mortgages defaulted.



Maria Contreras, a loan officer for Atlantic Pacific Mortgage Company, doing business as America's First Mortgage, was charged in U.S. District Court, **Fort Myers, FL**, with allegedly committing loan and credit application fraud. In addition, America's First Mortgage owner and loan officer Juan Gonzalez and Mark Willberg each pled guilty to committing loan application fraud or making false statements. From June 2006 to December 2007, Contreras allegedly and Gonzalez and Willberg admittedly created and submitted false information or documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of more than \$1.5 million after nine mortgages defaulted.

Feds bust dozens in mortgage fraud

Official says it's tip of the iceberg; more than \$400 million in loans involved

By Aisling Swift
aswift@naplesnews.com

A nine-month federal investigation into mortgage fraud has netted 32 defendants — many from Collier and Lee counties — including Realtors, brokers, a bank manager, sellers and buyers, federal officials announced Tuesday.

Throughout Florida's middle district, which covers 35 counties from Jacksonville to Naples, a total of 105 de-

fendants have been charged in frauds involving more than \$400 million in loans and more than 700 properties, U.S. Attorney A. Brian Albritton told reporters gathered at a news conference Tuesday.

Thirty-two defendants will be prosecuted in U.S. District Court in Fort Myers, while the remaining 73 cases will be heard in federal courts in Tampa, Orlando and Jacksonville.

"To some extent, this is the tip of the iceberg," Albritton said, noting

that defendants face a maximum of 30 years in a federal prison. "This is only the end of the surge phase, but this is not the end of mortgage fraud prosecutions in Florida."

The news conference at the U.S. Attorney's Office in Fort Myers, one held hours later in Tampa, and others occurring today in Orlando and Jacksonville, were tailored to send a message and reveal details of the frauds perpetrated and the prosecutions in U.S. District Court.

The conference also was designed to illustrate how the frauds and swindles affect the economy: banks and lenders are reluctant to loan money, home values are inflated, house values decrease in neighborhoods filled with vacant, foreclosed properties, and banks fail.

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Real estate investor Maria Alonso pled guilty in U.S. District Court, **Riverside, CA**, to committing a conspiracy. Alonso provided fraudulent documents and downpayment funds used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of more than \$1.2 million after 38 mortgages defaulted.



Former loan officer sentenced to prison

She faked documents in a scheme that cost HUD nearly \$1 million.

By DAREN BARBEE
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FORT WORTH — A former loan officer at a local mortgage company was sentenced last week to 3 1/2 years in federal prison and ordered to pay \$751,075 in restitution for faking mortgage documents sent to the U.S. Department of Housing and Urban Development.

Lynn Anne Ingle, 36, of Bartleson is the second person to admit guilt in a scheme that cost HUD \$564,813 after 21 mortgages defaulted, according to HUD and court documents.

Ingle was accused of creating false documents that enabled people to get mortgages for homes in Fort Worth, Arlington and Helton City, according to an August indict-

ment.

An "investigation is ongoing," said Sady Cohn, a spokeswoman for the U.S. attorney's office. Three other people, including the owner of many of the properties involved, have been indicted on charges of conspiracy to make false entries to HUD or making false entries to the agency.

Ingle was licensed to work for the Mortgage Group of North Richland Hills from October 2003 until the company canceled her sponsorship in November 2005, according to Texas Department of Savings and Mortgage Lending records.

Ingle admitted falsifying work and rental histories, certificates of deposit statements, and workifications of rent and employment, according to a factual résumé a court document.

The U.S. attorney's office in Fort Worth said false or altered

W-2s, pay stubs and child support payment records were provided to HUD officials who used them to approve and insure loans.

In one instance, the government accused Ingle of telling the owner of a Dallas City property that she could fake a buyer's employment at a company, according to the indictment. The buyer's Uniform Residential Loan Application stated that "R.L.P." earned \$4,000 a month at Home and Note Solutions, R.P. later told investigators that the person never worked at the company or made such a claim.

Ingle, who pleaded guilty to conspiracy to make false entries to HUD, had faced up to five years in prison. She also admitted that between Jan. 1, 2002, and about Dec. 31, 2003, she conspired with a property owner to submit false loan applications to HUD, according to the factual résumé.

Ingle's attorney, Warren St. John of Fort Worth, said she was financially strapped but is a good person who had not been in trouble before.

"She did a mistake and took advantage of it," he said. "She made a mistake, and she's going to pay the price for it."

The case was investigated by HUD's office of inspector general after a routine review of loan correspondence.

U.S. District Judge Terry Means recommended that Ingles be imprisoned close to Fort Worth so she can have contact with her 16-month-old son, who will be in her mother's custody.

Last year, loan officer Dena Musgraves pleaded guilty to conspiracy to make false entries to HUD in December; she was sentenced to 16 months in prison and ordered to pay \$214,837 in restitution.

Lynn Ingle and Anthony Nagle, former loan officers for The Mortgage Group, and David and Angie Metts, the owners of Home and Note Solutions, each pled guilty in U.S. District Court, **Fort Worth, TX**, to committing a conspiracy or making false statements to HUD. In addition, former Mortgage Group loan officer Dena Musgraves was sentenced to 18 months incarceration and 2 years supervised release and ordered to pay HUD \$214,837 in restitution for her earlier guilty plea to committing a conspiracy to make false entries to HUD. The above defendants conspired and created or provided

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fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$964,814 after 21 mortgages defaulted.



Michael O'Keefe, Jr., the president and owner of Citywide Mortgage Company, remitted \$200,000 to HUD and was sentenced in U.S. District Court, **New Orleans, LA**, to 18 months incarceration and 12 months supervised probation and ordered to pay HUD an additional \$486,566 in restitution for his earlier guilty plea to making a false statement to HUD. O'Keefe and others recruited straw buyers, inflated appraisals, and provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$686,566 after 11 mortgages defaulted.



Juan Garcia and Yenisley Acosta, a former loan officer and employee of All Star Mortgage, were collectively sentenced in U.S. District Court, **Miami, FL**, to 105 months incarceration and 6 years supervised release and ordered to pay HUD \$672,142 in restitution for their earlier guilty pleas to committing wire fraud or a conspiracy to commit wire fraud. Garcia, Acosta, and others provided fraudulent information used by straw borrowers to obtain FHA-insured and other mortgages, supplied the straw borrowers with closing funds and compensation, and paid some of the fraudulent mortgages to prevent early defaults. HUD realized losses of \$672,142 after three mortgages defaulted.



Real estate closing attorney Daniel Fox was sentenced in U.S. District Court, **Newark, NJ**, to 6 months incarceration and 24 months supervised release and ordered to pay HUD \$603,074 in restitution for his earlier guilty plea to making false statements to HUD. From October 2000 to November 2008, Fox and others created and provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$603,074 after 11 mortgages defaulted.



Wayne Puff, the former owner of the now-defunct N.J. Affordable Homes (Affordable Homes); former Affordable Homes employees Lucesia Santiago and John Kurzel; real estate appraisers Michael Meehan and William Page; closing attorneys Mitchell Fishman and Anthony Natale; paralegal Sydney Raposo; and real estate appraisal coordinator John Morris were collectively sentenced in U.S. District Court, **Newark, NJ**, to 391 months incarceration, 6 months home confinement, 288 months supervised release, and 36 months probation and ordered to pay HUD \$124,000 and a number of victims more than \$99.7 million in restitution for their earlier guilty pleas to making false statements to HUD, submitting fraudulent claims, or committing a conspiracy to commit mail or wire fraud. The above defendants and others provided false information to lure investors or provided fraudulent appraisals and other loan documents used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD realized losses of \$327,839 after three mortgages defaulted.



O'Keefe receives 8-month sentence in scam

*House-flipping fraud
used fake appraisals*

From staff reports

Michael O'Keefe Jr., the owner of Citywide Mortgage Co. and son of disgraced former state Senate President Michael O'Keefe, was sentenced Wednesday in federal court to 18 months in prison for his role in a house-flipping scam.

The sentencing caps off a plea deal with prosecutors in which O'Keefe admitted making false statements to the U.S. Department of Housing and Urban Development, according to a news release from U.S. Attorney Jim Letten's office.

The younger O'Keefe and Citywide were at the center of a house-flipping scheme from 2001 to 2003 in which associates bought distressed properties, found a straw purchaser, made minimal or no repairs, and then used the straw purchaser to apply for a federal loan. The house would then be sold at an inflated price based on a fraudulent appraisal, according to court records.

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Calvin Wheeler, a former loan officer for HomeLoans USA, was charged in U.S. District Court, **Atlanta, GA**, with allegedly submitting false statements to HUD and committing bank and wire fraud. From April 2004 to March 2005, Wheeler allegedly submitted fraudulent loan applications for unqualified borrowers who obtained FHA-insured mortgages. HUD realized losses of \$277,200 after seven mortgages defaulted.



Jessica Caplan and Cheri Decker were collectively sentenced in Adams County District Court, **Brighton, CO**, to 90 days incarceration and 20 years probation, ordered to perform 400 hours of community service, and fined \$10,000 for their earlier conviction of or guilty plea to committing forgery or theft by receiving. Caplan and Decker provided fraudulent information or documents used by them or other unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD realized losses of \$153,814 after three mortgages defaulted.



Thelonius Clark, the owner of Quantum Builders, LLC, was indicted in U.S. District Court, **Atlanta, GA**, for allegedly committing bank fraud. In August 2005, Clark purchased an investment property and allegedly flipped the property at an inflated value to a borrower who obtained and later defaulted on an FHA-insured mortgage. HUD realized a loss of \$118,628 after the mortgage defaulted.



Rebecca Loeffler, also known as Rebecca Bischoff, pled guilty in U.S. District Court, **Kansas City, MO**, to making a false statement. Loeffler provided fraudulent information to obtain an FHA-insured mortgage. HUD realized a loss of \$115,051 after her mortgage defaulted.



Gia Harris, Kelsey Hull, and Jonathan Kimpson were each arrested, charged, or indicted in U.S. District Court, **Atlanta, GA**, for allegedly committing identity theft or wire fraud or attempting to commit or committing a conspiracy to defraud a financial institution. From October 2007 to February 2010, the above defendants and others allegedly conspired and submitted false information or documents used by elderly borrowers to obtain about 45 fraudulent FHA-insured reverse mortgages through the HUD Home Equity Conversion Mortgage program. In addition, the above defendants and others allegedly diverted the unlawfully acquired equity proceeds into accounts they controlled. HUD losses have not yet been determined.



Jairo Nunes was arrested and charged in U.S. District Court, **Newark, NJ**, with allegedly committing wire fraud, and real estate agents Genilza Nunes and Lillian Veras were each arrested and charged with allegedly committing theft by deception and money laundering. Jairo, Genilza Nunes, and Veras allegedly conspired, created, and provided fraudulent income, identity, and other documents used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD losses have not yet been determined.



General contractor David Vickers was arrested after his indictment in U.S. District Court, **Jacksonville, FL**, for allegedly committing a conspiracy to commit wire and mail fraud. Vickers allegedly provided downpayment funds used by unqualified borrowers to obtain FHA-insured and conventional mortgages. HUD losses have not yet been determined.



Mark Barnett, a loan officer for Golden First Mortgage, was indicted in U.S. District Court, **Manhattan, NY**, for allegedly committing a conspiracy to commit wire and bank fraud. Barnett allegedly assisted straw buyers who provided fraudulent documents to obtain FHA-insured mortgages. HUD losses have not yet been determined.



Vandelette Ware, a former real estate agent for Realty Executives, was sentenced in U.S. District Court, **Norfolk, VA**, to 4 months home detention and 5 years probation and ordered to pay Wells Fargo Bank \$255,983 in restitution for her earlier guilty plea to committing wire fraud. In May 2008, Ware submitted false documents and obtained an FHA-insured mortgage. HUD losses have not yet been determined.

Identity Fraud and False Social Security Numbers

Louis Luevano, also known as Ray Luevano, a former real estate broker for Harvest Realty, was sentenced in Adams County District Court, **Brighton, CO**, to 6 years incarceration and 5 years parole for his earlier conviction of offering a false instrument for recording and committing theft, a conspiracy to commit theft, a conspiracy in an attempt to influence a public servant, forgery, and computer crimes. Luevano and others provided false Social Security numbers (SSN) and fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$378,045 after five mortgages defaulted.



Kenya Hedges, also known as Kenya Ramos, a former loan officer for Alliance Mortgage Capital, was sentenced in Jefferson County District Court, **Golden, CO**, to 6 months probation for her earlier guilty plea to committing compounding. Hedges and others provided fraudulent SSNs and other documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of \$281,156 after two mortgages defaulted.



Eight FHA-insured borrowers were each charged in Harris County District Court, **Houston, TX**, with allegedly making false statements to obtain credit. The above defendants allegedly used false SSNs to obtain FHA-insured mortgages. HUD realized losses of \$210,905 after four mortgages defaulted.



Former real estate agent Xochilt Alamillo, former Prestige Capital Funding loan officer Macarena Villalobos Javalera, Alfredo Gomez-Rosales, and Alma Peralta-Lopez were collectively sentenced in Adams County District Court, **Brighton, CO**, to 75 months probation and ordered to perform 30 hours of community service for their earlier guilty pleas to offering false instruments for recording, committing perjury, or possessing forgery devices. Javalera used a fraudulent SSN to obtain her FHA-insured mortgage, and Alamillo and Javalera assisted Gomez-Rosales, Peralta-Lopez, and other undocumented immigrants, who used fraudulent SSNs or documents to obtain their FHA-insured mortgages. HUD realized losses of \$145,792 after two mortgages defaulted.



Maria Franks, a former Michigan State Housing Development Authority Section 8 tenant, was charged in the 61st District Court, **Grand Rapids, MI**, with allegedly committing identity theft and larceny by false

pretenses. Franks allegedly used the identity of another to obtain and later default on an FHA-insured mortgage. HUD losses have not yet been determined.



Pablo Lopez-Mazariegos was sentenced in U.S. District Court, **Grand Rapids, MI**, to 10 months incarceration and 24 months supervised release and ordered to pay the Michigan Unemployment Insurance Agency \$19,194 in restitution for his earlier guilty plea to committing a false representation of an SSN. Lopez-Mazariegos used an SSN belonging to another to gain employment and obtain an FHA-insured mortgage. HUD losses have not yet been determined.

Civil and Administrative Actions

Linda Carnagie, a former loan officer for Highland Mortgage Financial Group who was previously convicted in U.S. District Court, **Denver, CO**, of making false statements and committing a conspiracy, wire fraud, and money laundering, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 5 years. Carnagie and others submitted or caused the submission of fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of about \$1.25 million after 25 mortgages defaulted.



Ideal Mortgage Bankers, doing business as Lend America, was assessed \$512,400 in civil penalties and issued a preliminary order of injunction (preliminary injunction) by the U.S. District Court, **Central Islip, NY**, for allegedly committing violations of HUD and FHA lender regulations. The preliminary injunction enjoins Lend America and its agents and employees from using the mails or wire transmissions or causing the use of the mails or wire transmissions to fraudulently obtain mortgage insurance from FHA; originating, underwriting, or endorsing any mortgage for FHA insurance or submitting to HUD any loans for FHA insurance coverage (with exceptions); submitting claims for FHA insurance coverage on loans in default; destroying, moving, altering, disposing of, or failing to maintain business, financial, accounting, real estate, and legal records; or advertising, marketing, or soliciting business to originate or make federally related or federally insured home mortgage loans, including loans defined in the Real Estate Settlement Procedures Act. In addition, former Lend America employee Michael Ashley was issued a civil injunction that requires him to sever his relationship with Ideal Mortgage Bankers and prevents him from underwriting or submitting FHA-insured loans, participating in any Federal mortgage loan program, or submitting FHA-insurance claims for mortgage loans in default. Ideal Mortgage is also prohibited from issuing Ginnie Mae securities.



Mortgage loan officer Kenneth DiPrenda and real estate closing attorney Linda Serrano, both previously debarred after their earlier guilty pleas in U.S. District Court, **Newark, NJ**, to committing a conspiracy to submit false statements to FHA, entered into Program Fraud Civil Remedies Act settlements and agreed to collectively pay HUD \$41,484. DiPrenda, Serrano, and others provided fraudulent documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses in excess of \$349,000 after 12 mortgages defaulted.



Maria Gallucci, a licensed loan originator and a realtor for Herman Group Real Estate who previously pled guilty to committing forgery, was ordered to pay HUD \$81,701 in a civil judgment filed in Adams County District Court, **Brighton, CO**. Gallucci forged the signature of her former spouse on documents associated with her jointly owned FHA-insured mortgage. HUD realized a loss of \$81,701 after her mortgage defaulted.

Other Single-Family Fraud

Gordon Miller, a registered agent for Canyon View Escrow who was previously charged in U.S. District Court, **Salt Lake City, UT**, with allegedly committing equity skimming and mail and wire fraud, was arrested on an outstanding warrant for allegedly violating his pretrial release. From July 2002 to January 2005, Miller and others allegedly identified properties surrendered to bankruptcy courts in a number of States, posed as bankruptcy court or financial institution representatives and secured quit claim deeds from the property owners, and rented about 300 properties and collected rents but failed to remit mortgage loan payments and used the rents collected for personal expenditures. HUD realized losses of about \$1.6 million after 45 mortgages defaulted.



Andre Johnson, doing business at Hat General Contractors, Inc., a HUD Rehabilitation Loan program contractor, and former HUD Rehabilitation Loan program inspector Brian Lillie were collectively sentenced in U.S. District Court, **Chicago, IL**, to 12 months incarceration, 24 months supervised release, and 3 years probation and ordered to perform 500 hours of community service and pay Wells Fargo Bank \$91,891 in restitution for their earlier guilty pleas to making false statements to HUD or committing mail fraud. Johnson and Lillie submitted fraudulent work completion documents and obtained \$91,891 in rehabilitation loan escrow funds for repairs not completed.



Ramon Reyes, Jr., a HUD Good Neighbor Next Door program participant and City of Irving police officer, pled guilty in U.S. District Court, **Dallas, TX**, to making a false statement to HUD. Reyes obtained a HUD-owned property and received an approximate \$57,000 discount but failed to reside in the property as required.



Marian Riley, a HUD Good Neighbor Next Door program participant and former U.S. Department of Homeland Security employee, was sentenced in U.S. District Court, **Houston, TX**, and ordered to pay HUD \$30,676 in restitution for her earlier guilty plea to submitting false statements to HUD. Riley obtained a HUD-owned property and received a \$30,500 discount but failed to reside in the property as required.



Jason Martinez, a real estate agent and mortgage broker for Merit Mortgage Financial, LLC, pled guilty in U.S. District Court, **Tampa, FL**, to committing theft of government funds and a conspiracy to commit mail and wire fraud. From February 2005 to May 2007, Martinez assisted straw buyers with the fraudulent purchase of five HUD real estate-owned properties, including a property purchased by his spouse through the HUD Officer/Teacher Next Door program. HUD losses are estimated at \$15,500.



Former police officer admits to making false statement to HUD

He faces a maximum of two years in prison and a \$250,000 fine.

By DOMINGO RAMIREZ JR.
dramirez@star-telegram.com

A former Irving police officer has pleaded guilty to making a false statement to the Housing and Urban Development Department in the Good Neighbor Next Door/Officer Next Door mortgage program.

Ramon Anthony Reyes Jr., 45, faces a maximum of two years in federal prison and a \$250,000 fine.

He is scheduled to be sentenced April 29, according to a news release from the U.S. attorney's office.

Reyes entered his plea in Dallas federal court this month.

The HUD program offers law enforcement officers a 50 percent discount from the list

Crime Time

Want more crime news? See star-telegram.com/blogs

price of a home if they live on the property for 36 months. Participating officers may not own any other residential property when they submit their purchase offer.

The program was created to strengthen communities by encouraging law enforcement officers to live in areas that need revitalization.

According to the news release, Reyes was an Irving officer in 1998 when he bought a home on Dorothy Drive in Grand Prairie. In 2007, Reyes bought another home on Pin Alto Drive in Mesquite through the program, transferring title of his Grand Prairie home to a relative to comply with the program's requirements. He continued to live in

Grand Prairie

Reyes admitted that he made a false statement on the annual certification form for the program when he said that he had been living in Mesquite, according to his release.

Reyes was placed on administrative leave after Irving police administrators were notified of the federal investigation, Irving police said Tuesday.

Police also started an internal investigation.

Reyes resigned Jan. 5 after pleading guilty to the federal charge and before the internal investigation was complete, police said.

Reyes had been on the force since Jan. 1, 1999, according to Irving police.

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Richard and Angela Swoveland were each indicted in Marion County Court, **Indianapolis, IN**, for allegedly committing theft and forgery. From December 2009 to February 2010, Richard and Angela Swoveland allegedly entered five HUD real estate-owned properties without authorization, falsely claimed ownership of the properties, and fraudulently collected about \$6,250 in security deposits and monthly rents.



Victor Cedeno and Richard Nanan, former loss mitigation negotiators for Taylor Bean & Whitaker, and former Bank of America employee Genesis Valdez were each indicted in U.S. District Court, **Orlando, FL**, for allegedly committing a conspiracy, forgery, wire fraud, and money laundering. From January 2008 to September 2009, Cedeno and Nanan allegedly negotiated and approved “short sales” for FHA-insured and conventional mortgages at 90 percent of the unpaid principal balance, fraudulently reported that the “short sales” were completed at 80 percent of the unpaid principal balance, and conspired with Valdez to steal the remaining 10 percent through bogus bank accounts created at Sun Trust Bank and the Navy Federal Credit Union. HUD losses have not yet been determined.



FHA-insured borrower Taeana Stokes was convicted in U.S. District Court, **Springfield, IL**, of committing bankruptcy fraud. Stokes failed to report her four prior bankruptcies on her current bankruptcy petition and submitted forged documents in an effort to obtain additional credit and delay FHA foreclosure proceedings. HUD losses have not yet been determined.



Lawrence Lockett, the chief executive officer for Home Mortgage, Inc., a HUD-approved lender, pled guilty in U.S. District Court, **Chicago, IL**, to committing bank fraud. Lockett obtained \$317,500 from GMAC Bank to fund a fictitious mortgage loan on a property with a current FHA-insured mortgage.



John Hemphill, doing business as United States Mortgage Release Corporation, was arrested and charged in U.S. District Court, **Chicago, IL**, with allegedly committing mail fraud and impersonating an officer, agent, or employee acting under the authority of the United States. Hemphill allegedly filed fictitious deeds and transferred the ownership of properties belonging to others, including a HUD real estate-owned property, and posed as a Federal receiver to prospective buyers.



Mortgage officer accused of diverting funds

By Amy L. Edwards
SENTINEL STAFF WRITER

Victor Cedeno made a lot of money negotiating short sales for Taylor, Bean & Whitaker Mortgage Corp. — too much, according to federal documents.

Cedeno is accused of diverting more than \$1.5 million in company funds to his personal accounts, a federal indictment revealed Thursday in Orlando said. He faces more than two dozen charges, including money laundering and forging securities.

Also indicted with Cedeno were his girlfriend, Genesis Valdez, and Richard Nanan, another Taylor, Bean & Whitaker employee. Nanan was indicted on one charge and surrendered to authorities.

Federal agents said they think Cedeno, who bought a \$360,000 home in Winter Garden with Valdez earlier this year, has fled the country. Valdez also has not been arrested.

The allegations came to light during an internal investigation by the mortgage company and a probe by the U.S. Secret Service. Cedeno and Nanan worked with real-estate agents, home buyers and lenders during short sales financed by Taylor, Bean, according to court documents.

The indictment alleges that Cedeno negotiated and approved short sales of foreclosed homes owned by his company with mortgag-

es for about 90 percent of the mortgaged value of properties. But then he falsely reported to that he approved the sales at about 80 percent of the mortgaged value. That left 10 percent in false profits to Cedeno, Valdez and Nanan.

Cedeno and Nanan took checks related to the short sales, altered and signed them, and then deposited them into accounts at the Navy Federal Credit Union and SunTrust bank.

Checks from a shell title company created by Cedeno and Valdez — called “United Escrow” — eventually were issued to Taylor, Bean.

“Because the check appeared to be coming from a title company, Taylor, Bean & Whitaker did not realize right away that the checks coming to them were not from legitimate title companies,” the criminal complaint said.

From July 2008 to August, more than 50 checks made payable to the mortgage company were deposited into Cedeno’s credit union account, totaling more than \$1.5 million, court documents said.

Cedeno and Valdez paid Nanan more than \$25,000 for his role in the scheme, the nearly 20-page indictment said.

Based in Ocala, Taylor, Bean & Whitaker recently filed for bankruptcy and is under investigation by federal housing authorities.

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Charles Murphy was indicted in U.S. District Court, **Chicago, IL**, for allegedly committing mail and wire fraud. From 2002 to 2004, Murphy and others allegedly assisted with the fraudulent resale of 19 HUD real estate-owned properties which were acquired at discounted prices by a nonprofit organization approved for the HUD Direct Sales program.

Lawyer indicted in mortgage fraud scheme

U.S. PROBE | Accused with others of ripping off millions

BY FRANK MAIN

Crime Reporter/fmain@suntimes.com

A prominent Chicago lawyer was involved in a multimillion-dollar mortgage fraud scheme, according to a new federal indictment.

Charles Murphy, 63, and his co-defendants are accused of buying dilapidated homes to flip for fraudulently inflated prices.

They allegedly sold more than 50 homes between 2002 and 2004 and raked in more than \$4.2 million in mortgage proceeds from

more than \$11 million in fraudulent loans.

Murphy was named in an indictment unveiled Wednesday. Co-defendants Robert Brunt, Tracey Scullark, John Farano and Douglas Blanchard were previously indicted. Armani D'Aifallah, a mortgage broker, and Walter Jackson, an appraiser, have pleaded guilty.

"He is innocent," said Murphy's attorney Susan Shatz. "Mr. Murphy is a man of great integrity. He is one of the most highly respected trial defense attorneys that you will find."

Murphy was in the headlines in the 1980s and 1990s for his legal representation of El Rukn leader Jeff Fort's brother and others associated with the gang. For years, Murphy has run a golf outing to raise scholarship

money for students at Providence St. Mel School, Shatz said.

Murphy and Farano — an attorney, too — are accused of helping fund fraudulent home purchases by Brunt. Farano also did legal work on the deals, the indictment said.

Farano's attorney, Michael Ettinger, said his client didn't commit any crimes and was not involved in any schemes involving Murphy.

Federal authorities seek to recover more than \$4.2 million from the defendants.

The case is part of "Operation Malicious Mortgage," a nationwide crackdown on home-lending fraud.

Contributing: Steve Warmbir
Comment at suntimes.com.

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Former HUD OIG auditor Kevin Gray pled guilty in Franklin County Court of Common Pleas, **Columbus, OH**, to receiving stolen property. Gray purchased and flipped a HUD real estate-owned property at an inflated value and shared the proceeds with others.



Inspections and Evaluations

Evaluation of Debt Servicing and Collections, Financial Operations Center, Albany, NY

HUD OIG evaluated the efforts of HUD's Financial Operations Center (FOC) in managing FHA debts due HUD as a result of single-family indemnification agreements and civil money penalties (CMP). The objectives of the evaluation were to (1) determine whether FOC debt servicing and collections complied with applicable Federal laws and regulations and (2) to provide an update on the status and assess the collectability of the September 30, 2008, indemnification debt balance of more than \$45.9 million.

FOC staff complied with the Federal statutory and regulatory guidelines covering the collection of indemnification and CMP debt. The FOC serviced debt in a timely manner, and debt management decisions were reasonable and prudent. FOC collection rates compared favorably with rates of the U.S. Department of Veterans Affairs and private collection agencies. Regarding the indemnification debt balance of \$45.9 million, much of it is seriously delinquent and old, and the likelihood of collection is doubtful. As of September 30, 2009, the debt balance stood at almost \$40.9 million.

OIG made no recommendations. However, one other matter concerning the tracking of indemnification debt cases by the originating HUD office was observed. OIG plans to conduct a separate evaluation to determine whether the debt history of lenders is considered when deliberating on future administrative actions. (I&E Report: **IED-09-007**)



Chapter 2

Public and Indian Housing Programs



The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to 4,100 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident management entities and resident skills programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 8, page 116).

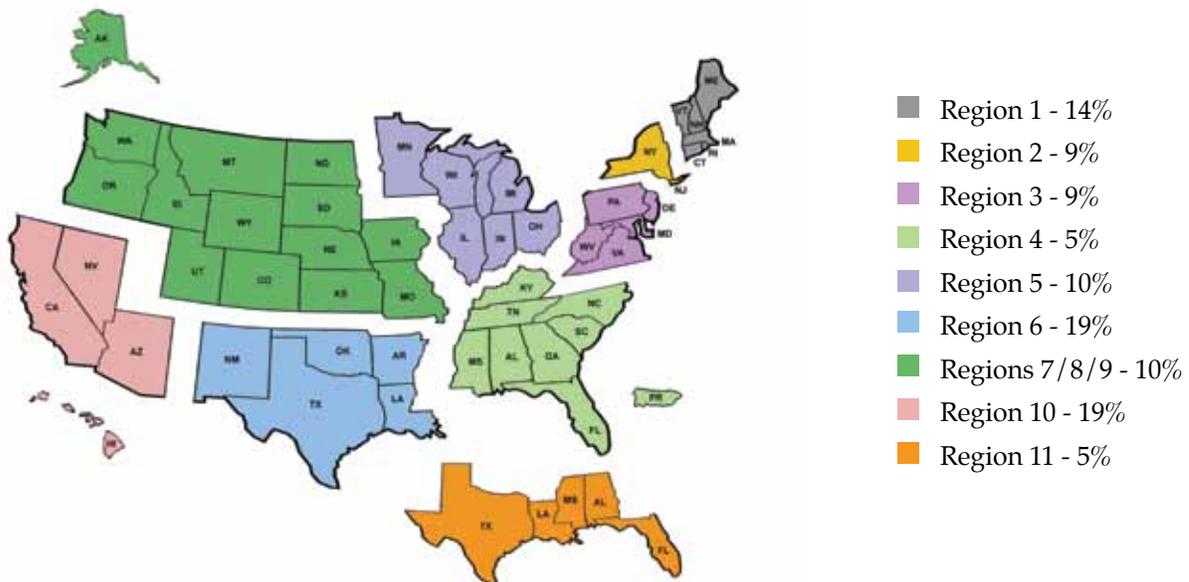
Audit

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

Key program results		Questioned costs	Funds put to better use
Audit	21 audits*	\$15.3 million	\$35.7 million
Our focus	Page 27	<ul style="list-style-type: none"> Section 8 Housing Choice Voucher and leased housing program activities at public housing agencies 	
	Page 29	<ul style="list-style-type: none"> Public housing program activities 	
	Page 30	<ul style="list-style-type: none"> Controls over deceased tenants and invalid Social Security numbers 	
	Page 30	<ul style="list-style-type: none"> Indian block grants 	

*The total public and Indian housing audits, questioned costs, and funds put to better use amounts include any American Recovery and Reinvestment Act of 2009 (nine audits) audits conducted in the public and Indian housing area. The writeups for these audits are shown separately in chapter 5 of this semiannual report.

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



During this reporting period, the Office of Inspector General (OIG) reviewed HUD's controls over the Section 8 Housing Choice Voucher and leased housing programs, public housing activities, deceased tenants' Social Security numbers, and HUD's administration of the Indian Block Grant program.

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

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



HUD OIG audited the **State of Connecticut** Department of Social Services' administration of its housing quality standards program for its Section 8 Housing Choice Voucher program and found that the agency did not adequately ensure that its Section 8 housing units met HUD's housing quality standards. Of the 67 program units inspected, 53 failed inspection, and 34 were materially noncompliant with housing quality standards. In addition, the agency did not always (1) perform its inspections in a timely manner, (2) properly abate the housing assistance payments when repairs were not made as required, or (3) notify the owners of inspection results in a timely manner. The agency also did not have an adequate housing quality standards quality control process.

OIG recommended that HUD require the agency to (1) strengthen controls to ensure that it follows HUD's procedures for conducting inspections and performing Section 8 quality control inspections to ensure that units meet HUD's standards to prevent \$22 million in program funds from being spent annually on units that materially fail to meet HUD's housing quality standards and (2) reimburse its program from non-Federal funds more than \$62,000 for units that remained in noncompliance with housing quality standards and were not properly abated. (Audit Report: **2010-BO-1001**)



HUD OIG audited the **Grand Rapids, MI**, Housing Commission's Section 8 Project-Based Voucher program and found that the Commission lacked documentation to support its selection and approval of program projects and provided housing assistance for units without appropriate housing assistance payments contracts. As a result, it (1) could not support that its eight projects were eligible for more than \$2.8 million in program assistance and program administrative fees totaling more than \$210,000 were appropriate and (2) overpaid more than \$84,000 in program funds.

The Commission provided improper housing assistance. It failed to ensure that six of its program participants met program eligibility requirements. As a result, it overpaid nearly \$30,000 in program funds and received more than \$3,000 in administrative fees contrary to HUD's and its requirements.

The Commission made improper adjustments to housing assistance payments for 78 households. Duplicate adjustments were made for 61 households, adjustments were incorrectly calculated for 19 households, and 2 of the households' adjustments lacked supporting documents. As a result, the Commission overpaid nearly \$10,000 and underpaid more than \$10,000 in housing assistance.

The Commission provided improper housing assistance for vacant units. It failed to follow its administrative plan in providing vacancy payments for 24 households, resulting in more than \$5,500 in overpayments and more than \$1,300 in underpayments.

OIG recommended that HUD require the Commission to (1) reimburse its program from non-Federal funds for the improper use of more than \$102,000 in program funds, (2) provide documentation or reimburse its program more than \$3 million from non-Federal funds for the unsupported payments cited, and (3) implement adequate procedures and controls to address the findings cited to prevent more than \$140,000 in program funds and administrative fees from being used improperly over the next year. (Audit Report: 2010-CH-1003)



HUD OIG audited the administration of the Philadelphia Housing Authority in **Philadelphia, PA**, regarding its housing assistance payments for leased housing under its Moving to Work Demonstration program and found that the Authority generally maintained adequate documentation to support its housing assistance and utility allowance payments but did not always accurately calculate them. OIG found housing assistance and utility allowance calculation errors in 30 of 41 files reviewed, resulting in overpayments and underpayments.

OIG recommended that HUD require the Authority to (1) correct the errors in the tenant files identified, (2) reimburse its leased housing program for the remaining ineligible overpayments, (3) reimburse applicable tenants for the remaining underpayments of housing assistance and utility allowances, (4) provide documentation or reimburse the program from non-Federal funds for unsupported payments, and (5) implement improved procedures and controls to prevent it from overpaying an estimated \$2.3 million in program funds over the next year. (Audit Report: 2010-PH-1002)



HUD OIG audited the Section 8 Housing Choice Voucher program of the Lake Metropolitan Housing Authority in **Painesville, OH**, in response to a congressional request.

The Authority's program administration regarding housing unit conditions was inadequate. Of the 53 housing units inspected that did not receive a quality control inspection by the Authority, 51 did not meet HUD's housing quality standards, and 38 had exigent health and safety violations that existed at the time of the Authority's previous inspections. As a result, more than \$42,000 in program funds was spent on units that were not decent, safe, and sanitary. The Authority also received nearly \$5,000 in inappropriate program administrative fees. Of the 27 housing units that received a quality control inspection by the Authority, 26 did not meet HUD's housing quality standards, and 15 had exigent health and safety violations that existed at the time of the Authority's previous inspections. As a result, more than \$39,000 in program funds was spent on units that were not decent, safe, and sanitary. The Authority also received nearly \$4,000 in inappropriate program administrative fees.

OIG recommended that HUD require the Authority to reimburse its program from non-Federal funds for the improper use of more than \$81,000 in program funds and implement adequate procedures and controls to address the finding cited to ensure that more than \$903,000 in program funds is spent on housing units that meet HUD's requirements. (Audit Report: 2010-CH-1001)



Public Housing Program Activities

HUD OIG audited the Scranton Housing Authority in **Scranton, PA**, to determine whether the Authority followed applicable procurement regulations and used HUD funds properly.

The Authority did not purchase goods, services, and property in accordance with applicable HUD requirements, the terms of its annual consolidated contributions contract, and its own procurement policy. It awarded contracts without competition, paid for services without having a contract, and lacked documentation to support expenditures totaling \$923,000. In addition, it could not support the source and use of \$480,000 in funds invested with a broker and \$801,000 transferred into and out of its non-Federal cash and investment accounts.

OIG recommended that HUD require the Authority to (1) provide supporting documentation or reimburse HUD or the applicable program from non-Federal sources for any amounts that it cannot support; (2) develop and implement controls to ensure that it complies with applicable procurement, cash management, and investment regulations and the terms of its annual consolidated contributions contract; and (3) train applicable staff. OIG also recommended that the Authority create and maintain a detailed investment register and periodically reconcile its investments to it. (Audit Report: **2010-PH-1801**)



HUD OIG audited HUD's efforts to recover the City of New London Housing Authority in **New London, CT**, to evaluate HUD's effectiveness in identifying and helping to correct deficiencies at the Authority.

HUD had detected significant deficiencies but had not been effective in recovering the Authority from its longstanding troubled status. Although HUD provided extensive technical and monetary assistance and entered into a number of binding memorandums of agreement requiring improvement, the Authority's condition continued to decline, it could not meet its debt obligations, and it remained troubled.

HUD failed to take action in a timely manner when the Authority failed to make substantial progress in correcting its deficiencies. As a result, the Authority's financial condition declined, creditors were not paid, liens were placed on its housing projects, and its rent receipts may be placed in receivership unless more than \$1.7 million in unpaid utility bills is paid. In addition, the Authority improperly used more than \$524,000 in Federal funds for State programs, \$105,000 for unsupported payments in lieu of taxes, \$99,000 in Federal capital funds for State security patrols, and \$97,000 for unsupported and unreasonable renovations and painting.

OIG recommended that HUD ensure that the Authority (1) establishes and implements a financial/business plan to pay its creditors, avoid having a local receivership lien placed against its rents, and remove liens; (2) enters into an agreement to repay more than \$900,000 in water and sewer bills; (3) properly accounts for its revolving account, stops using Federal funds for State programs, and repays its Federal programs; (4) repays or supports unreasonable and unsupported contract maintenance costs; and (5) repays or supports Federal funds paid for State security patrols.

OIG further recommended that HUD (1) implement a formal process for reporting troubled housing agencies for a determination of the corrective actions required by HUD regulations and Federal statutes and (2) pursue all administrative and/or civil monetary penalties for the regulatory agreement violations cited. (Audit Report: **2010-BO-0001**)

Controls Over Deceased Tenants and Invalid Social Security Numbers

HUD OIG audited HUD's controls over Housing Choice Voucher program payments for deceased tenants and invalid Social Security numbers to determine whether (1) HUD monitored agencies' actions in response to its memorandum informing them that they had paid rental assistance for deceased tenants and the extent, accuracy, and impact of payments on behalf of deceased tenants and (2) agencies paid rental assistance for tenants with invalid Social Security numbers.

HUD did not monitor the agencies' actions in response to its memorandum, to include whether the agencies received reimbursement for ineligible rental assistance payments made for deceased tenants and corrected information submitted to HUD. HUD did not retain documentation supporting its memorandum and, therefore, could not monitor agencies' responses to the memorandum. Further, because the deceased tenants report did not record the date of death for all deceased tenants, reconciling information and documenting improvement were difficult. OIG estimated that agencies paid approximately \$7 million in questionable payments on behalf of deceased tenants in single-member households. Also, agencies did not update family composition in a timely manner, which resulted in incorrect information being maintained in HUD's system. However, they did check for invalid Social Security numbers before making housing assistance payments, and OIG did not find any reportable conditions.

OIG recommended that HUD (1) improve its monitoring so that it can measure corrections to agency-reported data maintained in HUD's system and agency progress in limiting payments made on behalf of deceased tenants and (2) require agencies to support or repay its programs for questionable payments made on behalf of deceased tenants. (Audit Report: **2010-FW-0001**)

Indian Block Grants

HUD OIG audited the Housing Authority of the Sac and Fox Nation of Oklahoma in **Shawnee, OK**, to determine whether the Authority expended its Indian Housing Block Grant program funds in accordance with HUD rules and regulations.

The Authority did not perform the required environmental reviews or independent cost estimates or acquire appropriate bonding documents for procurement contracts. It also did not (1) maintain its low-rent housing inventory in a decent, safe, and sanitary manner or enforce its unit condition policies and procedures for mutual help housing; (2) follow up on previously failed inspections; or (3) expend grant funds within the year requested. In addition, the Authority did not receive all of its funding back from the Sac and Fox Nation of Oklahoma after the Nation reestablished the Authority.

OIG recommended that HUD require the Authority to (1) support or reimburse nearly \$810,000 and put to better use nearly \$270,000 for the contracts without appropriate environmental reviews and an ineligible hotel expenditure; (2) correct both the deficiencies identified during the inspections and the inaccurate record keeping of funding requested for specific grant years; (3) implement policies and procedures to ensure that it maintains units, follows up on inspections, and turns around units within established timeframes; and (4) continue to work with its accounting firm to determine the correct amount of funding the Nation needs to return to the Authority. (Audit Report: **2010-FW-1002**)



HUD OIG audited the Fort Belknap Indian Community in **Harlem, MT**, to determine whether it administered its Federal funds in a manner consistent with program guidance; regulations; and the terms and conditions of the Federal award for its (1) HUD-accepted Indian housing plan, (2) Indian Housing Block Grant (block grant) program, (3) submission of audited financial statements, (4) tenant accounts receivable, and (5) monthly equity payment accounts.

Fort Belknap did not administer its Federal funds in a manner consistent with program guidance, regulations, and the terms and conditions of the Federal award. It did not ensure that it (1) only completed renovation work in its HUD-accepted Indian housing plan, (2) only used block grant funds for allowable costs, (3) submitted its audited financial statements when required, (4) pursued collection of its past-due tenant accounts receivable, and (5) properly established and maintained its monthly equity payment accounts.

OIG recommended that HUD provide training to Fort Belknap on the proper administration of block grant funds and ensure that it (1) recovers nearly \$183,000 in funds expended for nonaccepted renovation work from the homeowners receiving that assistance or from other non-Federal sources, (2) repays nearly \$32,000 in unallowable costs from non-Federal sources, (3) receives training regarding HUD's financial reporting requirements, (4) recovers more than \$1 million in tenant accounts receivable, and (5) maintains a separate monthly equity payment account for every mutual help program home buyer and identifies and returns \$300,000 in misspent payments to the correct home buyers. OIG also recommended that HUD refer Fort Belknap to its Departmental Enforcement Center for appropriate administrative sanctions and civil actions and enforce the remedies in 24 CFR (Code of Federal Regulations) 1000.532 and 1000.538 for substantial noncompliance. These remedies range from adjusting the amount of block grant funds Fort Belknap will receive to providing a replacement tribally designated housing entity as the recipient. (Audit Report: **2010-DE-1002**)



HUD OIG reviewed HUD's evaluation of the Kaibab Band of Paiute Indians of **Pipe Spring, AZ**'s application for an Indian Community Development Block Grant (Indian block grant) under HUD's 2008 notice of funding availability to evaluate the merits of Kaibab's allegation that HUD treated Kaibab's application prejudicially without providing for a fair review.

OIG found no evidence that HUD treated Kaibab's 2008 Indian block grant economic development grant application with prejudice or failed to provide a fair review. However, the review processes were not standardized in a way that easily precluded any perception of unfairness. Specifically, HUD assigned applications to grants management specialists without ensuring impartial treatment in appearance and in fact. Application reviewers did not receive training or guidance regarding the evaluation of such proposals and were not required to clearly and thoroughly document the reasons for their determination that an application failed to meet HUD requirements. In addition, the Indian block grant project-specific threshold criteria and related guidance were nonspecific regarding key requirements for economic development proposals, and Indian block grant projects were generally perceived to entail greater risk of failure to succeed in the long run. As a result, all economic development proposals faced similar barriers to approval and funding.

OIG recommended that HUD (1) establish a consistent process for assignment of grant applications to reviewers, (2) develop standards to ensure that written review comments are clear and complete, and (3) develop a consistent evaluation approach for certain nonspecific project eligibility criteria. (Audit Report: **2010-LA-0803**)



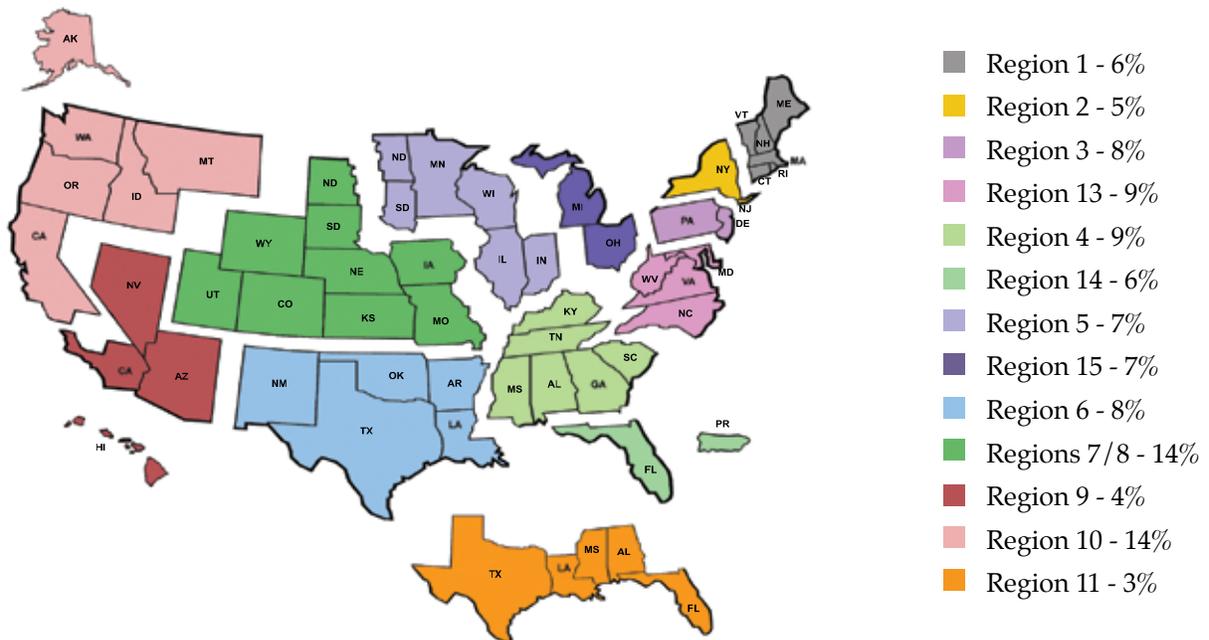
Investigations

Some investigations discussed in this report were generated from leads provided by HUD public and Indian housing program staff and 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	528	\$6,831,610	297	194
Our focus	Page 33 Page 38 Page 41 Page 42 Page 43 Page 44	<ul style="list-style-type: none"> Public Housing Authority theft/embezzlement Rental assistance fraud FedRent Initiative Fugitive Felon Initiative Civil and administrative actions Other fraud/crimes 		

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



Public Housing Authority Theft/Embezzlement

Terri Lucero, the assistant executive director for the Alamosa Housing Authority (Alamosa), was indicted in U.S. District Court, **Denver, CO**, for allegedly filing false Federal income tax returns; Alamosa executive director Doris Abeyta and Jeffrey Guntle each pled guilty to committing embezzlement, theft from a program receiving Federal funds, or money laundering; and the former Alamosa executive director Patricia Martinez and maintenance employee Presiliano Romero were collectively sentenced to 93 months incarceration and 6 years supervised release and ordered to pay HUD more than \$1.2 million in restitution for their earlier guilty pleas to committing theft from a program receiving Federal funds or money laundering. Lucero allegedly failed to report income on her 2003 and 2004 Federal income tax returns, and from April 1998 to November 2007, the remaining defendants and others embezzled more than \$1.8 million in Alamosa funds when they generated or negotiated unauthorized housing authority checks.

Former AHA director charged by feds

Martinez faces two counts

By RUTH HEIDE

ALAMOSA — In a case that began two years ago, former Alamosa Housing Authority Director Patricia Ann Martinez, 62, was arraigned on Wednesday in U.S. District Court in Denver on embezzlement and money laundering charges allegedly occurring while she was executive director of the housing authority.

Martinez pleaded not guilty and was released on a PR bond. She is represented by Valley attorney Cas Garcia.

Prosecuting the case is Assistant U.S. Attorney Thomas O'Rourke with the U.S. Attorney's Office in Denver.

The pending felony charges against Martinez are: 1) converting to own use property of another - embezzled property; and 2) money laundering - larceny and theft, bank.

If convicted of the first charge she could face 10 years, plus fine, restitution and special assessment fee, and if convicted of the second count she could face 20 years, plus a fine, restitution and special assessment.

A trial is expected to take more than five days. Agents from the FBI, IRS and U.S. Department of Housing and Urban Development (HUD) would be expected to testify. (The housing authority oper-

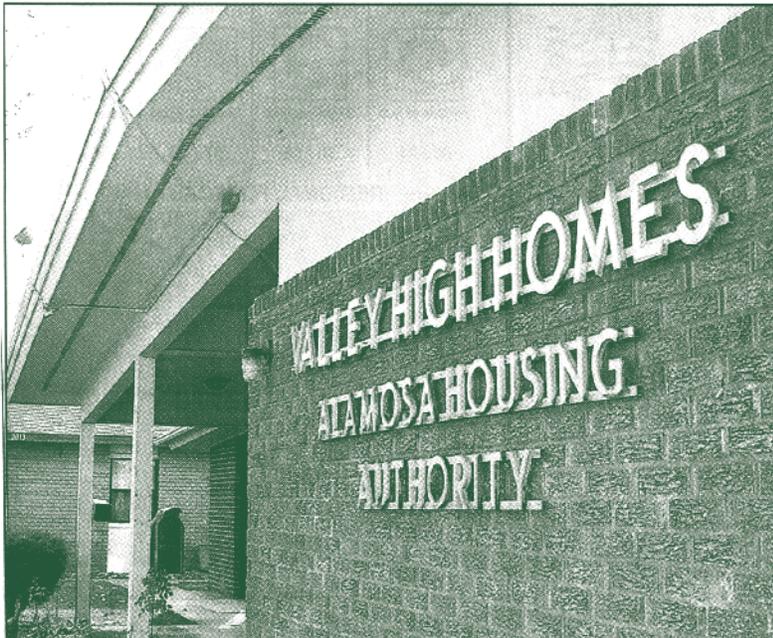


Photo by Ruth Heide

Ironically, a sign at the Alamosa Housing Authority office at 213 Murphy Drive stated in 2007 the authority was not responsible for loss or theft of personal property. The director at that time is now being charged with theft of a greater magnitude.

ates under HUD jurisdiction.)

Judge Philip Brimmer has been assigned to the case. Magistrate Judge Kathleen M. Tafoya presided over the Wednesday hearing that included a waiver of indictment, arraignment and detention hearing.

Martinez, now living in Fort Collins, was director

of the Alamosa Housing Authority for 18 years. She was placed on administrative leave and then resigned from that position in late 2007 after investigations revealed alleged embezzlement of large sums of money. Assistant Director Doris Abeyta was then appointed director.

The Alamosa Housing Au-

thority manages nearly 200 units as well as several dozen Section 8 vouchers.

In 2007 then-District Attorney Peter Comar and his investigative team worked with the Alamosa Police Department on the initial investigation and turned their files over to the federal authorities to proceed with the case since the housing authority is

under the jurisdiction of the federal government. At the time Comar stated that the investigative efforts determined a substantial amount of money had been taken from the housing authority and Martinez was believed to have been involved.

Comar also said at the time that the alleged theft occurred over a period of time and came to light through a tip to the DA's office.

The charging information from the U.S. Attorney narrowed the time period on the first charge down to February-December of 2005 and narrowed the amount down to approximately \$123,550 drawn out of the housing authority's bank account by means of checks made payable to Martinez' sister and nephew, the son of a housing authority employee, a business owned by that employee and an Alamosa businessman. Those other individuals were not named in the court document.

Regarding the second count, the U.S. Attorney charged that on May 5, 2007, Martinez unlawfully conducted a financial transaction through Community Banks of the Rockies that was "designed in whole or in part to conceal and disguise the nature, source, ownership and control of the proceeds of specified unlawful activity," namely that she withdrew \$2,500 from her son's account at that bank by preparing, signing and making a check payable to herself.

Juanita Montalvo-Cruz, a former Deland Housing Authority (Deland) Section 8 case manager, was sentenced in U.S. District Court, **Orlando, FL**, to 36 months incarceration and 24 months probation, ordered to perform 50 hours of community service and pay HUD \$320,244 in restitution, and fined \$30,000 for her earlier guilty plea to committing embezzlement and aggravated identity theft. From November 2003 to September 2008, Cruz created a fictitious landlord and used former tenant identities to fraudulently obtain \$292,446 in housing assistance payments. In addition, from May 2002 to November 2004, Cruz diverted and personally used \$27,798 in Deland housing assistance funds.



Charlesetta Jackson, a former Kansas City Housing Authority (Kansas City) program specialist, and former Kansas City Section 8 tenant Danielle Collins were each indicted or charged in U.S. District Court, **Kansas City, KS**, with allegedly committing bribery, a conspiracy to commit bribery, mail and wire fraud, or aiding and abetting. Jackson allegedly accepted bribes from Collins and assisted unqualified housing applicants who obtained \$236,480 in housing assistance they were not entitled to receive.



Rita Gestring, the former executive director for the Steele Housing Authority (Steele), was sentenced in U.S. District Court, **Cape Girardeau, MO**, to 1 year and 1 day incarceration and 3 years supervised release and ordered to pay Steele \$119,184 in restitution for her earlier guilty plea to committing embezzlement and forgery. Gestring stole about \$224,000 in cash and forged checks from the housing authority.



LaDarana Mees, a finance officer for the Standing Rock Housing Authority, was arrested after her indictment in U.S. District Court, **Rapid City, SD**, for allegedly committing theft from a program receiving Federal funds and money laundering. Mees allegedly issued \$188,217 in fraudulent housing authority payments to the owner of a defunct hardware store who then rerouted \$175,297 to a business operated by Mees.



Margarita Villegas, the former executive director for the South Bronx Community Management Corporation (South Bronx Community), pled guilty in U.S. District Court, **Manhattan, NY**, to committing embezzlement. From May 2005 to March 2009, Villegas and others used the South Bronx Community credit card without authorization and obtained about \$180,000 in personal use items.



Anthony Bandoh, a Syracuse Housing Authority (Syracuse) bookkeeper, was arrested and charged in Onondaga County Court, **Syracuse, NY**, with allegedly committing grand larceny. From 1986 to 2002, Bandoh allegedly diverted and personally used \$176,000 in Syracuse funds.



Ex-Housing Authority exec gets 3 years

A former DeLand Housing Authority assistant director was sentenced to three years in prison Thursday for stealing more than \$320,000 from the agency.

The sentence was handed to Juanita Cruz, 39, of DeLand by Judge Mary S. Scriven in U.S. District Court in Orlando.

In July, Cruz pleaded guilty to stealing from the U.S. government and five counts of aggravated identity theft.



CRUZ

Cruz was ordered to surrender no later than 2 p.m. Jan. 4. Her prison sentence will be followed by two years probation and she was also ordered to pay back \$320,244 to the U.S. Department of Housing and Urban Development, court records show.

Federal investigators said that Cruz, who worked for the DeLand Housing Authority for 13 years, opened a bank account in her own name, and from 2003-2008 made out checks to Section 8 tenants who had actually stopped getting assistance, then cashed the checks herself.

She used the money to pay her own bills and buy high-end electronics, court records show.

Cruz's phone was disconnected and she could not be reached for comment Thursday.

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Ex-housing exec admits to swindling

She is accused of taking more than \$131,000 in unused leave time.



Laura Morales: She faces up to 10 years in prison.

BY GUILLERMO CONTRERAS
gcontreras@express-news.net

The Housing Authority of Bexar County's former executive director pleaded guilty Thursday to stealing more than \$131,000 from money provided by the U.S. Department of Housing and Urban Development.

Laura Morales, 44, admitted she converted to her own use more than \$131,000 from the Section 8 general fund and the operating account of the Bexar Springs apartment complex run by the housing agency.

Morales followed a quiet practice in which housing staff sold back unused time off, said her lawyer, Mike Machado. Morales is cooperating with the FBI and HUD's inspector general.

Morales granted herself annual leave she hadn't earned and then cashed in the credit. She used a stamp bearing HABC board Chairman Rudy Rodriguez's signature to sign the checks.

"She completely deceived about her own involvement," Machado said.

"I don't know of any other targets."

Morales was fired last year after the HABC's board of commissioners learned that in 2007, she concealed the agency's annual financial audit, which contained a vague note that an employee had been overpaid. She was the employee.

A subsequent forensic audit showed five others received questionable pay, including Morales' predecessor, former Executive Director Christine Torres, who was paid \$40,794; and Lisa Ochoa, a former executive manager, who received \$55,915. The other three employees received a total of \$38,614.

Separately, Torres received two years of probation in 2006 and was fined \$1,500 on a state felony charge after illegally selling a county pickup to her son for \$100.

Morales is scheduled for sentencing by U.S. District Judge Fred Biery in March. The maximum punishment she faces is 10 years in prison and a \$250,000 fine.

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Laura Morales, the former Bexar County Housing Authority (Bexar County) executive director, pled guilty in U.S. District Court, **San Antonio, TX**, to committing theft from a program receiving Federal funds. Morales fraudulently inflated her annual leave hours and stole more than \$131,000 in Bexar County funds.

Donna Little Dog, the former Blackfeet Housing Authority (Blackfeet) payroll coordinator, and former Blackfeet employee Cletus Running Wolf, Jr., each pled guilty in U.S. District Court, **Great Falls, MT**, to committing theft from a program receiving Federal funds or aiding and abetting theft from an Indian tribal organization. From 2005 to 2009, Little Dog issued \$104,343 in unauthorized payroll checks to Running Wolf.

□□□

Ronnie Faison, the former deputy director for the Englewood Housing Authority (Englewood), and former Englewood bookkeeper Sergio Gonzalez were collectively sentenced in U.S. District Court, **Newark, NJ**, to 4 months home confinement and 60 months probation, ordered to pay HUD \$103,177 in restitution, and fined \$15,200 for their earlier guilty pleas to committing theft of government funds. From February 2004 to August 2007, Faison and Gonzalez used \$103,177 in Englewood funds for their personal gain. Faison and Gonzalez were also suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government.

□□□

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Marianne Henry was sentenced in U.S. District Court, **New Orleans, LA**, to 3 years probation and ordered to pay HUD \$42,645 in restitution for her earlier guilty plea to committing a conspiracy to steal government funds. From December 2006 to March 2008, Henry and previously convicted Norman Taylor, a former security manager for the Housing Authority of New Orleans (New Orleans), conspired and prepared, endorsed, and negotiated \$85,000 in fabricated New Orleans payroll checks.

□□□

Rhonda Smith, the former Beaufort Housing Authority (Beaufort) executive director, was arrested and charged in Carteret County District Court, **Beaufort, NC**, with allegedly committing embezzlement and corporate malfeasance. In 2008 and 2009, Smith allegedly embezzled about \$80,000 in Beaufort funds when she used Beaufort bank accounts and credit cards for personal expenses.

□□□

Dwayne Muhammad, the former chief operating officer for the Housing Authority of New Orleans (New Orleans) Housing Choice Voucher program, was sentenced in U.S. District Court, **New Orleans, LA**, to 8 months incarceration, 8 months home confinement, and 3 years probation and ordered to pay New Orleans \$45,318 in restitution for his earlier guilty plea to committing theft of government funds. From January 2007

to August 2009, Muhammad fraudulently used information belonging to another and personally obtained \$45,318 in housing assistance he was not entitled to receive.



Angelene Gaskins, a former Pinellas County Housing Authority (Pinellas County) housing manager, was sentenced in U.S. District Court, **Tampa, FL**, to 6 months home detention and 5 years probation and ordered to pay HUD \$44,791 in restitution for her earlier guilty plea to committing theft from a program receiving Federal funds. From August 2004 to February 2006, Gaskins embezzled \$44,791 in Pinellas County funds when she altered, forged, and deposited tenant payments into her personal bank account.



Katisha Simmons, a former St. Louis County Housing Authority (St. Louis County) Section 8 caseworker, was indicted in U.S. District Court, **St. Louis, MO**, for allegedly committing misapplication of government funds. Simmons allegedly manipulated the St. Louis County accounting system and caused the issuance of \$30,864 in unauthorized housing assistance payments to another person.



Elizabeth Graves, a former property manager for Tibbs and Christamore Court Apartments, housing developments subsidized by both the Indianapolis Housing and Indiana Housing and Community Development Authorities, pled guilty in Marion County Superior Court, **Indianapolis, IN**, to committing theft and a corrupt business influence. From 2006 to 2010, Graves obtained and personally used \$22,000 in tenant rents.



Jerome Wallace, a former community services specialist for the HUD-funded Honolulu Department of Community Services Family Self-Sufficiency program and a Hawaii Public Housing Authority housing recipient, was charged in the 1st Circuit Court, **Honolulu, HI**, with allegedly committing theft. From 1999 to 2007, Wallace allegedly failed to report his employment or income on housing certifications and obtained \$20,000 in housing assistance he was not entitled to receive.



Lesvia Barrera, the former executive director for the Eagle Pass Housing Authority, and Juan Sifuentes were each convicted in U.S. District Court, **Eagle Pass, TX**, of committing a conspiracy to defraud the government. During October 2001 and August 2003, Barrera, with assistance from Sifuentes, submitted \$17,800 in false claims to HUD.



David Ford, the former executive director of the Ripley Housing Authority, was arrested and charged in Tennessee General Sessions Court, **Ripley, TN**, with allegedly committing forgery. On March 1, 2010, Ford allegedly deposited a \$12,000 housing authority check into his personal bank account without authorization.



Barbara Hollowell, the former executive director of the Benton Harbor Housing Commission (Benton Harbor), pled guilty in U.S. District Court, **Grand Rapids, MI**, to committing theft of government funds and Social Security Administration (SSA) fraud. Hollowell used a Benton Harbor credit card to obtain about \$12,000 in personal use items and failed to report employment income on SSA retirement certifications.

Ex-BH worker charged with embezzlement, fraud

Former Housing Commission director accused of using federal money for herself, withheld information from Social Security Administration

By **JULIE SWIDWA**
H-P Staff Writer

GRAND RAPIDS — The former director of the Benton Harbor Housing Commission has been charged with

embezzling \$20,000 and Social Security fraud.

If convicted, Barbara Hollowell, 67, faces up to 25 years in prison.

Hollowell, now of Kansas City, Kan., is charged with two counts of embezzlement and one count of Social Security fraud, U.S. Attorney Donald Davis announced Friday. The case is being prosecuted by Assistant U.S. Attorney Ronald Stella in the Western



HOLLOWELL

District of Michigan in Grand Rapids.

In the indictment, the federal grand jury alleges that Hollowell used federal Housing Commission money for personal reasons. It also alleges that she drew retirement benefits between 2004 and 2006 while failing to notify the Social Security Administration that she was earning income far above allowable limits.

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Rosa Reyes and Catherine Diaz, former Nassau County Office of Housing and Intergovernmental Affairs employees, were each arrested and charged in Nassau County Criminal Court, **Mineola, NY**, with allegedly committing grand larceny and official misconduct, receiving bribes, offering false instruments for recording, and falsifying business records. Between June 2003 and February 2008, Reyes and Diaz allegedly solicited and accepted bribes from Section 8 applicants in return for preferential placement on the housing waiting list. In addition, from May 2004 to September 2007, Diaz, the treasurer for the Association of Long Island Housing Agencies (Long Island Housing), allegedly used \$11,035 in Long Island Housing funds for personal expenses.



Jane Martin, a former Turtle Mountain Housing Authority (Turtle Mountain) development specialist, was indicted in U.S. District Court, **Fargo, ND**, for allegedly committing theft of government funds. Martin and others allegedly created a fictitious construction project and fraudulently obtained \$7,500 in Turtle Mountain funds.



Debra Waterman, the former executive director for the Superior Housing Authority (Superior), was sentenced in Douglas County Circuit Court, **Superior, WI**, to 90 days incarceration and 1 year probation and ordered to pay Superior \$10,000 in restitution for her earlier guilty plea to committing theft. Waterman used the Superior credit card to obtain \$10,000 in personal use items.



Hector Claveria, a former commissioner for the Hoboken Housing Authority, was indicted in Hudson County Superior Court, **Newark, NJ**, for allegedly committing official misconduct and bribery and accepting receipt of an unlawful benefit. Claveria allegedly accepted cash payments from a housing applicant in return for his efforts to circumvent the housing waiting list. HUD losses have not yet been determined.

Rental Assistance Fraud

Five former Miami-Dade Housing Agency (Miami-Dade) housing recipients were arrested on probable cause or charged in the Florida Circuit Court, **Miami, FL**, with allegedly committing grand theft. In addition, former Miami-Dade housing recipients Robinson and Phillip Dukes, Carolyn Nesmith, and Melinda Hughes were collectively sentenced to 20 years probation and 15 years supervised release and ordered to pay HUD \$123,614 in restitution for their earlier guilty pleas to committing grand theft. Between 1993 and 2007, the above defendants allegedly and Robinson and Phillip Dukes, Nesmith, and Hughes admittedly failed to report income or accurate household composition on housing certifications and collectively obtained \$253,984 in housing assistance they were not entitled to receive.



Six former Indianapolis Housing Agency Section 8 tenants were each charged in Marion County Court, **Indianapolis, IN**, with allegedly committing theft and welfare fraud. From 2005 to 2009, the above defendants allegedly failed to report income, unauthorized residents, duplicate housing assistance, or their criminal histories on housing certifications and collectively obtained more than \$200,000 in housing assistance they were not entitled to receive.



Gwendolyn Fisk, Yousha Wheeler, Ernestina Martinez, and Mary Murillo, former Hawthorne Housing Authority (Hawthorne) Section 8 tenants and a landlord, were each charged in Los Angeles County Superior Court, **Los Angeles, CA**, with allegedly committing grand theft and perjury and offering or attempting to offer a false instrument for recording. In addition, former Hawthorne Section 8 tenant Cathy McClain was sentenced to 270 days incarceration and 3 years probation and ordered to perform 30 days of community service and pay Hawthorne \$15,358 in restitution for her earlier guilty plea to committing grand theft. Between August 2003 and January 2010, the above defendants allegedly and McClain admittedly failed to report income, accurate household composition, or their familial relationship with their Section 8 landlord on housing or other certifications and together obtained \$129,019 in housing and \$16,514 in other assistance they were not entitled to receive.



Ex-housing director faces theft charge

Superior Telegram

The former executive director of the Superior Housing Authority is accused of stealing nearly \$72,000 from the agency.

Debra L. Waterman, 51, faces a single charge of felony theft. She is scheduled to make her initial appearance today in Douglas County Circuit Court.

Waterman served as executive director of the housing authority from 2001 to 2008. During that time, a total of \$71,838 worth of credit card charges were made with no receipts to show what the money was used for, according to the criminal complaint filed Thursday in the Douglas County Clerk of Courts office.

Although Waterman admitted she used the agency's credit card for personal use, she said she only took about \$10,000, the complaint stated.

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Patricia Stroud and Herman Angel, former New York City Housing Preservation and Development (Housing Preservation) housing recipients, were collectively sentenced in U.S. District Court, **Manhattan, NY**, to 3 years supervised probation and 12 months supervised release, fined \$7,500, and ordered to pay HUD or Housing Preservation \$122,064 in restitution for their earlier guilty pleas to making false statements to HUD or committing theft of government funds. From October 2004 to May 2009, Stroud and Angel failed to report income on housing certifications and together obtained \$122,064 in housing assistance they were not entitled to receive



Taikei Turner, Angela Carpenter, Rosland Stewart, and Louise Williams, current or former Las Vegas Housing Authority Section 8 tenants and a landlord, were each charged in Las Vegas or Clark County Justice Courts, **Las Vegas, NV**, with allegedly committing theft or theft by misrepresentation and a conspiracy. From November 2003 to July 2009, Turner and Carpenter allegedly failed to report income or an accurate household composition, and Stewart and Williams allegedly conspired and failed to report an unauthorized resident. Collectively, the above defendants obtained \$113,392 in housing assistance they were not entitled to receive.



Six New York City Housing Authority (New York City) housing recipients or applicants were each charged in U.S. District, New York Supreme, or the Bronx Criminal Courts, **Manhattan or the Bronx, NY**, with allegedly making false statements; committing theft of government funds, grand larceny, or forgery; possession of a forged instrument; offering a false instrument for filing; or filing false business records. In addition, New York City housing recipients Sandra Jimenez and Luzveminga Leon and unauthorized housing recipient Willmer Santiago were collectively sentenced to 3 years probation and 72 months supervised release and ordered to perform 100 hours of community service and pay HUD or New York City \$55,971 in restitution for their earlier guilty pleas to committing theft of government funds. Jimenez, Leon, and Santiago admittedly and the remaining defendants allegedly failed to report income, assets, unauthorized residents, or their nonresidency and the subleasing of their subsidized units on housing certifications. Collectively, the above defendants obtained more than \$112,456 in housing assistance they were not entitled to receive.



Aesha Johnson, a Cuyahoga Metropolitan Housing Authority (Cuyahoga Metropolitan) Section 8 landlord and tenant, was charged in Cuyahoga County Court of Common Pleas, **Cleveland, OH**, with allegedly committing theft and tampering with records. In addition, former Cuyahoga Metropolitan housing recipients or landlords Preston Sales, Rhonda Johnson, and Kevin Landrum were collectively sentenced to 66 months incarceration and 10 years community control and ordered to pay Cuyahoga Metropolitan \$43,691 in restitution for their earlier guilty pleas to attempting to tamper with records; possessing criminal tools and weapons under disability; or committing theft, bribery, or trafficking offenses. From July 2003 to September 2009, Aesha Johnson allegedly and Sales and Rhonda Johnson admittedly failed to report income, assets, or accurate household composition on housing certifications, and Landrum paid bribes to pass inspections or increase his housing assistance payments. Collectively, the above defendants obtained more than \$107,598 in housing and utility assistance they were not entitled to receive.



Sonny Vo and Denise Nguyen, a former Norwood Housing Authority Section 8 landlord and tenant, each pled guilty in U.S. District Court, **Boston, MA**, to committing mail fraud. From August 2001 to September

2008, Vo and Nguyen failed to report their joint residency on housing certifications and together obtained \$104,496 in housing assistance they were not entitled to receive.



Rochonda Brown and Melissa McClelland, current or former Mississippi Regional Housing Authority V (Mississippi Regional) Section 8 tenants, were each charged in U.S. District Court, **Jackson, MS**, with allegedly making false statements or claims and committing theft of government funds or mail fraud. In addition, former Mississippi Regional Section 8 tenants Brenda Tillman, Deborah McNair, and Mary Bell each pled guilty to committing theft of government funds, and former Mississippi Regional Section 8 tenant Eva Reynolds was sentenced to 3 years supervised probation and ordered to pay Mississippi Regional \$26,120 in restitution for her earlier guilty plea to committing theft of government funds. Brown and McClelland allegedly and the remaining defendants admittedly failed to report income on housing certifications and collectively obtained \$101,873 in housing assistance they were not entitled to receive.



Zina Worley, a former Boston Housing Authority (Boston) Section 8 tenant, pled guilty in Boston Municipal Court, **Boston, MA**, to making a false claim and committing larceny over \$250 by false pretense. In addition, former Boston Section 8 tenant Gladys Hill was sentenced to 2 years probation and ordered to pay Boston \$25,000 in restitution for her earlier guilty plea to making a false claim and committing larceny over \$250. From March 1998 to January 2007, Worley and Hill failed to report income on housing certifications and together obtained \$95,381 in housing assistance they were not entitled to receive.



Benjamin and Zisi Ruttner, Village of Kaser Section 8 tenants, were each arrested and charged in New York State Justice Court, **Haverstraw, NY**, with allegedly committing grand larceny and welfare fraud. Benjamin and Zisi Ruttner allegedly failed to report income on housing and other certifications and together obtained \$89,430 in housing and \$67,649 in other assistance they were not entitled to receive.



Sonja Taylor and Coletta Washington, current or former Sacramento Housing and Redevelopment Agency (Sacramento) Section 8 tenants, were each charged in Sacramento County Superior Court, **Sacramento, CA**, with allegedly committing grand theft, welfare fraud, and perjury. In addition, former Sacramento Section 8 tenant Frances Gallegos was sentenced to 90 days incarceration and 3 years probation and ordered to pay an undetermined amount of restitution for his earlier *nolo contendere* plea to committing grand theft. The above defendants allegedly failed to report income, their criminal histories, or an unauthorized resident on housing certifications and collectively obtained \$85,992 in housing assistance they were not entitled to receive.



Sheri Hirsh, a former Douglas County Housing Authority (Douglas County) Housing Choice Voucher program participant, was indicted in U.S. District Court, **Omaha, NE**, for allegedly making false statements; former Douglas County Section 8 tenant Shena Holmes entered into a pretrial diversion, admitted to making false statements, and agreed to pay Douglas County \$12,584 in restitution; and former Douglas County housing recipients Cynthia Ellis, Bernita Anderson, and Deonna Wright-Reese were collectively sentenced to 12 years probation and ordered to pay Douglas County \$31,163 in restitution for their earlier guilty pleas

to making false statements to HUD. From 2003 to 2008, Hirsh allegedly and the remaining defendants admittedly failed to report income on housing certifications and collectively obtained \$78,623 in housing assistance they were not entitled to receive.

FedRent Initiative

HUD's latest study estimated the combined gross improper rental housing assistance payments to be \$1.022 billion in Fiscal Year 2008. In an effort to combat administrative overpayments and tenant fraud, HUD and HUD OIG commenced "Operation FedRent," a joint effort to address rental assistance fraud involving Federal employees. Operation FedRent compares HUD tenant data to current and retired Federal employee information maintained by the U.S. Office of Personnel Management. After the data comparison, an income eligibility determination is made, and the Social Security numbers for family members 6 years of age and older are verified. If a discrepancy exists, an investigation is opened, and appropriate administrative or legal actions are initiated to collect any overpaid housing assistance. Results of Operation FedRent during this semiannual reporting period are described below.



Denise Davis, a former Newark Housing Authority 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 allegedly making false statements to HUD and committing theft of HUD funds. From April 1985 to May 2006, Davis allegedly failed to report income on housing certifications and obtained about \$105,000 in housing assistance she was not entitled to receive.



Natosha Houston, a former Arlington Housing Authority Section 8 tenant and U.S. Department of Homeland Security employee, was charged in U.S. District Court, **Fort Worth, TX**, with allegedly making false statements to HUD. From 1999 to 2005, Houston allegedly failed to report income on housing certifications and obtained \$53,804 in housing assistance she was not entitled to receive.



Shawnda Burnett, a former Housing Authority of the City of Los Angeles Section 8 tenant and current Equal Employment Opportunity Commission employee, pled guilty in U.S. District Court, **Los Angeles, CA**, to making a false statement. From 1998 to May 2008, Burnett failed to report income on housing certifications and obtained about \$37,374 in housing assistance she was not entitled to receive.



Candace Morrow, a former Pilgrim Village Housing Authority Housing Choice Voucher program participant and Internal Revenue Service (IRS) employee, pled guilty in U.S. District Court, **Buffalo, NY**, to committing theft of government funds. From 2005 to 2010, Morrow failed to report income on housing certifications and obtained \$32,358 in housing assistance she was not entitled to receive.



Nellie Howard, a former Cook County Housing Authority Section 8 tenant and U.S. Postal Service (USPS) employee, paid HUD \$27,000 and was sentenced in U.S. District Court, **Chicago, IL**, to 2 years

probation and ordered to perform 200 hours of community service for her earlier guilty plea to committing theft of government funds. From 2004 to 2007, Howard failed to report income on housing certifications and obtained \$27,000 in housing assistance she was not entitled to receive.



Adrienne Harper-Green, also known as Adrienne Harper, a former Dupage Housing Authority Section 8 tenant and current USPS employee, was indicted in U.S. District Court, **Chicago, IL**, for allegedly committing theft and mail fraud. From 2003 to 2005, Harper-Green allegedly failed to report income on housing certifications and obtained about \$13,000 in housing assistance she was not entitled to receive.



Cherie Nelson, a former Fresno City and County Housing Authorities Section 8 tenant and U.S. Department of Veterans Affairs employee, was sentenced in U.S. District Court, **Fresno, CA**, to 12 months probation and ordered to pay HUD \$7,621 in restitution for her earlier guilty plea to making false statements to HUD. From June 2002 to August 2006, Nelson failed to report income on housing certifications and obtained \$7,621 in housing assistance she was not entitled to receive.



Adriane Smith, a former Prince Georges County Housing Authority Section 8 tenant and current U.S. Department of Agriculture employee, was charged in Prince Georges County District Court, **Upper Marlboro, MD**, with allegedly committing theft over \$500. From September 2006 to March 2009, Smith allegedly failed to report income on housing certifications and obtained more than \$5,327 in housing assistance she was not entitled to receive.



Penny Justice, a former Ogden Housing Authority (Ogden) public housing tenant and IRS employee, was sentenced in Utah State Court, **Ogden, UT**, to 30 days incarceration and 18 months supervised probation and ordered to pay Ogden \$2,912 and attend theft reform training for her earlier guilty plea to obtaining housing benefits through fraud. From July 2008 to February 2009, Justice failed to report income on housing certifications and obtained \$2,912 in housing assistance she was not entitled to receive.

Fugitive Felon Initiative

OIG supports a Fugitive Felon Initiative (FFI) by matching HUD housing assistance information with crime data from the National Crime Information Center, U.S. Marshals Service (Marshals), and other participating law enforcement data banks. In addition, OIG special agents actively participate in the Marshals' "Operation FALCON," a joint Federal, State, city, and county law enforcement effort to locate and apprehend fugitive felons wanted for violent crimes. Conducted in most major cities throughout the United States and its territories, Operation FALCON places a strong emphasis on apprehending fugitive felons involved in gangs, homicides, sexual assaults, or crimes against the elderly and children. Since the inception of OIG's FFI, hundreds of cases have been opened and closed, resulting in more than 8,718 in arrests. OIG strongly supports Operation FALCON in an effort to make HUD public and assisted housing safe for families. Below is an example of that effort.



Henry Kent, a Seattle Housing Authority Section 8 tenant since 2004, was arrested in **Seattle, WA**, on an outstanding Canadian warrant for allegedly absconding or escaping from postprison supervision for noncapital murder.

Civil and Administrative Actions

Helen Lowe, a former San Francisco Housing Authority (San Francisco) Section 8 landlord previously convicted in U.S. District Court, **San Francisco, CA**, of making false statements, entered into a Program Fraud Civil Remedies Act (PFCRA) settlement and agreed to pay HUD \$20,000. In addition, previously convicted San Francisco Section 8 tenant Lauton Joshua was ordered to pay HUD \$226,498 in civil penalties and assessments as a result of a PFCRA action. From August 1998 to December 2006, Lowe and Joshua failed to report income, assets, or their familial relationship on housing certifications and together obtained \$126,934 in housing assistance they were not entitled to receive.



Tracey White-Jenkins, the former Irvington Housing Authority (Irvington) Section 8 director who previously pled guilty in U.S. District Court, **Newark, NJ**, to committing theft of government funds and submitting a false Federal income tax return, was suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government. White-Jenkins fraudulently obtained, deposited, and personally used \$98,878 in Irvington housing assistance payments.



LaRaye O'Brien, a former Boise City/Ada County (Boise/Ada) Housing Authority Section 8 landlord, was charged in a civil complaint filed in Idaho District Court, **Boise, ID**, with allegedly providing false housing certifications. In addition, former Boise/Ada Section 8 tenants Jeremiah and Jennifer O'Brien entered into civil settlements and agreed to repay Boise/Ada \$48,980. From August 2003 to April 2009, the above defendants allegedly failed to report their familial relationship on housing certifications and collectively obtained \$48,980 in housing assistance they were not entitled to receive.



Ralph Payne, Jr., a former Orange County Housing and Community Development Section 8 landlord who previously pled guilty in U.S. District Court, **Orlando, FL**, to committing a conspiracy to defraud HUD, entered into a PFCRA settlement and agreed to pay HUD \$10,000. From 2001 to 2005, Payne failed to report his joint residency with his Section 8 tenant and obtained \$37,477 in housing assistance payments he was not entitled to receive.



Killer will be returned to 'Toba

Authorities in Seattle have arrested a convicted murderer from Manitoba after he allegedly breached his parole conditions.

The Pacific Northwest Fugitive Apprehension Task Force arrested Henry Arthur Kent early Wednesday in the Washington city, U.S. Marshals said in a press release.

Kent was released from prison on parole in 1996 after serving 13 years of a life sentence for murder.

He had been found guilty of robbing a store and beating its 84-year-old owner so badly the man died about six weeks later.

Kent will be extradited to Manitoba, U.S. Marshals said.

The Pacific Northwest task force is sponsored by U.S. Marshals and includes investigators from several departments.



HENRY KENT
Released in '96

— **Winnipeg Sun**

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Lorelei Kristoff, a former Fort Walton Beach Housing Authority (Fort Walton) Section 8 landlord who previously pled guilty in U.S. District Court, **Pensacola, FL**, to making a false statement and committing theft of government property, entered into a PFCRA settlement and agreed to pay HUD \$5,000. From July 2002 to April 2004, Kristoff overcharged Fort Walton Section 8 tenants and falsified housing contracts.



Christian and Natalie Maute, former New Jersey Department of Community Affairs (Community Affairs) Section 8 landlords in **Newark, NJ**, were each debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 3 years. Christian and Natalie Maute entered into lease contracts with Section 8 tenants and allegedly required the tenants to pay a monthly rental amount that exceeded the monthly rental amount set by Community Affairs.



Victor Ortiz, a former City of Paterson housing inspector previously sentenced in U.S. District Court, **Newark, NJ**, for his earlier guilty plea to receiving corrupt payments, interfering with commerce by threats or violence, and aiding and abetting, was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for 20 months. Ortiz and others solicited and accepted bribes in exchange for steering Section 8 tenants to specific properties. HUD losses have not yet been determined.



Scott Epstein, a former West Palm Beach Housing Authority (West Palm Beach) Section 8 landlord, entered into a deferred prosecution filed in the 15th Judicial Circuit Court, **Wellington, FL**, and agreed to refrain from participating in Section 8 housing programs for 12 months. Epstein allegedly allowed the residency of unauthorized tenants in his West Palm Beach subsidized housing units.

Other Fraud/Crimes

Niasha King, a St. John the Baptist Parish Housing Authority public housing tenant, and Orlando Brown and Lester Gardner, Jr., were each charged in U.S. District Court, **New Orleans, LA**, with allegedly committing arson, wire fraud, a conspiracy to commit wire fraud, wire fraud through the use of fire, and aiding and abetting. The above defendants allegedly conspired and set fire to King's and other subsidized housing units. HUD losses are estimated at \$573,480.



Alex Trujillo-Ojeda, an unauthorized Puerto Rico Public Housing Administration (Puerto Rico) tenant, was arrested after his indictment in U.S. District Court, **San Juan, PR**, for allegedly committing a conspiracy to interfere with commerce by threats or violence; a conspiracy to possess firearms in furtherance of drug trafficking crimes; a conspiracy to distribute narcotic controlled substances; aiding and abetting in the interference of commerce by threats or violence; and aiding and abetting in the distribution of heroin, cocaine, cocaine base, and marijuana. In addition, Puerto Rico housing recipient Jean Casanova-Garcia pled guilty to committing a conspiracy to interfere with commerce by threats or violence. From July 2006 to January 2009, Trujillo-Ojeda and others allegedly and Casanova-Garcia admittedly extorted about \$118,000 from North Constructors Group, Inc., a Puerto Rico rehabilitation contractor. In addition, Trujillo-Ojeda and others allegedly distributed narcotic controlled substances within public housing units.



Roosevelt Nicholson was sentenced in U.S. District Court, **St. Louis, MO**, to 21 months incarceration and ordered to pay the St. Louis and St. Clair County Housing Authorities and others \$52,840 in restitution for his earlier guilty plea to committing a conspiracy to manufacture counterfeit securities. Nicholson conspired with others and produced \$35,608 in counterfeit checks drawn on the St. Louis and St. Clair County Housing Authorities and counterfeit checks that involved other businesses.



Adrian Hawkins, a former Lexington-Fayette Urban County Housing Authority (Lexington-Fayette) Section 8 tenant, and Josh Burgess were each arrested and charged in Fayette County District Court, **Lexington, KY**, with allegedly possessing forged instruments. From December 2009 to January 2010, Burgess and Hawkins allegedly created or forged and negotiated about \$6,500 in fraudulent Lexington-Fayette checks.



Jeffrey Font-Ruiz, a former San Juan Department of Housing and Community Development (Housing and Community Development) landlord, was sentenced in U.S. District Court, **San Juan, PR**, to 41 months incarceration for his earlier conviction of committing a conspiracy to solicit monies concerning a program receiving Federal funds. From 2004 to 2006, Font-Ruiz and others solicited and received payments from Housing and Community Development applicants in return for housing vouchers or improved placement on the housing waiting list. HUD losses have not yet been determined.



Charlie Hampton, a former Housing Authority of New Orleans (New Orleans) contractor, was sentenced in Louisiana State Court, **New Orleans, LA**, to 6 months incarceration (suspended) and 1 year inactive probation and fined \$2,000 for his earlier guilty plea to violating the Louisiana Pollutant Discharge Elimination System. Hampton falsified documents and fraudulently certified that asbestos had been properly removed from demolished New Orleans buildings.



Thirty-nine New York City Housing Authority (New York City) authorized and unauthorized housing recipients were arrested and indicted in U.S. District Court, **Bronx, NY**, for allegedly possessing controlled substances with the intent to distribute. The above defendants allegedly sold illegal drugs from New York City subsidized housing units.



Christopher Summers pled guilty in U.S. District Court, **Kansas City, KS**, to committing wire fraud, producing and possessing counterfeit securities, and defrauding the government. From May 2007 to May 2009, Summers and others conducted a counterfeit check scheme from a public housing unit that involved the Kansas City and Independence Housing Authorities and a number of businesses.



Charles Jones, a former Vicksburg Housing Authority maintenance supervisor, pled guilty in Mississippi State Court, **Jackson, MS**, to possession of a controlled substance. Jones accepted delivery of one kilo of cocaine at the Vicksburg Housing Authority.



Manuel Rodriguez, a former Fresno Housing Authority (Fresno) Section 8 landlord, was sentenced in Fresno County Superior Court, **Fresno, CA**, to 72 months incarceration for his earlier *nolo contendere* plea to committing grand theft, forgery, and perjury. In July 2007, Rodriguez allegedly set fire to his Fresno-subsidized housing unit in an attempt to commit insurance fraud.



Luz Rodriguez, Yolanda Ramos, Wesley Peña, and Angel Rodriguez, unauthorized Puerto Rico Public Housing Administration (Puerto Rico) tenants, were each arrested and charged in Puerto Rico State Court, **San Juan, PR**, with allegedly occupying public housing units illegally. The above defendants allegedly entered and occupied Puerto Rico public housing units without authorization.



Gary Pearson, a Chicago Housing Authority Section 8 landlord, was indicted in U.S. District Court, **Chicago, IL**, for allegedly concealing information on bankruptcy petitions. Pearson allegedly failed to report housing assistance payments or his prior bankruptcy filings on his 2005 and 2008 bankruptcy petitions.



Frederick Freeman, a former Ogden Housing Authority public housing tenant, was sentenced in U.S. District Court, **Ogden, UT**, to 30 months incarceration and 36 months supervised probation and ordered to forfeit 302 rounds of ammunition for his earlier guilty plea to possessing ammunition after conviction of a felony. When questioned by Federal agents, Freeman disclosed that he was a convicted felon and provided 302 rounds of ammunition from his public housing unit.



James Bailey was sentenced in Dorchester District Court, **Boston, MA**, to 2 years probation and ordered to perform 100 hours of community service and pay a number of victims \$8,300 in restitution for his earlier guilty plea to committing larceny over \$250. From July to October 2007, Bailey sold nonexistent Boston Housing Authority Section 8 vouchers to a number of victims.



Chapter 3

Multifamily

Housing Programs



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

Audit

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

Key program results		Questioned costs	Funds put to better use
Audit	8 audits	\$1.1 million	\$10.9 million
Our focus	Page 49	<ul style="list-style-type: none"> Review of HUD’s monitoring of performance-based contract administrators 	
	Page 49	<ul style="list-style-type: none"> Owner and management agent operations 	

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



* This does not include disaster relief audits. See chapter 6 for these reviews.

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

HUD OIG audited HUD's annual contributions contracts for performance-based Section 8 contract administration to determine whether the contracts were cost effective.

HUD did not always ensure accountability for results and include appropriate, cost-effective controls over its contracts. Consequently, it did not obtain the best value for the \$291 million spent in 2008 on contract administration services. In particular, HUD spent \$107 million of this amount on incentive fees. While OIG could not quantify how much of this amount was excessive, HUD continued to pay incentives for tasks that were included in the contract administrators' basic fees. In addition, at least \$7.6 million may be wasted each year because HUD continues to extend contracts beyond the original contract term of 5 years.

OIG recommended that HUD perform a detailed analysis to determine the most cost-effective method of performing the contract administration tasks. After selecting the best method, HUD should ensure accountability for results and include appropriate, cost-effective controls in its contracts. (Audit Report: 2010-LA-0001)

Owner and Management Agent Operations

HUD OIG audited Kier Property Management and Real Estate, LLC, in **Denver, CO**, to determine whether Kier properly accounted for property and management agent costs and properly accomplished its occupancy functions.

Kier recorded more than \$2 million in notes payable in the properties' books for notes that did not properly restrict repayment of the principal to surplus cash. It also used property funds for nearly \$65,000 in ineligible setup fees and did not always correctly compute subsidies or determine tenant eligibility.

OIG recommended that HUD require Kier to work with the owner to ensure that the notes restrict principal payments to surplus cash and repay nearly \$65,000 in setup fees from non-Federal funds. OIG also recommended that HUD require Kier to (1) work with HUD to recover identified overpayments of Section 8 housing assistance subsidies, (2) correct the rent miscalculations identified, and (3) develop procedures to consistently communicate changes to the policies and procedures to ensure accurate and consistent rent calculations and related occupancy procedures. (Audit Report: 2010-DE-1001)



HUD OIG audited the trust fund account of the Lutheran Gardens Corporation in **Compton, CA**, to determine whether the Corporation withdrew and expended trust funds in accordance with its agreement with HUD.

The Corporation expended the trust funds according to the eligible uses described in the agreement. However, it did not comply with the agreement when depositing and withdrawing trust funds. With more than \$918,000 in trust funds still subject to the agreement as of June 17, 2009, HUD and the Corporation were at risk of not complying with the regulatory requirements to ensure that the trust funds were used to promote the expansion of the supply of low- and moderate-income housing.

OIG recommended that HUD ensure that the Corporation (1) establishes the required trust account with HUD named as the trustee and provides signature cards for a HUD representative to sign; (2) deposits the

balance of the trust funds subject to the agreement held in a Wells Fargo Bank account, along with more than \$87,000 in replacement reserves due the trust; and (3) submits trust fund authorization forms to HUD for signature and approval before withdrawing trust funds from the trust account. (Audit Report: **2010-LA-1802**)



HUD OIG audited HUD's regulatory agreement with the Yorkville Cooperative in **Yorkville, VA**, to determine whether HUD entered into the appropriate regulatory agreement with the Cooperative for its Section 221(d)(3) program.

HUD and the Cooperative did not enter into an appropriate regulatory agreement for participants of the Section 221(d)(3) program. The regulatory agreement executed in 1979 was intended for entities participating in the multifamily insurance program, but it did not include specific regulatory requirements needed for entities participating in the program as cooperatives. The agreement failed to include necessary requirements pertaining to the general operating reserve account.

OIG recommended that HUD enter into an amended regulatory agreement with the Cooperative that includes a rider pertaining to the general operating reserve to ensure that the nearly \$990,000 in reserve funds will only be used for eligible expenses. (Audit Report: **2010-PH-0801**)



HUD OIG audited the Yorkville Cooperative in **Fairfax, VA**, to determine whether the Cooperative administered its Section 221(d)(3) property and housing assistance contract according to its regulatory agreement and HUD requirements.

The Cooperative did not administer its Section 221(d)(3) property and housing assistance contract in accordance with its regulatory agreement and HUD requirements. Specifically, it used operating funds to pay for ineligible expenses (legal fees and resident promotions) and made erroneous calculations and unsupported housing assistance payments on behalf of its board members. It also billed HUD for housing assistance payments it may not have been eligible to receive.

OIG recommended that HUD require the Cooperative to (1) reimburse its operating account from non-Federal funds nearly \$244,000 for ineligible expenses; (2) develop and implement adequate procedures and controls to ensure that disbursements made from its operating account are for expenses that are reasonable, necessary, and in accordance with program requirements; (3) reimburse HUD from non-Federal funds more than \$14,000 for the overpayment of housing assistance and provide support or reimburse HUD nearly \$67,000 from non-Federal funds for unsupported housing assistance payments; and (4) develop and implement procedures to ensure that housing assistance payments are correctly calculated and supported with the required documentation. (Audit Report: **2010-PH-1003**)



HUD OIG audited the SFDS Development Corporation in **New York, NY**, management agent for HUD-subsidized Section 202 elderly housing direct loan properties, to assess the merits of a hotline complaint and the agent's compliance with HUD financial, procurement, and administrative regulations applicable to the Section 202 elderly housing program.

The agent did not comply with HUD regulations. Specifically, the agent (1) charged ineligible and unsupported expenses to the projects, (2) failed to make required deposits to or seek HUD approval for withdrawals from the replacement for reserve account, (3) did not always conduct unit inspections or procure

services in a prudent manner, and (4) failed to file financial statements in a timely manner. As a result, the projects were deprived of more than \$177,000, and HUD lacked assurance that nearly \$499,000 was disbursed for eligible expenses, units were properly maintained, and services were obtained at the most economical price. In addition, HUD was not made aware of the financial condition of the projects in a timely manner.

OIG recommended that HUD instruct the owner/agent to (1) repay ineligible costs charged to the projects; (2) provide documentation for unsupported costs and if support cannot be provided, repay the amount with non-Federal funds; and (3) strengthen controls over financial, procurement, and administrative functions. (Audit Report: **2010-NY-1006**)



HUD OIG audited the San Diego Square project in **San Diego, CA**, in response to a hotline complaint regarding a sublease transaction with San Diego Kind Corporation. The objective was to determine whether the complaint was valid.

The sublease transaction occurred more than 20 years ago, and many of the project records could not be located or were no longer available. Therefore, OIG could not make a final determination as to whether the hotline complaint was valid. As a result, it is incumbent upon HUD to resolve this matter by making a final determination on whether the subleased area was built and insured under the Section 202 loan.

OIG recommended that HUD make a final determination and provide official written notification to the San Diego Kind Corporation as to whether the subleased area of the San Diego Square project is considered part of the Section 202-insured project and rental revenue it received in the past and will receive in the future for use of space in the project must be recognized as project income. (Audit Report: **2010-LA-0801**)



HUD OIG audited the management agent operations of the South Bronx Community Management Co., Inc., in **Bronx, NY**, regarding the administration of a HUD Section 202 direct loan for the elderly and handicapped housing project Maria Isabel to determine whether the agent complied with HUD requirements.

The agent generally complied with HUD financial and unit maintenance requirements in its administration of the project. However, various issues were identified, which warrant HUD's attention to provide greater assurance that the project is managed in the most economical and efficient manner. Specifically, (1) tenant accounts receivable and vendor accounts payable were not properly reported, (2) prudent procurement practices were not always followed, (3) advances were made by and partially repaid to the agent without HUD approval, and (4) action to mitigate cash-flow problems was not addressed in a timely manner but has since been taken. As a result, HUD was not made aware of the financial condition of the project, and the project experienced serious cash-flow problems.

OIG recommended that HUD instruct the agent and property owners to (1) determine the collectability of delinquent tenant accounts receivable and request HUD approval to write off those accounts determined to be uncollectible, (2) strengthen procedures to ensure accurate reporting of accounts payable, (3) establish procedures to request approval for receiving and paying agent advances, (4) strengthen procedures to provide greater compliance with HUD's and its own procurement procedures, and (5) strengthen controls to ensure that late fees are minimized and actions to mitigate cash-flow problems are addressed in a timely manner. (Audit Report: **2010-NY-1003**)



Investigations

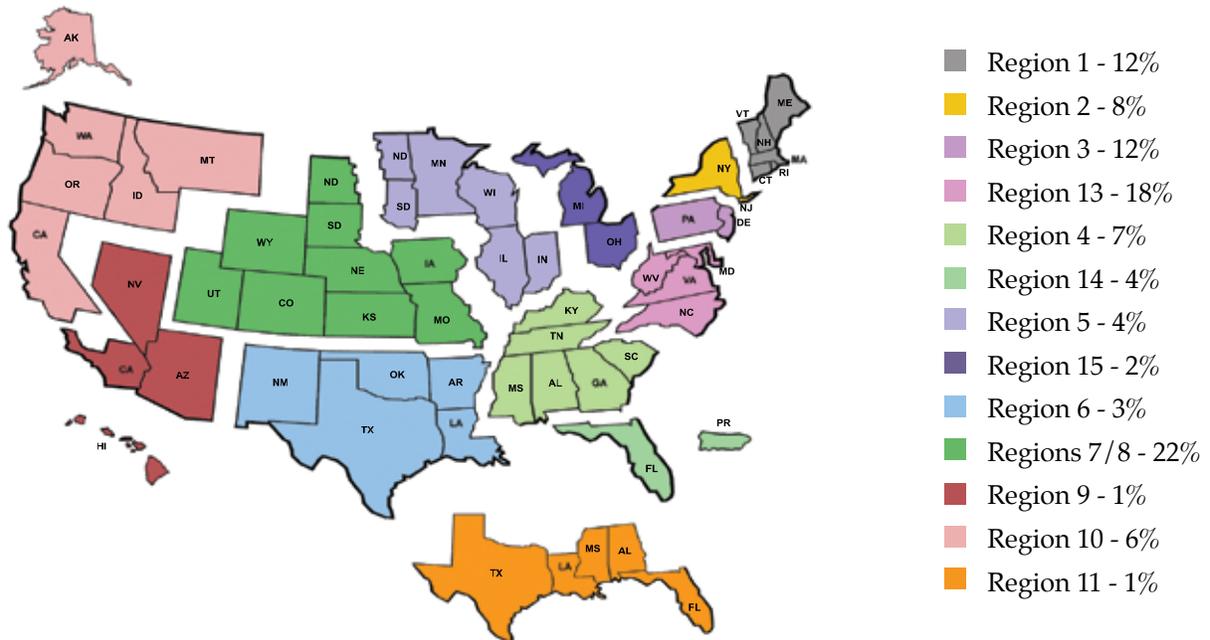
Some investigations discussed in this report were generated from leads provided by HUD multifamily housing program staff and conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

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	105	\$2,090,908	36	35

- Our focus**
- Page 53 • Theft/embezzlement
 - Page 54 • Rental assistance fraud
 - Page 57 • Other fraud/crimes

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



Theft/Embezzlement

Brenda Phillips, the former manager for Quail Ridge Apartments, a HUD-subsidized multifamily housing development, pled guilty in U.S. District Court, **Wichita, KS**, to making a false statement. Phillips provided false tenant information on HUD certifications and fraudulently obtained \$160,234 in housing assistance payments.



Meredith Sullivan, a former manager for Sycamore Grove Apartments, a HUD-subsidized multifamily housing development, pled guilty in U.S. District Court, **Kansas City, MO**, to making false statements. Sullivan provided false tenant information on HUD certifications and provided housing applicants with preferential placement on the housing waiting list in exchange for actual or anticipated sexual relations. HUD losses are estimated at \$138,611.



Khristi Anderson, the former executive director for Pin Oak Acres Apartments, a HUD-subsidized multifamily housing development, pled guilty in U.S. District Court, **Kansas City, KS**, to making false statements. From October 2003 to September 2006, Anderson embezzled about \$114,312 in security deposits and tenant rents. Anderson was also suspended from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government.



Nina Donehue, a former board member for the Northridge Cooperative Homes (Northridge), a HUD-subsidized multifamily housing development, was sentenced in U.S. District Court, **San Francisco, CA**, to 1 year home confinement and 5 years probation and ordered to pay Northridge \$34,983 in restitution and vacate her subsidized housing unit for her earlier conviction of committing embezzlement from a program receiving Federal funds. From January to February 2006, Donehue embezzled and personally used \$34,983 in Northridge funds.



Susan Green, the former assistant manager for Lexington Green and Clayton Court Apartments, HUD-subsidized multifamily housing developments, pled guilty in U.S. District Court, **Wilmington, DE**, to committing embezzlement. From July 2007 to September 2009, Green embezzled and personally used \$14,343 in tenant rents and other housing funds.



Becky Dziubak, a former property manager for Prairie Meadows Apartments (Prairie Meadows), a HUD-subsidized multifamily housing development, was sentenced in Hennepin County Court, **Minneapolis, MN**, to 20 days incarceration and 36 months probation and ordered to pay Prairie Meadows \$6,276 in restitution for her earlier guilty plea to committing theft. From July 2004 to January 2007, Dziubak embezzled and personally used \$6,200 in tenant rents.



Betty Jefferson, the former president of the St. Stephen Manor, Inc. (St. Stephen), a HUD-subsidized multifamily housing development, and former St. Stephen manager Angela Coleman each pled guilty in U.S. District Court, **New Orleans, LA**, to committing a conspiracy to commit mail fraud, aggravated identity theft, money laundering, and Federal income tax evasion. From 1999 to 2006, Jefferson, Coleman, and others embezzled and personally used \$931,224 in Federal and State funds, including \$9,230 in HUD housing assistance payments.



Wynee Joyner, the vice president of National Housing Group, Inc., a HUD contractor that oversaw the management and maintenance of HUD-owned multifamily housing developments, was sentenced in U.S. District Court, **Manhattan, NY**, to 2 months home detention and 24 months supervised release and ordered to pay an amount of restitution not yet determined for her earlier guilty plea to committing a conspiracy to commit mail fraud. Joyner falsified vendor payments and submitted false claims to HUD in an effort to circumvent contract terms and obtain HUD reimbursements before paying third-party vendors.



Nina Parker-Davis, an occupancy specialist for Pilgrim Baptist Village, a HUD-subsidized multifamily housing development, was sentenced in U.S. District Court, **Newark, NJ**, to 24 months probation for her earlier guilty plea to accepting bribes. From June to November 2003, Parker-Davis accepted cash payments from prospective tenants in exchange for immediate placement into subsidized housing units. HUD losses have not yet been determined.

Rental Assistance Fraud

Five current or former Section 8 tenants at AK Houses, Jamie's Place III, Hamilton Heights, or Harlem Gateway Houses, HUD-subsidized multifamily housing developments, were each arrested, charged, or indicted in U.S. District or Manhattan Criminal Courts, **Manhattan, NY**, for allegedly committing theft of government funds, grand larceny, or filing false business records. In addition, housing recipients Kelly Roberson and Nanette Rivers each pled guilty to making false statements to HUD or committing theft of government funds, and housing recipients Rafael and Carmen Goris remitted \$31,313 to HUD and were collectively sentenced to 36 months supervised release, ordered to perform 350 hours of community service, and fined \$30,000 for their earlier guilty pleas to committing theft of government funds. Roberson, Rivers, and Rafael and Carmen Goris admittedly and the remaining defendants allegedly failed to report income, assets, or accurate household composition on housing certifications and collectively obtained more than \$258,388 in housing assistance they were not entitled to receive.



Assessor pleads guilty to looting charities

Jefferson, daughter now likely to testify

By Gordon Russell
Staff writer

Less than a month before their federal trial on a raft of fraud and corruption charges was scheduled to begin, 4th District Assessor Betty Jefferson and her daughter, Angela Coleman, pleaded guilty Thursday to a single conspiracy charge, admitting they used various political offices and nonprofit groups they controlled to enrich themselves over a period of seven years.



Betty Jefferson
Faced trial with Mose Jefferson, Renee Gill Pratt in March

In admitting they looted their own charities, Jefferson, 70, and her daughter, 53, also tightened the screws considerably on their erstwhile co-defendants: Betty Jefferson's brother, political operative Mose Jefferson, and his longtime companion Renee Gill Pratt, a former City Council member and state representative.

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Lisa Ramos, Gilberto Torres, and Francina N'Diaye, Section 8 tenants at Maria Estella Apartments (Maria Estella) or Academy Gardens, HUD-subsidized multifamily housing developments, were each arrested and charged in U.S. District Court, **Bronx, NY**, with allegedly making false statements or committing embezzlement or theft of government funds. In addition, former Maria Estella Section 8 tenant Didna Telemaco was sentenced to 2 years supervised probation and ordered to pay HUD \$26,274 in restitution for her earlier guilty plea to making false statements to HUD. Ramos, Torres, and N'Diaye allegedly and Telemaco admittedly failed to report income on housing certifications and collectively obtained \$141,774 in housing assistance they were not entitled to receive.



Bamidele Awopetu, Natasha Edmonds, Benedict Snyder, and Eric Melton, Section 8 tenants at Park Hill or Concord Apartments, HUD-subsidized multifamily housing developments, were each arrested and charged in U.S. District or Staten Island Criminal Courts, **Staten Island, NY**, with allegedly making false statements, committing embezzlement of public money or grand larceny, or falsifying business records. The above defendants allegedly failed to report income on housing certifications and collectively obtained \$138,744 in housing assistance they were not entitled to receive.



Bethel Wooten, a former Section 8 tenant at Academy Square Apartments, a HUD-subsidized multifamily housing development, was indicted in Cook County Circuit Court, **Chicago, IL**, for allegedly committing forgery and theft by deception. From 2000 to November 2009, Wooten allegedly failed to report income on housing certifications and obtained more than \$100,000 in housing assistance she was not entitled to receive.



Sylvester Okonoboh, a former Section 8 tenant at Norway Housing, a HUD-subsidized multifamily housing development, was arrested after his indictment in U.S. District Court, **Boston, MA**, for allegedly committing theft of public funds. In addition, Mandela Homes Section 8 tenant Rotimi Abu was sentenced to 2 years probation and ordered to perform 100 hours of community service and pay HUD \$7,369 in restitution for his earlier guilty plea to making false statements and committing theft of public money. Between January 2001 and April 2009, Okonoboh allegedly and Abu admittedly failed to report income or assets on housing certifications and together obtained \$87,223 in housing assistance they were not entitled to receive.



Sharon Gist and Adriane Drye, Section 8 tenants at Fulton Park, a HUD-subsidized multifamily housing development, were each arrested and charged in Kings County Court, **Brooklyn, NY**, with allegedly committing grand larceny, offering a false instrument for filing, and possession of a forged instrument. In addition, former Marcus Garvey Village Section 8 tenant Nicole Baker, also known as Nicole Stanley, was sentenced in U.S. District Court to 1 year supervised probation and ordered to pay HUD \$45,202 in restitution for her earlier guilty plea to making false statements to HUD. Gist and Drye allegedly and Baker admittedly failed to report income on housing certifications and collectively obtained \$78,124 in housing assistance they were not entitled to receive.



Tanya and Sonia Johnson and Crystal Bailey, former Section 8 tenants at Central Gardens I Apartments (Central Gardens), a HUD-subsidized multifamily housing development, were each charged in Prince Georges County District Court, **Upper Marlboro, MD**, with allegedly committing theft and housing assistance fraud. In addition, former Central Gardens Section 8 tenant Donna Landers-Coleman pled guilty to committing theft. Tanya and Sonia Johnson and Bailey allegedly and Landers-Coleman admittedly failed to report income, accurate household composition, or an unauthorized resident and his criminal history on housing certifications and collectively obtained \$75,264 in housing assistance they were not entitled to receive.



Joseph Nader, a former Cuyahoga Metropolitan Housing Authority landlord and Section 8 tenant at Lakeshore Towers, a HUD-subsidized multifamily housing development, was charged in Cuyahoga County Court of Common Pleas, **Cleveland, OH**, with allegedly committing theft and tampering with records. From October 1999 to September 2009, Nader allegedly failed to report income or assets on housing certifications and obtained \$68,353 in housing assistance he was not entitled to receive.



Benita Holmes and Felicia Jenkins, a property manager and former Section 8 tenant at Rowan Towers, a HUD-subsidized multifamily housing development, and registered sex offender Darryl Andrews were each charged in Trenton Municipal Court, **Trenton, NJ**, with allegedly committing theft by deception and liability for the conduct of another. From April 2002 to August 2008, Jenkins allegedly failed to report her incarceration or the unauthorized residency of Andrews in her subsidized unit, and Holmes allegedly allowed Andrews to reside in Jenkins' subsidized unit during her incarceration. HUD losses are estimated at \$60,562.



Catalina Ortiz and Lisa Hayes, former Section 8 tenants at Windham Heights or Park West Apartments, HUD-subsidized multifamily housing developments, were each arrested and charged in U.S. District or Rockville Superior Courts, **Willimantic or Rockville, CT**, with allegedly making false statements and committing theft of government funds, larceny, or forgery. Between September 2003 and August 2009, Ortiz and Hayes allegedly failed to report income on housing certifications and together obtained about \$60,500 in housing assistance they were not entitled to receive.



Five former housing recipients at Woodlake Apartments, a HUD-subsidized multifamily housing development, were each charged in Woodbury Municipal Court, **Woodbury, NJ**, with allegedly making false statements or committing theft by deception. The above defendants allegedly failed to report income or the subleasing of their subsidized housing units on housing certifications and collectively obtained \$59,208 in housing assistance they were not entitled to receive.

Other Fraud/Crimes

Robert Corp, a former loan officer, originator, and underwriter and vice president of Continental Securities, LLC, entered into a civil settlement filed in U.S. District Court, **Buffalo, NY**, and agreed to pay the U.S. Government \$693,547. Corp allegedly made a number of misrepresentations on loan documents he submitted to HUD when he originated and underwrote a \$7 million HUD-insured mortgage for Brylin Hospital. Brylin Hospital defaulted on the HUD-insured mortgage, and HUD paid an adjusted claim of more than \$6.1 million to the lender.



Sandra Sattler, a supervisor for Carabetta Management Company, a management agent for Parkside and Oakland Gardens Apartments, HUD-subsidized multifamily housing developments, was sentenced in U.S. District Court, **New Haven, CT**, to 6 months probation, ordered to perform 15 hours of community service, and fined \$2,500 for her earlier guilty plea to failing to provide lead-based paint disclosures. In 2003, Sattler and others forged tenant signatures and provided fraudulent lead-based paint disclosure forms to HUD.



Inspections & Evaluations

Inspection of the Assignment and Assumption of Mark-to-Market Loans, Lakeshore Village Apartments, Cleveland, OH

HUD OIG completed an inspection of post-Mark-to-Market restructuring of mortgage debt for Lakeshore Village Apartments to determine the validity of an informal complaint received from HUD's Multifamily Office of Asset Management (OAM). OAM staff was concerned that, in approving the assignment and assumption of the restructured debt instruments, HUD's Office of Affordable Housing Preservation (OAHP) did not sufficiently verify information provided from purchasers and sellers and (1) allowed the nonprofit purchaser to retain approximately \$400,000 that should have been remitted to HUD, (2) failed to provide timely information to OAM during the decision-making process, and (3) ignored questions raised by OAM staff about the amount of proceeds due to HUD at loan closing.

The inspection did not substantiate any of the allegations in the informal complaint, but better communication between the two offices is needed to adequately resolve questions that arise during the loan approval process. Other matters were noted that warrant attention by the Office of Housing involving (1) certified source and use of funds statements, (2) voting rights on the Assumption/Subordination Loan Committee, and (3) safe harboring certifications.

OIG recommended that the Office of Housing ensure that (1) OAM and OAHP continue their preloan committee meetings and provide a comprehensive record of the concerns raised and the decisions arrived at during the assignment and assumption approval process, (2) the assignment and assumption approval process not be completed until a certified source and use of funds statement is received by OAHP, (3) existing HUD guidelines are amended as soon as possible to clarify OAHP's and OAM's responsibilities during the assignment and assumption approval process, and (4) nonprofit purchasers who intend to qualify for safe harboring status include a certification of their independence from any for-profit entity by declaring, "the information contained in these documents is true and correct under the penalty of perjury." (I&E Report: IED-09-005)



Chapter 4

Community Planning and Development Programs



The Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector. In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has conducted numerous outreach efforts (see chapter 8, page 119).

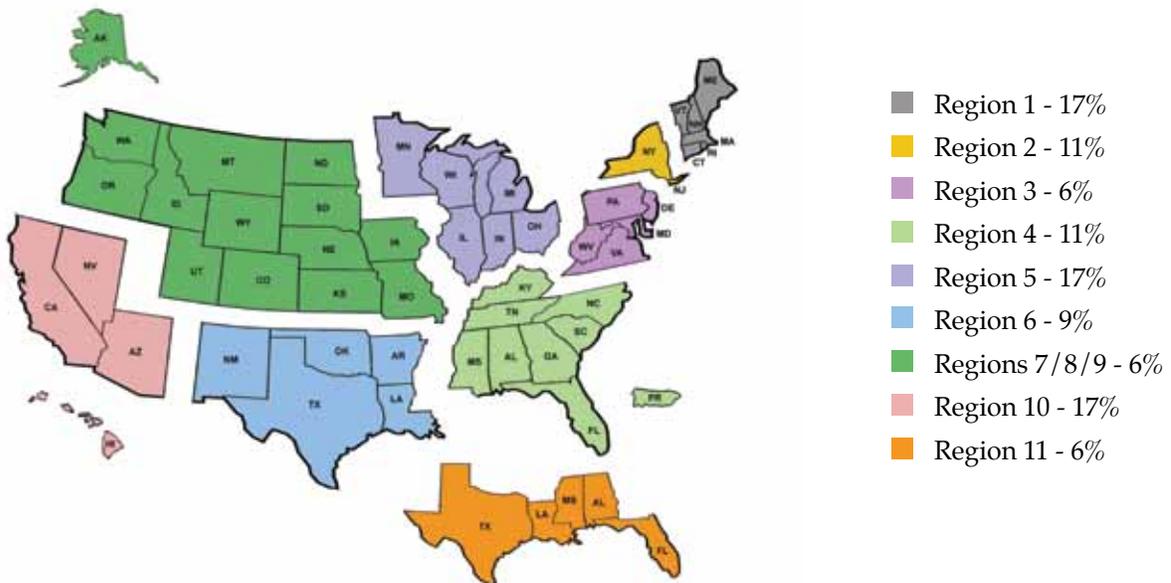
Audit

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	35 audits*	\$20.1 million	\$9.7 million
Our focus	Page 61 Page 62 Page 64	<ul style="list-style-type: none"> Community Development Block Grant programs HOME Investment Partnerships Program Neighborhood Stabilization Program 	

*The total CPD audits, questioned costs, and funds put to better use amounts include any American Recovery and Reinvestment Act of 2009 (20 audits) and disaster recovery (5 audits) type audits conducted in the CPD area. The writeups for these audits are shown separately in chapters 5 and 6 of this semiannual report.

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



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

Community Development Block Grant Programs

HUD OIG audited a CDBG program administered by the City of **Paterson, NJ**, and found that the City did not always disburse CDBG funds efficiently and effectively in accordance with its submission to HUD and with applicable rules and regulations. Specifically, procurement requirements were not followed, and funds were disbursed for unsupported and ineligible activities and planning and administration expenses. In addition, the City's financial management system did not have adequate controls to properly safeguard funds and report program income.

OIG recommended that HUD instruct the City to (1) provide documentation to support more than \$3.7 million in costs related to the procurement of demolition, housing rehabilitation, public facility, and planning and administrative activities; (2) repay more than \$641,000 in ineligible disbursements; and (3) develop adequate procurement, management, and financial controls and procedures to ensure that planned demolition, housing rehabilitation, and public facility activities comply with regulations and that program income, demolition liens, and interest income are properly recorded to ensure that more than \$2 million in budgeted funds is put to better use. (Audit Report: **2010-NY-1005**)



HUD OIG audited the City of **Altoona, PA**'s CDBG program and found that the City paid a subrecipient for CDBG activities that it could not demonstrate were eligible. It could not demonstrate that it paid a subrecipient for eligible activities that met a national objective under its Blighted Property Maintenance Program.

OIG recommended that HUD require the City to provide documentation to demonstrate that more than \$914,000 was used for eligible activities that met a national objective or repay HUD from non-Federal funds and establish and implement written policies and procedures requiring it to maintain records that (1) provide a full description of each activity undertaken; (2) demonstrate that each activity undertaken meets a national objective of the CDBG program; (3) determine the eligibility of the activities; and (4) document the acquisition, improvement, use, or disposition of real property acquired or improved with CDBG assistance. Further, the City should evaluate its subrecipients in terms of compliance risk, performance, and funding levels at least annually. (Audit Report: **2010-PH-1001**)



HUD OIG audited the City of **East St. Louis, IL**'s CDBG program and found that the City did not properly allocate salary and building expenses to the CDBG program. It also did not properly document the cost estimate and selection process used to procure a contract for developing its 5-year consolidated plan.

OIG recommended that HUD require the City to (1) provide supporting documentation or reimburse its CDBG program from non-Federal funds for more than \$1 million paid for salary expenses, building rent, and the administration contract and (2) implement acceptable policies and procedures and provide technical assistance to ensure future compliance. (Audit Report: **2010-KC-1003**)



HUD OIG audited the City of **Los Angeles, CA**'s Community Development Department and found that the City initially failed to demonstrate that any of the five CDBG-assisted projects reviewed, totaling more than \$4.8 million, administered by its subrecipient complied with the national objectives. The City later located and provided additional records to adequately support that the national objectives were met for four of these projects. Therefore, only one of the five projects, totaling \$935,000, remained inadequately supported. In addition, the City did not always effectively monitor CDBG-assisted projects administered by its subrecipient.

OIG recommended that HUD require the City to (1) provide supporting documentation showing that the Capitol Records Surface Parking CDBG project met a national objective or repay its program from non-Federal funds, (2) implement adequate monitoring controls over its subrecipient and CDBG-assisted projects, and (3) suspend all CDBG funding to the subrecipient until acceptable policies and procedures are in place to ensure compliance with CDBG program requirements. (Audit Report: **2010-LA-1003**)



HUD OIG audited the City of **Saginaw, MI**'s CDBG-funded demolition activities and found that the City did not effectively administer its CDBG-funded demolition activities. It (1) lacked sufficient information to support nearly \$138,000 in CDBG funds used for costs, (2) did not request reimbursement from property owners and/or place liens on properties for more than \$80,000 in CDBG funds used, and (3) did not provide sufficient documentation to support that it was not required to request reimbursement from property owners and/or place liens on properties for nearly \$51,000 in CDBG funds used.

OIG recommended that HUD require the City to (1) provide sufficient supporting documentation or reimburse its CDBG program from non-Federal funds for the nearly \$138,000 in funds used for unsupported expenses, (2) reimburse its CDBG program more than \$80,000 from non-Federal funds for the activities for which the City did not request the property owners to reimburse it or place liens on the properties, (3) provide sufficient supporting documentation or reimburse its CDBG program from non-Federal funds for the nearly \$51,000 used for which the City did not provide sufficient documentation to support that it was not required to request reimbursement from property owners and/or place liens on properties, and (4) implement adequate procedures and controls to address the finding cited. (Audit Report: **2010-CH-1002**)

HOME Investment Partnerships Program

HUD OIG audited the HOME- and CDBG-funded housing programs administered by the City of **Holyoke, MA**, and found that the City did not always award its HOME Development program contracts in accordance with Federal requirements. Specifically, it did not obtain or prepare adequate cost estimates or conduct required cost analyses before it awarded \$2.6 million in funds for three noncompetitive construction contracts. Expenditures claimed by the developer for the construction of duplex units were an average of 14 percent higher than the construction cost estimates, totaling \$288,000 for seven duplexes. Additionally, all HUD assistance was not properly considered during the City's evaluations of project total development costs for duplexes developed as part of the HOME Development program. Lastly, the HOME investments subject to recapture were incorrectly calculated so that more than \$344,000 would not be recaptured if the homeowners did not reside in the HUD-funded duplexes for the entire 15-year affordability period.

Of the loans processed under the Rental Neighborhood Improvement program, 67 percent went to properties that were owned by either the subrecipient or a second, related nonprofit. The subrecipient also did not treat related and nonrelated loans consistently regarding use of contracts, enforcement of timetables for completion, accrual of interest on advances, or project record keeping. In addition, (1) related-party rehabilitation was not completed in a timely manner, (2) appropriate reviews and approvals of the projects

were not made for all loans before the funds were committed, (3) the subrecipient did not secure all program investments to related-party loans, and (4) not all project records were maintained in accordance with record-keeping requirements. Further, the City allowed the subrecipient to use program funds totaling more than \$332,000 in the form of “grants,” which were used for demolition activities that did not meet the Rental Neighborhood Improvement program’s objectives and were not carried out in compliance with the CDBG program.

OIG recommended that HUD require the City to (1) establish appropriate internal controls over the HOME procurement process, including the segregation of duties, so that the process is not entirely controlled by one person and (2) repay \$288,000 in unreasonable construction costs paid under the HOME Development program. Additionally, OIG recommended that HUD and the City conduct an independent cost analysis for the 2008 procurements to ensure that HOME and CDBG program expenditures of more than \$1 million were reasonable and supported. For the unreasonable amounts, the City should reimburse the program(s) from non-Federal funds.

OIG also recommended that HUD review the revised subrecipient contract for the Rental Neighborhood Improvement program to ensure that it contains appropriate controls, particularly when related parties are involved. These increased controls will ensure that HUD funds used for future related-party activities will be properly spent with appropriate performance measures in place, resulting in more than \$1.7 million in funds put to better use for activities properly approved and overseen by independent parties. (Audit Report: **2010-BO-1002**)



HUD OIG audited the City of **Los Angeles, CA**’s Housing Department and found that the City improperly allocated HOME funds for the NoHo Commons housing development without adequate controls in place to ensure compliance with HOME program requirements. Specifically, the City’s subrecipient did not ensure that the development’s management agent (1) implemented a waiting list as established by its lottery and subsequent applications, (2) correctly determined tenants’ income to establish eligibility, (3) maintained adequate documentation supporting the use of HOME funds, and (4) implemented adequate monitoring policies and procedures for the development.

OIG recommended that HUD require the City to (1) suspend all HOME funding to the subrecipient until acceptable monitoring policies and procedures have been implemented to ensure compliance with all HOME program requirements, (2) reconstruct and establish a complete waiting list, and (3) determine which eligible applicants were improperly bypassed and ensure that they are given first priority for housing as vacancies arise. OIG also recommended that both the City and the subrecipient establish and implement effective policies and procedures to ensure compliance with HOME regulations. (Audit Report: **2010-LA-1001**)



HUD OIG audited the **District of Columbia**’s administration of HOME funds that it provided to CEMI-Parkside Associates, LLP, a limited partnership managed by developer H.R. Crawford, for the rehabilitation/ construction of a high rise property known as Parkside Terrace Apartments. OIG found that the grantee properly accounted for ineligible HOME funds it provided for the rehabilitation/ construction of Parkside Terrace. However, it needs to formalize its procedures for monitoring HOME-funded project activities to ensure that HOME funds are used in accordance with all program requirements.

OIG recommended that HUD require the grantee to formalize and implement adequate procedures to ensure that its HOME funds are used in accordance with program requirements. (Audit Report: **2010-PH-1802**)

Neighborhood Stabilization Program

HUD OIG audited the **State of Indiana**'s NSP to determine whether the State awarded program funds to eligible projects. The State's administrator awarded NSP funds for an inappropriate project.

OIG recommended that HUD require the State to implement (1) its action plan by amending its grant agreement with the City of Mishawaka to remove \$4.5 million in NSP funds for the redevelopment of the Mishawaka Furniture building and award the funds for an eligible project(s) and (2) adequate procedures and controls to ensure that it awards NSP funds for eligible projects and that its recipients use NSP funds for the redevelopment of commercial buildings in accordance with HUD's requirements. (Audit Report: **2010-CH-1803**)



HUD OIG conducted a capacity review of the **City of Meriden, CT**'s operations to determine whether the City had the necessary capacity to effectively administer the State of Connecticut's NSP funds provided through the Housing and Economic Recovery Act of 2008.

Despite the City's capacity to administer its NSP funds, it will not be able to meet its planned goal of completing the acquisition and rehabilitation of 15 single-family properties. However, the City still plans to spend all funding due to higher than forecast per-unit costs. Because the contract agreement between the City and the State's Department of Economic and Community Development contains recapture provisions for not meeting all planned goals, OIG recommended that HUD require the City to obtain an approved amendment to its NSP local action plan from the Department to reduce the number properties acquired, rehabilitated, and resold to avoid the potential recapture of funds. (Audit Report: **2010-BO-1804**)



Investigations

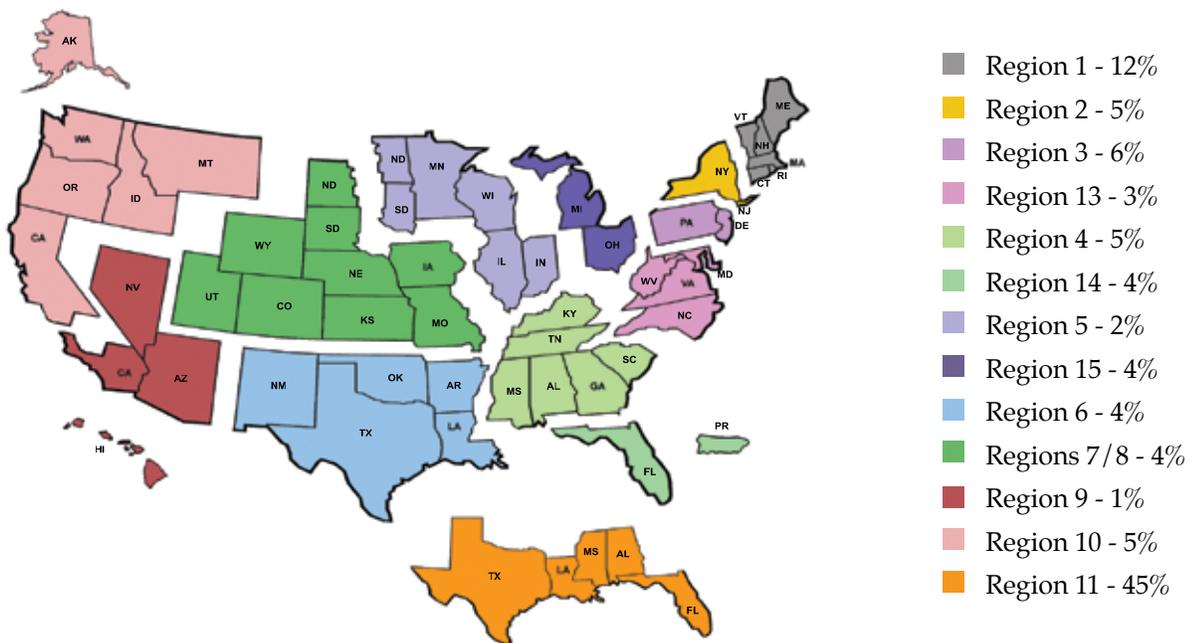
Some investigations discussed in this report were generated from leads provided by HUD CPD program staff or conducted jointly with Federal, State, and local law enforcement agencies. The results of various significant investigations are described below.

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results	Cases closed	\$ recovered	Convictions/pleas/pretrials	Admin/civil actions
Investigations	136	\$12,629,681	40	16

- Our focus**
- Page 66 • Theft/embezzlement
 - Page 68 • Other fraud/crimes

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



Theft/Embezzlement

Linda Bevins, the former payroll supervisor for the Crotched Mountain Foundation (Crotched Mountain), an organization that receives HUD CDBG and Supportive Housing program funds, was sentenced in U.S. District Court, **Concord, NH**, to 24 months incarceration and 36 months supervised probation and ordered to pay Crotched Mountain more than \$1.6 million in restitution for her earlier guilty plea to committing theft from a program receiving Federal funds. From June 2004 to August 2007, Bevins diverted and personally used or provided to others more than \$1.6 million in Crotched Mountain funds without authorization.



Joseph Giacalone and Daniel Robin, doing business as OK Industries, an organization that received HUD CDBG funds, were collectively sentenced in the 7th Circuit Court, **Flint, MI**, to 60 months probation and ordered to pay the City of Flint more than \$1.3 million in restitution for their earlier *nolo contendere* pleas to committing larceny by conversion greater than \$20,000. Giacalone and Robin applied for and received about \$870,000 in CDBG funds to relocate their manufacturing business to an economically deprived area and expand their operations, but they allegedly failed to comply with HUD stipulations and defaulted on their CDBG loan. HUD recovered the funds by offsetting future City of Flint CDBG funding.



Raymond Vella, the owner of Pavel Construction, a contractor for the Linden Neighborhood Preservation Program (Linden Neighborhood), an organization that receives HUD CDBG and HOME program funds, was sentenced in U.S. District Court, **Newark, NJ**, to 39 months incarceration and 3 years probation and ordered to pay HUD \$82,705 in restitution for his earlier guilty plea to committing mail fraud, obtaining property through fraud, and offering and giving a corrupt thing of value. From January 1998 to December 2006, Vella paid bribes to an unnamed conspirator in exchange for more than \$652,448 in Linden Neighborhood contracts.



Patti Buffington, the former executive director for Genesis House (Genesis), an organization that receives HUD Emergency Shelter grants and other Federal funds, was sentenced in Cook County Circuit Court, **Chicago, IL**, to 1 year incarceration and 1 year parole and ordered to pay the City of Chicago \$100,000 in restitution for her earlier guilty plea to committing theft of government funds. From 2004 to 2006, Buffington and others embezzled and used more than \$500,000 in Genesis funds to pay for personal expenses and previously assessed Federal income taxes.



Samantha Cornelius, a case manager for the House of Ruth, a homeless and domestic violence shelter that receives HUD Supportive Housing program funds, pled guilty in U.S. District Court, **New Orleans, LA**, to committing a conspiracy and theft of government funds. From May 2007 to July 2008, Cornelius and others conspired and embezzled \$109,702 in House of Ruth program funds.



Thomas Manuel, a former commissioner for St. Johns County, a government entity that receives HUD CDBG, HOME, and other HUD funding, remitted \$3,400 to the U.S. Department of Justice and was sentenced in U.S. District Court, **Jacksonville, FL**, to 21 months incarceration, 16 months home detention, and 36 months

probation for his earlier guilty plea to corruptly soliciting and accepting a bribe intended to influence a government business transaction. Between July 2007 and July 2008, Manuel accepted \$60,000 in bribes from contractors in return for his influence or rewards involving St. Johns County contracts.



Jeanetta Tinsley, the former grant monitoring and administration director for the City of San Antonio, a municipality that receives HUD CDBG and other funding, was indicted in Bexar County District Court, **San Antonio, TX**, for allegedly committing misapplication of fiduciary property of a financial institution. From January to March 2009, Tinsley allegedly used \$16,336 in HUD funds for the former director's retirement events.



Kelly Girard, the former executive director for Community Action in Self Help, Inc. (Community Action), a senior housing development that receives HUD HOME funds, and former Community Action office manager and bookkeeper Carrie Girard and Kortni Calabrese were each indicted in Wayne County Court, **Lyons, NY**, for allegedly committing grand larceny and a scheme to defraud. From September 2004 to December 2005, the above defendants allegedly conspired and stole more than \$15,000 in Community Action funds.



Rick Cherry, a housing manager for the Housing First Homeless Coalition, an organization that receives HUD Supportive Housing funds, was sentenced in U.S. District Court, **Mobile, AL**, to 6 months home confinement and 5 years probation and ordered to pay HUD \$14,179 in restitution for his earlier guilty plea to committing theft from an organization receiving Federal funds. From August 2006 to August 2008, Cherry embezzled \$14,179 in tenant rents.



Shiryl Chambers, a former maintenance manager for the Cleveland Housing Network (Housing Network), an organization that receives HUD HOPE VI funds, was sentenced in U.S. District Court, **Cleveland, OH**, to 3 years probation, ordered to pay Housing Network \$6,000 in restitution, and fined \$1,000 for her earlier guilty plea to making false statements. In 2004, Chambers awarded Housing Network rental rehabilitation contracts to contractors who performed services at her residence free of charge.



Anthony Saccomanno, the director for the Cherry Hill Department of Code Enforcement and Inspections (Cherry Hill), an organization that receives HUD CDBG funds, was sentenced in U.S. District Court, **Newark, NJ**, to 22 months incarceration and 36 months supervised release and fined \$20,100 for his earlier guilty plea to committing mail fraud. In November 2007, Saccomanno caused a letter to be mailed after he accepted money from Building Inspections Underwriters, Inc., a Cherry Hill contractor. HUD losses have not yet been determined.



Leona Beldini, the former deputy mayor for Jersey City, a government entity that received more than \$6.7 million in HUD CDBG entitlement funds in 2007, was convicted in U.S. District Court, **Newark, NJ**, of accepting something of value to influence and reward. Beldini accepted \$20,000 in illicit political

contributions from a government informant posing as a developer in exchange for his assistance, action, or influence relating to real estate approvals. HUD losses have not yet been determined.



Dennis Stackhouse, a developer under contract with Tremont Capital Realty (Tremont) and the Miami-Dade Empowerment Trust (Empowerment Trust), an organization that receives HUD CDBG and Empowerment Zone funds, was arrested and charged in the 11th Judicial Circuit Court, **Miami, FL**, with allegedly committing grand theft and an organized scheme to defraud. From December 2005 to May 2007, Stackhouse allegedly submitted false invoices and fraudulently obtained \$990,000 in Empowerment Trust and Tremont funds. HUD losses have not yet been determined.

Other Fraud/Crimes

Unity Care Group, Inc. (Unity Care), an organization that receives HUD Supportive Housing program funds, entered into a civil settlement filed in U.S. District Court, **San Jose, CA**, and agreed to repay HUD \$679,919. From 2000 to 2006, Unity Care allegedly provided uncorroborated requests and certifications and obtained \$679,919 in Supportive Housing program disbursements.



A & F Commercial Builders (Commercial Builders) president James Fendt, Commercial Builders cofounder Eric Anderson, and Commercial Builders, a contractor that received HUD HOME funds, entered into a settlement agreement with the U.S. Attorney's Office, **Manhattan, NY**, and agreed to refrain from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government and the City of New York for 2 years. The above defendants also waived any claims, rights, or interest in \$291,877 held in escrow by the New York City Department of Housing Preservation and Development (Department of Housing Preservation). Commercial Builders, while under a \$6.4 million contract with the Department of Housing Preservation, allegedly failed to abide by the prevailing Davis-Bacon Act wage requirements.



Robert Jacumin, also known as Roy or Kris King, a HUD Housing Opportunities for Persons with AIDS (HOPWA) program participant, pled guilty in U.S. District Court, **Fort Lauderdale, FL**, to making false statements and committing theft of government funds. Jacumin failed to report income or assets on housing and other certifications and obtained \$59,300 in housing and \$21,695 in Social Security benefits he was not entitled to receive.



Michelle Reynolds, a HUD HOPWA program participant, was arrested and charged in the 15th Judicial Circuit Court, **Wellington, FL**, with allegedly committing public assistance fraud. From September 2007 to July 2009, Reynolds allegedly failed to report unauthorized residents or their criminal histories on housing certifications and obtained \$20,707 in housing assistance she was not entitled to receive.



Roger Corbin, a former legislator for Nassau County, a government entity that receives HUD HOME funds, pled guilty in U.S. District Court, **Central Islip, NY**, to making false statements, filing false Federal income tax returns, and committing Federal income tax evasion. From April 2006 to December 2008, Corbin

received \$229,000 from a developer involved with a HUD-funded housing renewal project but failed to report these payments on his 2005, 2006, and 2007 Federal income tax returns and provided false statements when questioned by Federal agents.



Michael Cenzi, Ronald Caceci, and Herbert Babcock, employees for Sinisgalli, Inc., a demolition contractor for the City of Rochester, a municipality that receives HUD CDBG funds, were each indicted or charged in Monroe County District Court, **Rochester, NY**, with allegedly endangering public health and illegally dumping hazardous waste. Cenzi, Caceci, and Babcock allegedly disposed of asbestos and other illegal hazardous waste products in an unauthorized area.



Chapter 5

American Recovery and Reinvestment Act of 2009



Introduction and Background

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

Table 1: HUD programs receiving ARRA funding

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

This funding will remain available until September 2013. The purpose of the funding is for “oversight and audit of programs, grants, and activities funded by this Act and administered by the Department of Housing and Urban Development.”

Through its audit and investigative programs, HUD OIG will constantly tailor and adjust its short- and long-term activities for timely and effective oversight of the ARRA funds expended by HUD programs. Additionally, OIG received \$15 million in ARRA funds. OIG’s plan will be adjusted as the HUD programs develop plans and distribute their ARRA funds. OIG will step up outreach and training efforts for the prevention of fraud, waste, and abuse to the Department and recipients of ARRA funds.



Audits

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

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

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

In prior reporting periods, HUD OIG reviewed HUD's front-end risk assessments (FERA), audited HUD's formula allocation dictated in ARRA programs, and assessed the administrative capacity for selected grantees to effectively administer ARRA funds. During this reporting period, OIG continued to perform capacity assessments but expects to shift its focus to audits of the grantee expenditures. OIG has also focused on HUD's oversight activities.

The following section demonstrates the audit work that has been completed during this reporting period.

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	33 audits*	\$662,000	\$8.8 million
Our focus	Page 74	• Department-wide audits	
	Page 74	• Public Housing Capital Fund audits and reviews	
	Page 77	• Native American Housing Block Grant audits and reviews	
	Page 78	• Community Development Block Grant audits and reviews	
	Page 80	• Neighborhood Stabilization Program audits and reviews	
	Page 84	• Office of Healthy Homes – Lead Hazard Control audit and review	

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

In addition to the audits described in this chapter, HUD OIG, has conducted numerous outreach efforts (see chapter 8, page 121).

Department-Wide Audits

HUD OIG audited HUD's process for monitoring recipient reporting for ARRA to determine whether HUD had developed a process for performing limited data quality reviews of recipient reporting of recovery funds. The Recovery Accountability and Transparency Board (Board), created by ARRA, required the inspector general community to evaluate Federal agencies' processes for monitoring recipient reporting of ARRA funds for the quarter ending September 30, 2009. The audit reports were to be issued to their agencies no later than October 30, 2009. The reports were also to be submitted to the Board, which will compile the results and issue a consolidated report with recommendations for improvement across the Federal Government.

HUD has made progress in the quality assurance process. It has established a Recovery Implementation Team that has developed Department-wide policies and procedures and provided guidance to HUD program offices. The Recovery Implementation Team has developed a process for performing limited data quality reviews of recipient reporting of ARRA funds. The team has also developed procedures to identify and notify the recipients of the need to make appropriate and timely changes to data submissions. HUD has begun reviewing data reported to FederalReporting.gov by recipients and identified possible data errors that require follow-up.

However, there are areas that HUD needs to address; specifically, (1) not all prime recipients have filed all of the required quarterly reports, (2) HUD has not ensured that the prime recipients review the data submitted by subrecipients, and (3) HUD has not developed a process for identifying subrecipients that demonstrate systemic or chronic reporting problems and/or otherwise fail to correct such problems as identified by the primary recipients. (Audit Report: 2010-DP-0801)

Office of Public and Indian Housing Audits and Reviews

Public Housing Capital Fund Audits and Reviews

HUD OIG performed a capacity review to assess the **Syracuse, NY**, Housing Authority's administration of its Public Housing Capital Fund (Capital Fund) program to evaluate the Authority's capacity in the area of internal controls, eligibility, financial controls, procurement, and outputs/outcomes to effectively administer its ARRA funds. The Authority was awarded \$4.5 million in capital funds under ARRA.

Significant control weaknesses diminished the Authority's capacity to effectively administer its Capital Fund program in the areas of internal controls, eligibility, financial controls, procurement, and output/outcomes. Specifically, the Authority failed to (1) complete its 2002 Capital Fund Financing Program in a timely manner, and additional Capital Fund grants remain open; (2) follow HUD-required contracting and procurement regulations, thus limiting competition and potentially causing excessive and/or ineligible costs; and (3) implement a proper control environment, which contributed to management and financial control deficiencies.

OIG recommended that HUD (1) closely monitor the operations of the Authority to ensure compliance with all Capital Fund Financing Program, Capital Fund program, and ARRA deadlines and objectives and (2) certify that the Authority's procurement practices meet Federal procurement requirements. OIG

recommended that HUD instruct the Authority to (1) immediately complete its 2002 Capital Fund Financing Program bond program activities and use the remaining \$1.3 million for eligible improvements, (2) submit a viable plan to obligate capital funds and supplemental ARRA funds, (3) establish and implement operational procedures to ensure compliance with applicable regulations for all future procurement activities, and (4) institute effective management and financial controls to ensure successful administration and completion of the ARRA program and objectives. (Audit Report: **2010-NY-1802**)



HUD OIG audited the ARRA Public Housing Capital Fund formula grant to the Dallas Housing Authority in **Dallas, TX**, to evaluate the Authority's capacity in the areas of internal controls, eligibility, financial controls, procurement, and output/outcomes in administering its grant.

Overall, the Authority demonstrated capacity to administer its grant in accordance with requirements. However, it should address issues identified to help ensure that it fully expends its grant funds on eligible activities within ARRA deadlines.

OIG recommended that HUD work with the Authority to resolve documentation requirements for administration and management improvements expense categories and require the Authority to revise its budget and reallocate \$280,000 in budgeted funds to other eligible activities. (Audit Report: **2010-FW-1001**)



HUD OIG performed a capacity review of the Housing Authority of **New Orleans, LA**, to evaluate the Authority's capacity and risks in the areas of basic internal controls, financial operations, procurement, and outputs/outcomes. The Authority received \$34.5 million in ARRA funding.

The Authority had capacity deficiencies related to internal controls, financial operations, procurement, and inventory. Specifically, it lacked (1) internal control capacity related to staffing levels and segregation of duties; (2) financial capacity related to its accounts payable procedures, financial policies, and independent public accountant reviews; and (3) procurement capacity, as it did not always comply with the procurement policy and the policy was not always clear. The Authority generally ensured that its outputs and outcomes related to rehabilitation contracts were adequate. However, it did not maintain an adequate inventory listing of items removed from some of the rehabilitated projects. Due to capacity limitations, the Authority will encounter difficulty in both obligating and expending the \$34.5 million in ARRA funds within the statutory time limits. While the Authority had taken measures to develop policies and procedures for obligating and expending the ARRA funds, its prior performance continued to raise serious concerns about its ability to comply with the statutory requirements and safeguard resources. Therefore, HUD, as the Authority's administrative receiver, must make a realistic determination regarding its ongoing capacity limitations.

OIG recommended that HUD require the Authority to (1) support or repay unsupported disbursements totaling more than \$321,000; (2) maintain adequate staffing levels in its Finance and Contracting and Compliance Departments and obtain qualified staff to perform the accounts receivable function; (3) amend its finance policies; (4) consider cross-training employees in the Finance Department and rotate respective roles periodically to prevent collusion; (5) amend its procurement policy to comply with 24 CFR (Code of Federal Regulations) 85.36; (6) consider labeling all asset inventory items obtained for rehabilitation before placing items into the inventory; (7) obtain a contractor to oversee contracting activities; and (8) contract with an accounting firm to maintain a separate accounting and biweekly reporting of ARRA funds

expended. OIG also recommended that HUD immediately deobligate all or some of the Authority's ARRA funds and reallocate the funds to housing authorities that can use the funds if the lack of capacity continues and indicates the Authority's inability to obligate the funds or complete the planned work by the statutory deadline. (Audit Report: **2010-AO-0801**)



HUD OIG conducted a capacity review of the **Chattanooga, TN**, Housing Authority's operations to determine whether the Authority had the capacity to adequately administer its capital fund ARRA funding according to applicable requirements. The Authority had the capacity to properly administer its capital fund ARRA grants. There were no reportable conditions or recommendations. (Audit Report: **2010-AT-1804**)



HUD OIG reviewed HUD's guidance on using ARRA capital funding for physical needs assessments to determine whether HUD's guidance to grantees on using ARRA capital funds for physical needs assessments was sufficient to ensure that grantees had the information needed to avoid missing the grant obligation deadline of March 17, 2010. HUD took actions in a timely manner to address concerns raised during the review. OIG made no recommendations. (Audit Report: **2010-FW-0801**)



HUD OIG conducted a review of the Guam Housing and Urban Renewal Authority in **Sinajana, GU**, to determine whether the Authority (1) had effective and efficient operations in place to manage its grant-funded projects and (2) had administered its grant funds in accordance with HUD rules and regulations. The Authority received more than \$1.9 million in Capital Fund Recovery Act grant funding as part of ARRA.

The Authority generally had effective and efficient operations in place to manage its grant-funded projects and generally administered its grant funds in accordance with HUD rules and regulations. Therefore, OIG made no recommendations. (Audit Report: **2010-LA-1002**)



HUD OIG reviewed the **New York City, NY**, Housing Authority's capacity to administer the approximately \$423 million in capital funds awarded to it under ARRA to determine whether the Authority's general, financial, and procurement controls were adequate to provide assurance that it had the capacity to effectively manage the ARRA funds.

The Authority's general, financial, and procurement controls were generally adequate to provide assurance that it had the capacity to effectively manage its ARRA funds. Authority officials had plans for using the funds in a timely manner and had addressed previously reported weaknesses in its Capital Fund program administration.

OIG recommended that HUD closely monitor the Authority to ensure that it achieves planned accomplishments within the prescribed timeframes and take action necessary to ensure compliance with ARRA requirements. (Audit Report: **2010-NY-1803**)

Native American Housing Block Grant Audits and Reviews

HUD OIG reviewed HUD's FERA for ARRA funding for Native American Block Grant housing programs to determine whether the FERA complied with the Office of Management and Budget's (OMB) guidance for implementation of ARRA; ARRA's streamlined FERA process; and HUD Handbook 1840.1, Departmental Management Control Program.

The FERA was generally prepared in accordance with OMB requirements, and the ARRA programs are similar to the existing Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) program. In addition, the overall risks will be similar to those under NAHASDA, except for those associated with the additional workloads. The FERA stated that HUD planned to fill 34 existing vacancies and hire an additional 12 temporary employees to meet the increased reporting requirements and other responsibilities under ARRA. However, if HUD hires a significant number of new staff, it will need to ensure that the new staff members receive sufficient and timely training to be effective in the administration and oversight of ARRA funds. (Audit Report: **2010-LA-0802**)



HUD OIG completed a capacity review of the Department of Hawaiian Home Lands in **Oahu, HI**, regarding its ARRA funding to determine whether the Department had sufficient capacity to manage and administer its funding. Specifically, OIG reviewed and assessed the Department's capacity in the following areas: internal controls, financial operations, and procurement.

The Department generally had sufficient capacity to manage its ARRA funding. However, it could improve its controls by (1) developing a more comprehensive set of written policies and procedures to describe its drawdown and disbursement process, (2) ensuring that its contractors have not been debarred or suspended before awarding federally funded contracts, (3) obtaining tax clearance certificates from its subcontractors, and (4) performing adequate reviews of weekly certified payrolls to ensure that its contractors and subcontractors pay their employees proper wages and fringe benefits in accordance with the Davis-Bacon Act and Hawaii Revised Statutes.

OIG recommended that HUD require the Department to ensure that it (1) develops detailed written policies and procedures regarding its drawdown and disbursement process, (2) performs a search on the General Services Administration's Excluded Parties List System and the State of Hawaii's List of Debarred and Suspended Persons before it awards its federally funded contracts, (3) obtains tax clearance forms to show that all delinquent taxes against the contractor's subcontractor have been paid, and (4) performs adequate reviews of the weekly certified payrolls in compliance with the Davis-Bacon Act and Hawaii Revised Statutes. (Audit Report: **2010-LA-1005**)



HUD OIG conducted a capacity review of the operations of the Navajo Housing Authority in **Ft. Defiance, AZ**, to evaluate the Authority's capacity to administer its ARRA funds and identify related potential internal control weaknesses that could impact its ability to properly administer the funds. Although OIG did not find evidence indicating that the Authority lacked the basic capacity to administer its ARRA funding, it did identify some concerns that could impact the Authority's ability to meet the ARRA obligation and expenditure timeframes and ensure that its funds are expended in accordance with program requirements.

OIG recommended that HUD (1) provide additional monitoring and technical assistance related to the Authority's implementation of the ARRA project, as needed, to ensure that the Authority has the appropriate capacity to properly administer its ARRA funds and (2) require the Authority to review its written policies and procedures and adapt them to address construction contractor procurement and monitoring. (Audit Report: **2010-LA-1801**)

Community Development Block Grant Audits and Reviews

HUD OIG reviewed the City of **Saginaw, MI**'s Community Development Block Grant (CDBG) program under ARRA to determine whether the City had the capacity to effectively and efficiently administer its CDBG program under ARRA.

The City's capacity to effectively and efficiently administer its CDBG program under ARRA had weaknesses. Specifically, the City (1) did not have documentation, such as a use survey, to support that work associated its program principally benefited Saginaw's low- to moderate-income residents; (2) lacked a work completion schedule in its program contract; (3) did not follow HUD's regulations and its own requirements for monitoring the program project; and (4) had not established sufficient policies and procedures for its CDBG program under ARRA.

OIG recommended that HUD require the City to provide documentation, such as a use survey, to support that the nearly \$336,000 in CDBG funds under ARRA principally benefitted the City's low- to moderate-income residents. If the City cannot provide supporting documentation, it should amend its substantial amendment to remove the program project and include an eligible activity or activities that meet one of HUD's three national objectives. OIG also recommended that HUD require the City to implement adequate policies, procedures, and controls to ensure that CDBG funds under ARRA are used effectively and efficiently and in accordance with applicable requirements. (Audit Report: **2010-CH-1804**)



HUD OIG audited the City of **Jersey City, NJ**'s capacity to administer CDBG funding provided under ARRA to evaluate the City's capacity in the areas of internal controls, eligibility, financial controls, procurement, and output/outcomes in administering CDBG funds.

The City generally had adequate financial controls and staff capacity to administer its CDBG funds; however, it needs to strengthen its controls to ensure that it will be able to effectively administer CDBG funds provided under ARRA and comply with applicable requirements. Specifically, the City did not (1) ensure that costs charged to CDBG planning and administration by its subgrantee were reasonable and necessary and (2) have adequate procedures to ensure compliance with procurement requirements.

OIG recommended that HUD instruct the City to strengthen its controls and (1) repay nearly \$62,000 in ineligible costs charged to CDBG planning and administration, (2) support the allocability of nearly \$118,000 in planning and administration costs charged to the CDBG program, and (3) ensure that procurements are conducted in accordance with all Federal requirements. (Audit Report: **2010-NY-1007**)



HUD OIG performed a review of the City of **Grand Prairie, TX**'s operations to evaluate its capacity to administer the \$3.2 million received under the Housing and Economic Recovery Act of 2008 and ARRA. Specifically, OIG's objective was to review and assess the City's capacity and risks in the following areas: basic internal controls, financial operations, and procurement. Generally the City maintained capacity to administer its ARRA funding.

OIG recommended changes regarding potential favoritism and conflicts of interest and the inclusion of ineligible expenses in ARRA programs. Also, the City needs to improve its HOME Investment Partnerships Program (HOME), contracting and payment processes, and policies and procedures. (Audit Report: **2010-FW-1803**)



HUD OIG conducted a capacity review of the City of **East Cleveland, OH**'s operations to determine whether there was evidence to indicate that the City lacked the capacity to adequately administer its ARRA funding.

The City had sufficient capacity to effectively and efficiently administer its ARRA CDBG program. This determination does not reflect a finding of sufficient capacity to administer its regular CDBG, HOME, or Neighborhood Stabilization (NSP) programs. OIG made no recommendations. (Audit Report: **2010-CH-1802**)



HUD OIG reviewed the **State of Arkansas**'s controls and operations to determine whether the State had the capacity to account for ARRA funding and the controls to ensure that its recipients expend those funds for eligible program activities. The State is scheduled to receive more than \$15.67 million under ARRA. The State had the capacity and management controls to account for ARRA funding and ensure that its recipients spend the funds for eligible program activities within the allotted time. Therefore, OIG made no recommendations. (Audit Report: **2010-FW-1801**)



HUD OIG conducted a capacity review of the operations of the City of **San Antonio, TX**, to determine whether the City had the capacity to account for ARRA funds and the controls to ensure that it expends those funds only for eligible program activities. The City appeared to have the capacity to adequately administer its ARRA funding. It had written policies and procedures, a staffing plan including adequate segregation of duties, and a plan for using ARRA funding. OIG recommended that HUD closely monitor the City's spending of ARRA funds based on HUD's risk assessment of the City's other HUD programs. (Audit Report: **2010-FW-1802**)



HUD OIG reviewed HUD's Office of Community Planning and Development's (CPD) risk assessment process to determine whether CPD had established and properly implemented a risk assessment process that used appropriate measures to determine risk and identify grantees for monitoring.

CPD had established and implemented a risk assessment process that used relevant assessment factors to determine risk and identify grantees for monitoring. Additionally, the risk analyses prepared annually were used to select grantees for later monitoring. OIG made no recommendations since no reportable deficiencies were identified. (Audit Report: **2010-BO-0002**)

Neighborhood Stabilization Program Audits and Reviews

HUD OIG reviewed **Hillsborough County, FL**, to determine whether the County had the capacity to effectively and efficiently administer its NSP and whether it accurately reported HOME commitments in HUD's Integrated Disbursement and Information System (IDIS).

The County had the capacity to administer its NSP. It had made substantial and effective revisions to its organization and staffing to correct many of the past performance problems identified by HUD and its own internal assessments. It had (1) established and implemented adequate NSP procedures, (2) followed proper procedures in the procurement of contract services, (3) hired or was in the process of hiring an adequate number of qualified staff, and (4) arranged for other County departments to assist with NSP workload and was progressing in carrying out its NSP.

As of October 1, 2009, the County had not entered any obligations or expenditures into HUD's Disaster Recovery Grant Reporting (DRGR) system. In addition, its staff had not obtained training on the use of the system, and its policy did not address timeliness for entering and reporting obligations and expenditures in the system. In addition, the County's DRGR policy did not define what constituted an NSP obligation and the documentation required to properly support an obligation.

The County had a past problem with making inaccurate commitment entries into IDIS. OIG identified more than \$748,000 in incorrect commitment entries made to IDIS before the County improved its controls. Due to the inaccurate entries, more than \$61,000 is subject to recapture by HUD.

OIG recommended that HUD require the County to (1) mandate that all staff with DRGR responsibilities complete in-house and/or HUD-assisted training on use of the system to ensure timely and proper entry of NSP obligations, expenditures, and performance reporting; (2) amend its draft DRGR policy to include timeliness for entering and reporting NSP obligations and expenditures, defining what constitutes an NSP obligation, and the type of documentation to be kept to support NSP obligations; and (3) recapture more than \$61,000 in HOME funds that the County did not commit by the 24-month statutory deadline. (Audit Report: **2010-AT-1803**)



HUD OIG conducted a capacity review of the City of **Waterbury, CT**'s Waterbury Development Corporation's operations to determine whether the Corporation (subrecipient) had sufficient capacity to adequately administer the the City's NSP funds. The City is a subgrantee of the State of Connecticut, Department of Economic and Community Development (grantee).

The subrecipient needs to improve its capacity to effectively administer NSP funds provided through the Housing and Economic Recovery Action of 2008 (HERA). The subrecipient (1) had inadequate staffing, (2) had an inadequate selection process for approving NSP applicants, (3) may have delays in completing projects, (4) had inadequate support for the scope of work developed for two projects, (5) had an inadequate procurement process, (6) will not meet performance goals for its rehabilitation activities, and (7) did not properly charge NSP expenses to the program. As a result, the subrecipient may not meet program requirements and its goals for NSP.

OIG recommended that HUD require the grantee to ensure that the subgrantee/subrecipient (1) implements adequate policies, procedures, and controls to ensure that NSP funds are used effectively, efficiently, and in accordance with applicable requirements; (2) hires additional staff, as needed, to assist in administrating NSP to ensure that the subrecipient has sufficient capacity to effectively and efficiently

administer program funds; (3) strengthens its procurement controls to ensure that it follows the subgrantee's and Federal policies when procuring services; (4) submits an amendment to its NSP local action plan reducing the number of units to be completed for its acquisition and rehabilitation activities; and (5) requests comments from the Connecticut State Historical Preservation Office for properties approved for NSP rehabilitation funding that are not in accordance with the Secretary of the Interior's Rehabilitation Standards and Guidelines.

OIG also recommended that HUD (1) perform additional monitoring and provide technical assistance to the subrecipient, as needed, to ensure that the subrecipient properly administers the NSP funding in accordance with Federal requirements and (2) review salaries charged by staff to determine whether costs were properly charged to HUD programs and require the subrecipient to make adjustments to its direct and indirect expenses as necessary. (Audit Report: **2010-BO-1004**)



HUD OIG evaluated the capacity of **Miami-Dade County, FL**, to administer \$62.2 million in NSP funds awarded to it under HERA.

The following issues were identified: (1) the County did not execute agreements between County departments, (2) existing policies and procedures did not address NSP requirements, (3) adequate supporting documentation for an NSP activity was not maintained, and (4) NSP expenditures were improperly classified. These weaknesses could adversely affect the County's capacity to administer its NSP funds.

OIG recommended that HUD require corrective action on the deficiencies. (Audit Report: **2010-AT-1801**)



HUD OIG conducted a capacity review of the City of **Atlanta, GA**, to determine whether the City had the capacity to effectively and efficiently administer its NSP. The City received a \$12.3 million NSP grant from HUD that was authorized under Title III of HERA and had applied for an additional \$57.9 million in NSP funds under ARRA.

The City had developed the organizational structure needed to administer its NSP and hired a sufficient number of qualified staff to implement the program. However, it needs to expedite actions to meet the program's 18-month obligation deadline due to delays in executing implementation contracts and obligating funds, past performance problems, procurement inconsistencies, and a lack of procedures for some components of its NSP.

OIG recommended that HUD require the City to (1) expedite the implementation of the remaining \$10.9 million approved for NSP activities; (2) expedite execution of implementation contracts with developers or subrecipients; (3) review and verify the accuracy of evaluator scores for leveraged funds and fund commitments for all contractors and determine whether further action is needed; (4) amend executed contracts to include leveraged funds if the contractor(s) competed for funding based on the City's leveraging requirement and proposed to provide leveraged funds and the City evaluated the contractor(s) proposal against other contractors, giving consideration to proposed leveraging; (5) develop and implement procedures for land banking; and (6) implement procedures for (a) entering and monitoring obligations in HUD's reporting system, (b) demolition, and (c) tracking program income in HUD's reporting system. (Audit Report: **2010-AT-1802**)



In accordance with OIG's goal to review and ensure the proper administration of NSP funds provided under HERA and/or ARRA, OIG conducted a capacity review of the operations of the **State of Vermont's** Agency of Commerce and Community Development, which has responsibility for administering the State's NSP. OIG's objective was to determine whether the Agency had the necessary capacity to effectively and efficiently administer the NSP funds provided through HERA. OIG made no recommendations. (Audit Report: **2010-BO-1801**)



HUD OIG conducted a capacity review of the operations of the **State of Maine's** Office of Community Development, which is responsible for administering the State's NSP, to determine whether the Office had the capacity to adequately administer the State's NSP funds provided through HERA. There were no findings. Therefore, OIG made no recommendations. (Audit Report: **2010-BO-1802**)



HUD OIG reviewed **Wayne County, MI's** NSP to determine whether the County had the capacity to effectively and efficiently administer its NSP. Congress amended NSP and increased its funding as part of ARRA. As part of a consortium, the Wayne County Land Bank Corporation, which is controlled by the County, submitted an application to HUD, dated July 13, 2009, that totaled \$290 million in additional NSP funds under ARRA. The application is under review by HUD.

The County needs to improve its capacity to effectively and efficiently administer its NSP. Specifically, the County (1) did not ensure that the Corporation fully complied with HUD's regulations for full and open competition regarding the procurement of project management services for its NSP, (2) had not established sufficient policies and procedures for its program as of December 16, 2009, and (3) provided a detailed fiscal years (FY) 2010 through 2013 budget for planning and administrative costs that exceeded 10 percent of its total NSP grant and its revised NSP budget for planning and administrative costs by more than \$18,000. Lastly, HUD did not include sufficient special conditions in its NSP grant agreement with the County.

OIG recommended that HUD require the County to perform a formal cost analysis to determine whether the \$1.2 million was reasonable for the project management services to be provided. The County should also submit the analysis to HUD for review and approval. If the County does not perform a formal cost or prices analysis, it should not use HUD funds to pay for the management services. If the County performs a formal analysis and determines that a reasonable cost for the management services was less than \$1.2 million, it should amend its written agreement with Community Improvement Group for the amount determined to be reasonable. If Community Improvement Group will not agree to amend the agreement, the County should void the agreement and reprocure the management services in accordance with HUD's regulations. (Audit Report: **2010-CH-1801**)



HUD OIG conducted a capacity review of the County of **Riverside, CA's** NSP to determine whether the County had the capacity and necessary controls to manage and administer the program. The County was awarded \$48.6 million in NSP funds.

The County generally had sufficient capacity to administer its allocation of NSP funds. It had applied for additional funding under ARRA to continue its program activities, and its procedures and controls should be adequate to administer the continuation of the program. However, the County could improve internal controls for NSP activities by developing separate, specific, and well-documented policies and procedures for acquisition, rehabilitation, and resale/rental activities.

OIG recommended that HUD require the County to create and maintain policies and procedures specific to NSP acquisition activities. (Audit Report: **2010-LA-1004**)



HUD OIG completed a capacity review of the City of **Fresno, CA's** NSP to determine whether the City had sufficient capacity and the necessary controls to manage and administer the program.

The City had sufficient management controls to ensure that grant funds were used for eligible purposes and disbursements were fully supported. However, it may not be capable of obligating program funds for eligible activities within 18 months as required. It took the City more than 7 months from receipt of the grant and 4 months from selection of subcontractors/developers to execute contracts with the four entities selected to carry out program activities. Further, the program requires grantees to set aside 25 percent of grant funds to benefit individuals and families that earn no more than 50 percent of area median income. As of the end of November 2009, the City had not developed an action plan, nor had it selected a subgrantee for this activity.

OIG recommended that HUD provide the City with technical assistance and oversight to ensure that program funds are obligated within 18 months. (Audit Report: **2010-LA-1006**)



HUD OIG completed a capacity review of the County of **San Bernardino, CA's** NSP to determine whether the County had sufficient capacity and the necessary controls to manage and administer the program.

The County generally had questionable capacity to administer its allocation of NSP funds. It had difficulty committing and spending the funds in a timely manner and had not been on track to meet the required 18-month obligation deadline, having obligated zero dollars toward its NSP activities. In addition, it could improve internal controls for its two rental property acquisition and rehabilitation NSP activities and program monitoring by developing separate, specific, and well-documented policies and procedures for those activities.

OIG recommended that HUD require the County to (1) reevaluate its current strategies and consider modifications, including pursuing other, more attainable NSP activities, and/or immediately return any NSP funds to HUD that are not anticipated to be obligated by the 18-month deadline; (2) obtain technical assistance from HUD; (3) create and maintain policies and procedures specific to the NSP acquisition and rehabilitation of rental property activities; and (4) create and maintain policies and procedures specific to NSP-monitoring activities. (Audit Report: **2010-LA-1007**)



HUD OIG audited HUD's controls over special conditions in NSP grant agreements under Title III of HERA, as amended, to determine whether HUD ensured that its CPD field offices were consistent in their consideration and inclusion of special conditions in NSP grant agreements with high-risk grantees.

HUD's field offices used different procedures for including special conditions in NSP grant agreements under HERA. HUD did not ensure that the field offices were consistent in their consideration and inclusion of special conditions in NSP grant agreements with high-risk grantees.

OIG recommended that HUD determine whether NSP grantees under HERA are high risk by considering grantees' past performance or other serious actions in their HOME, Emergency Shelter Grant,

and Supportive Housing programs. If the NSP grantees are high risk, they should be required to develop and implement management plans for their NSP that will include but not be limited to describing how unresolved HOME, Emergency Shelter Grant, and/or Supportive Housing program performance issues were resolved or are being resolved and explain whether the issues will impact the administration of their NSP. (Audit Report: **2010-CH-0001**)



HUD OIG reviewed the capacity of the City of **Los Angeles, CA**'s Housing Department to determine whether the City had sufficient capacity and the necessary controls to manage and administer NSP funds under HERA and ARRA. The City generally had sufficient capacity to adequately administer its NSP funding. OIG made no recommendations, and no further action is necessary. (Audit Report: **2010-LA-1008**)



HUD OIG audited **Broward County, FL**, to determine whether the County had the necessary controls to administer its NSP in accordance with HERA. Specifically, OIG evaluated whether the County had adequate (1) management controls to ensure that activities met NSP objectives and (2) financial controls to ensure that obligations were timely and valid and expenditures were allowable and properly reported.

The County had (1) adequate management controls to ensure that activities met NSP objectives and (2) adequate financial controls to ensure that obligations were timely and valid and expenditures were allowable. However, it did not accurately report NSP financial information to HUD and incorrectly posted NSP expenditures to the wrong fiscal year in its financial management system. As a result, HUD had no assurance of the County's actual financial progress, and the County overstated its obligations and expenditures in its financial management system. In addition, it did not post first and second quarter NSP performance reports to its Web site in a timely manner.

OIG recommended that HUD require the County to (1) establish controls to reconcile NSP obligations and expenditures between HUD's DRGR and the County's financial management system, (2) strengthen controls to ensure that all NSP activities are properly reported in DRGR and the County's financial management system on a timely basis, and (3) post its NSP quarterly performance reports on its Web site in a timely manner. (Audit Report: **2010-AT-1002**)

Office of Healthy Homes – Lead Hazard Control Audit and Review

HUD OIG audited HUD's selection procedures used to award lead hazard grants to determine whether HUD awarded (1) ARRA funds in accordance with the selection criteria specified in the FY 2008 notices of funding availability and ARRA and (2) FY 2008 funds in accordance with the selection criteria.

HUD did not have adequate controls to ensure that only qualified applicants were selected to receive grant funds. As a result, it improperly awarded \$1.9 million in ARRA funds to the City of **Greenville, NC**, and nearly \$875,000 to Healthy Homes Resources. In addition, HUD improperly awarded \$3 million in FY 2008 funds to the City of **Cincinnati, OH**.

OIG recommended that HUD (1) rescind the \$2.8 million in ARRA funds that was improperly awarded to Greenville and Healthy Homes Resources, ensure that the selection procedures are followed, and take appropriate actions against employees and (2) rescind the \$3 million in FY 2008 funding that was awarded to Cincinnati, ensure that the application review panels follow threshold review requirements when

determining eligibility, and take appropriate action against employees who circumvented the regulations. (Audit Report: **2010-HA-0001**)



HUD OIG conducted a capacity review of the City of **Utica, NY**'s administration of its lead-based paint hazard control program to evaluate the City's capacity in the areas of internal controls, eligibility, financial controls, procurement, and outputs/outcomes to effectively administer its lead hazard control program funds provided under ARRA in accordance with applicable requirements. The City was awarded \$2.04 million under ARRA to carry out lead-based paint hazard control activities in privately owned homes.

The City had the capacity to effectively administer its lead hazard grant funds provided under ARRA. Therefore, OIG made no recommendations. (Audit Report: **2010-NY-1801**)



Investigations

The investigation below was conducted jointly with other Federal and local law enforcement agencies.

Theft/Embezzlement

Debora Kessah, a former HUD Homelessness Prevention and Rapid Re-Housing Program case worker for the Society of St. Vincent DePaul, an organization that receives HUD Emergency Shelter Grants, was indicted in Hamilton County Court of Common Pleas, **Cincinnati, OH**, for allegedly committing theft. From August to September 2009, Kessah allegedly created false documents and fraudulently obtained about \$1,900 in rental assistance payments.



Inspections & Evaluations

Recovery Accountability and Transparency Board Survey of Contracts and Grants Workforce Staffing and Qualifications – Evaluation of Reported Staffing Levels

HUD OIG conducted an evaluation of HUD’s September 2009 response to questions posed by the Recovery Accountability and Transparency Board’s (Board) survey of staff resources dedicated to ARRA. The evaluation objective was to determine whether the reported number of HUD contract and grant personnel responsible for ARRA funding and oversight could be validated and relied on for public disclosure.

The full-time-equivalent (FTE) staffing levels submitted in response to the Board survey could not be validated. The reported FTE staffing levels reflected “informed estimates” by headquarters program management of ARRA activities. Documentation was not available to support the estimates because HUD does not directly track workforce time and activity for each pay period. A comparison of FTE estimates from the survey for the third quarter of FY 2009 to ARRA activity reported in HUD’s Total Estimation and Allocation Mechanism for the same period disclosed material and unexplained differences in the staffing data reported by CPD and the Office of Public and Indian Housing (PIH). CPD and PIH are responsible for awarding and monitoring \$11.26 billion (83 percent) of HUD’s \$13.62 billion in ARRA funding.

OIG recommended that HUD’s ARRA Implementation Team (1) working with the respective HUD offices/program areas, implement a verifiable process to account for ARRA staff time and (2) ensure that future responses to ARRA requests are supported by information that can be validated. (I&E Report No. IED-09-006)



Chapter 6

Disaster Relief

Oversight



Audit

In response to disasters, Congress has appropriated additional funding for the Community Development Block Grant (CDBG) programs as Disaster Recovery Assistance grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year (FY) 2005, Congress has appropriated \$32.4 billion in CDBG Disaster Recovery Assistance funding. This block grant assistance may fund a broad range of recovery activities. The U.S. Department of Housing and Urban Development (HUD) can help communities and neighborhoods that otherwise might not recover due to limited resources. Because CDBG programs include a broad list of eligible activities and allow for flexibility, communities and States affected by disasters have been able to undertake short-term disaster relief efforts, implement mitigation strategies, and finance long-term recovery activities. Further, Disaster Recovery Assistance grants often supplement disaster programs of the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA), and the U.S. Army Corps of Engineers. In addition to the audits, inspections, and investigations described in this chapter, the Office of Inspector General (OIG) has conducted a number of outreach efforts (see chapter 8, page 120).

Key program results		Questioned costs	Funds put to better use
Audit	5 audits*	\$10.7 million	---

*The total disaster audits, questioned costs, and funds put to better use amounts include five audits conducted in the community planning and development area.

HUD OIG audited the **State of Iowa**'s CDBG Disaster Recovery Assistance funds to determine whether the State ensured that the City of Cedar Rapids provided the funds only to eligible businesses and that these businesses did not receive duplicate Federal benefits.

The State misspent more than \$10.5 million of its CDBG Disaster Recovery Assistance funding and failed to check for duplicate benefits before awarding the funds. It provided Disaster Recovery Assistance funds to 305 of 406 businesses without supporting their eligibility for funding. It also failed to verify that the 406 recipients did not receive duplicate benefits through any other program, insurance, or source before awarding the funds.

OIG recommended that HUD require the State to (1) provide documentation to support that \$10.5 million in Disaster Recovery Assistance funds was paid to businesses in accordance with Iowa State law or reimburse the CDBG program from non-Federal sources for amounts that it cannot support and (2) perform oversight and monitoring of the disaster recovery activities in a timely manner. OIG also recommended that HUD require the State to perform a duplication of benefits check on all 406 businesses to ensure compliance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act and repay any amounts that are found to have been duplicated. (Audit Report: **2010-KC-1001**)



HUD OIG audited the State of Louisiana, Office of Community Development, Recovery Workforce Training Program, administered by the State's subrecipient, Louisiana Workforce Commission (LWC), **Baton Rouge, LA**, to determine whether the LWC, as the State's subrecipient, (1) ensured that its subrecipients under agreement expended Program funds for eligible expenses and (2) adequately monitored its subrecipients under agreement.

The LWC did not always ensure that its subrecipients under agreement expended Program funds for eligible and supported expenses. In addition, it did not maintain adequate internal controls over the Program's financial management. Specifically, the LWC did not (1) ensure that reimbursements were consistent with approved budgets before disbursing funds, (2) review its subrecipients' reimbursements for compliance with agreement requirements or Federal regulations, or (3) maintain adequate records to support the eligibility of reimbursed costs. As a result, the State misspent nearly \$148,000 for ineligible and unsupported costs. Further, although the State generally provided technical assistance, the LWC did not always adequately monitor its subrecipients under agreement or submit quarterly reports to the State that included all required performance data. Without this monitoring and compliance assurance, the State could not effectively monitor the Program's progress and ensure that Program goals were met and deliverables were provided as required.

OIG recommended that HUD require the State to repay ineligible costs totaling more than \$2,000 and support or repay unsupported costs totaling more than \$145,000. In addition, the State must ensure that the LWC (1) completes its subrecipient agreement amendments in a timely manner; (2) ensures that its subrecipients comply with the approved budgets; (3) receives periodic reviews to ensure that it maintains documentation that accurately and adequately identifies and accounts for all Program funds disbursed; (4) implements adequate internal controls to ensure that sufficient reimbursement reviews are conducted; and (5) implements procedures to ensure that its subrecipients comply with laws, regulations, and agreement terms. Further, the State must (1) ensure that the LWC conducts and maintains documentation of onsite monitoring for all subrecipients, (2) ensure that the LWC maintains adequate staffing levels to ensure that sufficient onsite monitoring visits are conducted, (3) clearly convey and document its expectations to the LWC pertaining to onsite monitoring, and (4) ensure that the LWC submits quarterly report data required by the interagency agreement or formally amends the reporting requirements. (Audit Report: **2010-AO-1002**)



HUD OIG audited the Lower Manhattan Development Corporation's (auditee) administration of the \$2.783 billion in CDBG Disaster Recovery Assistance funds provided to the State of New York in the aftermath of the September 11, 2001, terrorist attacks on the World Trade Center in **New York City, NY**. The auditee disbursed approximately \$50.3 million of these funds during the audit period, October 1, 2008, through March 31, 2009. The objectives of the audit were to determine whether the auditee (1) disbursed Disaster Recovery Assistance funds in accordance with the guidelines established under HUD-approved partial action plans, (2) expended Disaster Recovery Assistance funds for eligible administration and planning expenses in accordance with applicable laws and regulations, and (3) had a financial management system in place that adequately safeguarded funds and prevented misuse.

The auditee generally administered the grant funds reviewed in accordance with HUD regulations, expended funds for eligible planning and administrative expenses, and continued to maintain a financial management system that adequately safeguarded funds and prevented misuse. There were no recommendations. (Audit Report: **2010-NY-1001**)



HUD OIG completed the fourteenth audit in its ongoing review of the Lower Manhattan Development Corporation in **New York, NY**, regarding its administration of the \$2.783 billion in CDBG Disaster Recovery Assistance funds provided to the State of New York in the aftermath of the September 11, 2001, terrorist attacks on the World Trade Center in New York City. During the audit period, April 1 through September 30, 2009, the auditee disbursed \$38.8 million of the \$2.783 billion being administered. The objectives of this audit were to determine whether the auditee (1) disbursed Disaster Recovery Assistance funds in accordance

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

The auditee generally (1) disbursed CDBG Disaster Recovery Assistance funds in accordance with the guidelines established under HUD-approved partial action plans and applicable laws and regulations, (2) expended CDBG Disaster Recovery Assistance funds for eligible planning and administrative expenses in accordance with applicable laws and regulations, and (3) had a financial management system in place that adequately safeguarded funds and prevented misuse. Therefore, for the disbursements reviewed during the audit, HUD had assurance that the CDBG Disaster Recovery Assistance funds were properly administered. OIG had no recommendations, and no further action is needed. (Audit Report: **2010-NY-1008**)



HUD OIG conducted a review of the **State of Mississippi**, a \$5.5 billion CDBG disaster recovery grantee, to determine whether the State ensured that (1) public housing authorities provided quarterly progress reports in compliance with their subrecipient agreements and (2) the agreements for its authorities complied with HUD minimum requirements.

Although the State generally ensured that the agreements complied with HUD's minimum requirements, it did not always ensure that authorities complied with their agreements. Of 22 reports reviewed, none complied with the agreement. In addition, the State did not always ensure that the reports were complete and submitted by the established due dates.

OIG recommended that HUD require the State to (1) develop and implement written policies and procedures for the review and verification of information in the reports, (2) ensure that subrecipients fully comply with their agreements by including all information required in the reports, and (3) implement a system or process for tracking the submission of the reports to ensure compliance with the agreements. (Audit Report: **2010-AO-1001**)



Investigation

The HUD OIG Office of Investigation continues to pursue HUD disaster assistance crimes with other law enforcement agencies, including the Federal Bureau of Investigation and other Federal, State, and local partners. While the majority of prosecutions during this reporting period involved fraudulent disaster assistance provided to individuals, OIG is vigorously pursuing public corruption, infrastructure, and procurement crimes. Working with the Louisiana Recovery and Mississippi Development Authorities, OIG is taking a proactive role to prevent fraudulent disaster-related claim payments and to assist with the recovery of deceptive or fraudulent grants. In addition, HUD OIG continues to be a dedicated partner in the National Center for Disaster Fraud Task Force (previously known as the Hurricane Katrina Fraud Task Force). HUD OIG provides personnel to support the joint command center in Baton Rouge, LA, continues to support disaster-related investigative efforts throughout the country, and actively participates in the sharing of information and the receipt and referral of complaints with other law enforcement agencies.

Homeowner Grant Fraud

Jerome and Catherine Foreman were collectively sentenced in U.S. District Court, **Gulfport, MS**, to 39 months incarceration and 4 years supervised release and ordered to perform 200 hours of community service and jointly pay the Mississippi Development Authority (MDA) \$150,000 and FEMA \$6,706 in restitution for their earlier convictions of making false statements and claims and committing theft of government funds. Jerome and Catherine Foreman applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the MDA and \$6,706 in FEMA disaster assistance for hurricane-damaged residential property, but the damaged property was not their primary residence during Hurricane Katrina.



Denise Gibbons-Stobaugh and Kenneth Stobaugh each pled guilty in U.S. District Court, **New Orleans, LA**, to committing theft of government funds or misprision of a felony. Gibbons-Stobaugh applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the Louisiana Road Home (Road Home) program and \$38,800 in SBA disaster assistance after she claimed extensive property damage from Hurricane Katrina, but the property sustained only minimal storm damage. Stobaugh helped Gibbons-Stobaugh conceal the extent of the property storm damage.



Kenner couple must do time

Miss. house involved in Katrina fraud

East Jefferson bureau

An elderly couple from Kenner was sentenced to prison this week for defrauding the government of more than \$150,000 after Hurricane Katrina.

Jerome Foreman, 82, must serve two years and three months of confinement, while his wife, Catherine, 75, must serve a year, authorities said. They were sentenced Wednesday in Gulfport, Miss., by U.S. District Judge Halil Ozerden, whom President George W. Bush nominated to the bench.

The judge handed down the penalties after receiving letters of character reference for the Foremans from seven people, including their daughter, their rabbi and Jerome Foreman's business attorney and accountant.

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Lionel Perkins was charged in a superseding indictment filed in U.S. District Court, **New Orleans, LA**, with allegedly committing theft of government funds; aggravated identity theft; and Social Security Administration, Medicaid, and wire and health care fraud. Perkins applied for and received \$150,000 in CDBG Disaster Recovery Assistance funds through the Road Home program and caused the Road Home administrator to remit \$58,500 in CDBG funds to repay his SBA disaster assistance loan, but allegedly the damaged property was not his primary residence during Hurricane Katrina. In addition, Perkins allegedly applied for and fraudulently obtained Social Security, Medicaid, food stamps, and other benefits.



Robert Lombardino was sentenced in U.S. District Court, **New Orleans, LA**, to 3 years probation and 6 months home confinement and ordered to pay the Louisiana Office of Community Development \$113,865 in restitution for his earlier guilty plea to committing theft of government funds. Lombardino applied for and received \$134,000 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Barbara Dowl was sentenced in U.S. District Court, **New Orleans, LA**, to 69 months incarceration and 3 years supervised release and ordered to pay the Louisiana Office of Community Development \$154,761 in restitution for her earlier conviction of making false statements and committing theft of government funds and wire fraud. Dowl applied for and received \$132,000 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but Dowl did not own the damaged property during Hurricane Katrina.

Road Home thief feels brunt of law

False claims filed to scam aid program

By David Hammer
Staff writer

Almost two years after she was caught claiming other people's property and collecting Road Home money for the damage Hurricane Katrina did to

their homes, a still-defiant Barbara Simmons Dowl got the book thrown at her in federal court Wednesday.

In a rare move, Chief U.S. District Judge Sarah Vance went a year beyond the sentencing guidelines to give Dowl, 47, nearly six years behind bars. Vance said the guidelines didn't take into account the emotional distress and financial hardship Dowl caused her victims, the rightful owners of properties

she tied up by filing false documents and wrongful evictions.

Dowl was the first person indicted and convicted at trial for defrauding the Road Home program. She stole a \$132,000 Road Home check for a property on Zimpel Street after the Louisiana Supreme Court ruled Brad and Michelle Robinson were the rightful owners. She also got a \$75,000 Small Business Administration loan and Red Cross assistance for the Zimpel Street

property.

Dowl was convicted by a jury in June of two counts of theft, two counts of making false statements and a count of wire fraud. On top of the prison term, Vance ordered her to pay \$156,691 in restitution.

Her victims called her and her ex-husband, Nathaniel Dowl Jr., their "paper stalkers." For years, the Robinsons, Tracey and Oscar Poydras and the Poydrases' attorney, Richard Arias,

had to deal with false liens and other claims against their properties. Some of the properties at issue had been owned by the Dowls and lost because of blight and unpaid taxes, while others were apparently targeted purely for revenge.

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Louis Stiglet was sentenced in U.S. District Court, **Gulfport, MS**, to 6 months home confinement and 3 years probation, ordered to pay the MDA \$131,021 in restitution, and fined \$20,000 for his earlier guilty plea to making false statements and claims. Stiglet applied for and received \$131,021 in CDBG Disaster Recovery Assistance funds through the MDA for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



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



Thomas Steele pled guilty in U.S. District Court, **New Orleans, LA**, to making false statements. Steele applied for and received \$119,935 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.

Man pleads guilty in Katrina fraud case

By The Associated Press

NEW ORLEANS — A Louisiana man pleaded guilty to fraudulently receiving more than \$119,000 in federal grant money after Hurricane Katrina.

Federal prosecutors said

Thomas Steele, 62, was living in Las Vegas when Katrina hit New Orleans Aug. 29, 2005, and wasn't entitled to a grant from the state's Road Home program for repairing a home in Belle Chasse because the latter property wasn't his primary resi-

dence.

Steele faces a maximum sentence of five years in prison following his guilty plea Friday to one count of making false statements to a federal agency. His sentencing is set for Feb. 24.

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

St. Rose man admits Road Home fraud

N.O. home wasn't primary residence

By **Victoria St. Martin**
River Parishes bureau

A St. Rose man pleaded guilty to theft of government money in

federal court Wednesday, U.S. Attorney Jim Letten's office announced.

Ryant Price, 47, faces a maximum of 10 years in prison, a fine of \$250,000 and three years of probation for charges that are connected to his 2006 Louisiana Road Home Program application.

According to court documents, prior to and during Hurricane

Katrina, Price lived in his primary home on River Road in St. Rose.

When he applied to Louisiana's Road Home program in 2006, he claimed that a second home that he owned in New Orleans was his primary residence at the time of the

storm.

Price admitted that because of his fraudulent application, he received about \$105,000 in Road Home money that he was not entitled to, according to court documents.

His sentencing is scheduled for May 12.

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Garrett Goodbee was charged in U.S. District Court, **New Orleans, LA**, with allegedly committing theft of government funds. Goodbee applied for and received \$104,900 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



William Turnage was charged in U.S. District Court, **New Orleans, LA**, with allegedly making a false statement to HUD. Turnage applied for and received \$89,355 in CDBG Disaster Recovery Assistance funds through the Road Home program and \$12,500 in FEMA disaster assistance for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Joseph Recasner was sentenced in U.S. District Court, **New Orleans, LA**, to 5 months incarceration, 6 months home confinement, and 3 years probation and ordered to pay the Louisiana Office of Community Development \$87,424 in restitution for his earlier guilty plea to making a false statement to HUD. Recasner applied for and received \$87,424 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Todd Northrop was sentenced in U.S. District Court, **Gulfport, MS**, to 10 months incarceration and 2 years probation, ordered to perform 70 hours of community service and pay FEMA \$21,756 in restitution, and fined \$3,000 for his earlier guilty plea to committing mail fraud. Northrop applied for and received \$21,756 in FEMA disaster assistance and attempted to obtain \$81,133 in CDBG Disaster Recovery Assistance funds through the MDA for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Charles Thonn was sentenced in U.S. District Court, **New Orleans, LA**, to 4 years probation, ordered to pay the Louisiana Office of Community Development \$80,368 in restitution, and fined \$3,000 for his earlier guilty plea to committing theft of government funds. Thonn applied for and received \$80,368 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Gordon and Mary Guidry were each charged in U.S. District Court, **Jackson, MS**, with allegedly making false statements and committing theft of government funds. Gordon and Mary Guidry applied for and received \$69,742 in CDBG Disaster Recovery Assistance funds through the MDA and \$6,706 in FEMA disaster assistance for hurricane-damaged residential property, but allegedly the damaged property was not their primary residence during Hurricane Katrina.



Wayne Manning pled guilty in U.S. District Court, **New Orleans, LA**, to making false statements. Manning applied for and received \$64,877 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Sylvia Fleming was charged in U.S. District Court, **Gulfport, MS**, with allegedly committing theft of government funds and making false statements and claims. Fleming applied for and received \$60,074 in CDBG Disaster Recovery Assistance funds through the MDA and \$26,200 in FEMA disaster assistance for hurricane-damaged residential property, but allegedly the damaged property was not her primary residence during Hurricane Katrina.



Albert McCarty, Sr., pled guilty in U.S. District Court, **New Orleans, LA**, to committing theft of government funds. McCarty applied for and received \$56,000 in CDBG Disaster Recovery Assistance funds through the Road Home program and \$50,800 in SBA disaster assistance for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Anita Belaire was sentenced in U.S. District Court, **Lake Charles, LA**, to 1 day incarceration and 3 years probation and ordered to perform 100 hours of community service and pay the Louisiana Office of Community Development \$55,600 in restitution for her earlier guilty plea to committing theft of government funds. Belaire applied for and received \$55,600 in CDBG Disaster Recovery Assistance funds through the Road Home program for property that does not exist.



Elizabeth Holiday pled guilty in U.S. District Court, **New Orleans, LA**, to committing theft of government funds. Holiday applied for and received \$54,566 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.



Robert Kirkland was charged in U.S. District Court, **Jackson, MS**, with allegedly making false statements and committing theft of government funds. Kirkland applied for and received \$55,515 in CDBG Disaster Recovery Assistance funds through the MDA and \$9,923 in FEMA disaster assistance for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Woman held in Katrina grant scheme

By The Associated Press

A New Orleans woman has been charged with fraudulently obtaining more than \$75,000 in federal funds earmarked for repairing Hurricane Katrina damage.

Federal prosecutors said 38-year-old Elizabeth Holiday secured grants from the Federal Emergency Management agency and from Louisiana's Road Home program for rental property she owned in New Orleans.

A court filing Friday accuses Holiday of falsely representing that she was living in the property when Katrina struck in August 2005.

Holiday is charged with theft of government funds. Each of the two counts she faces carries a maximum sentence of 10 years in prison.

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Tinika Ealy was sentenced in U.S. District Court, **Baton Rouge, LA**, to 3 years probation and fined \$1,500 for her earlier guilty plea to committing wire fraud and accessory to commit wire fraud. Ealy applied for and received \$50,000 in CDBG Disaster Recovery Assistance funds through the Road Home program, \$94,000 in SBA disaster loan funds, and \$4,469 in FEMA disaster assistance for hurricane-damaged business property she fraudulently claimed as her primary residence.



Peter Weir was charged in U.S. District Court, **Jackson, MS**, with allegedly making false statements and committing theft of government funds. Weir applied for and received \$41,797 in CDBG Disaster Recovery Assistance funds through the MDA and \$26,200 in FEMA disaster assistance for hurricane-damaged residential property, but allegedly the damaged property was not his primary residence during Hurricane Katrina.



Sharon Baker was charged in U.S. District Court, **New Orleans, LA**, with allegedly committing theft of government funds. Baker applied for and received \$33,500 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but allegedly the damaged property was not her primary residence during Hurricane Katrina.



Edward Toliver entered into a pretrial diversion filed in U.S. District Court, **New Orleans, LA**, and agreed to undergo 12 months supervised probation and perform 50 hours of community service. Toliver admittedly applied for and received \$30,909 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not his primary residence during Hurricane Katrina.



Angelica and Carrie Williams were collectively sentenced in U.S. District Court, **Baton Rouge, LA**, to 6 months home confinement and 10 years probation for their earlier guilty pleas to making false statements and claims or aiding and abetting. Angelica Williams applied for and received \$28,966 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but Angelica Williams did not own the damaged property during Hurricane Katrina. Carrie Williams assisted Angelica Williams when she fraudulently claimed ownership of the hurricane-damaged property.



Donelle Humphrey remitted \$22,320 to the Louisiana Office of Community Development and was sentenced in U.S. District Court, **New Orleans, LA**, to 2 years probation and 6 months home confinement for her earlier guilty plea to making a false statement to HUD. Humphrey applied for and received \$22,320 in CDBG Disaster Recovery Assistance funds through the Road Home program for hurricane-damaged residential property, but the damaged property was not her primary residence during Hurricane Katrina.

HUD and FEMA Disaster Housing Assistance Fraud

George Kinsler III, the former housing and residential director for NOAH Development Corporation (NOAH), an organization that receives HUD housing assistance funds, and Sheneiris Harris, a former West Palm Beach Housing Authority Hurricane Wilma Disaster Housing Assistance program participant,

were collectively sentenced in U.S. District Court, **Pahokee, FL**, to 31 months incarceration and 4 years supervised release and ordered to pay HUD, FEMA, and NOAH \$75,500 in restitution for their earlier guilty pleas to making false statements and committing a conspiracy and theft from an organization receiving Federal funds. Kinsler used his position and fraudulently provided NOAH housing assistance to family members and friends, and Harris failed to report Kinsler's residency in her subsidized housing unit. Together, Kinsler and Harris obtained \$22,882 in housing and \$24,961 in FEMA and other assistance they were not entitled to receive.



Adrienne Breaux and Tamera King, Harris County Housing Authority (Harris County) Hurricane Katrina Disaster Housing Assistance program participants, were each indicted in the U.S. or 338th District Courts, **Houston, TX**, for allegedly making false statements and committing wire fraud, a conspiracy to submit false claims, or theft. In addition, former Harris County Disaster Housing Assistance program participant Odell Chambers was sentenced to 10 months incarceration and 3 years supervised release and ordered to pay FEMA \$30,766 in restitution for his earlier guilty plea to committing a conspiracy to make false statements and claims and wire fraud. Breaux and King allegedly and Chambers admittedly used the identities or Social Security numbers belonging to others and fraudulently applied for and collectively obtained about \$19,514 in housing and \$92,890 in other disaster assistance.



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



Urban Developers, LLC (Urban Developers), a New Britain Housing Authority (New Britain) landlord, pled guilty in U.S. District Court, **Hartford, CT**, to committing theft and conversion of public money. From December 2005 to November 2006, an agent for Urban Developers executed documents that enabled a New Britain Section 8 tenant to fraudulently obtain \$13,749 in Hurricane Katrina disaster housing assistance at the same time she received New Britain Section 8 housing assistance.



Christine Tate, a former New Britain Housing Authority Section 8 tenant, pled guilty in U.S. District Court, **Hartford, CT**, to making false statements. From September 2005 to November 2006, Tate applied for and received \$3,742 in FEMA disaster assistance after she claimed Hurricane Katrina evacuee status, but Tate resided in Connecticut or Alabama during the storm.

FEMA and Other Fraud by HUD Tenants

Piquela Stelly, a former housing recipient at Wurzbach Manor Apartments (Wurzbach Manor), a HUD-subsidized multifamily housing development, was indicted in U.S. District Court, **San Antonio, TX**, for allegedly making false claims and committing theft of government funds. Stelly applied for and received \$71,525 in FEMA disaster assistance after she claimed Hurricane Rita evacuee status, but Stelly allegedly maintained a subsidized housing lease at Wurzbach Manor during the storm.



Florence Randle, a Housing Authority of New Orleans Section 8 tenant, pled guilty in U.S. District Court, **New Orleans, LA**, to committing mail fraud. Randle fraudulently applied for and received \$12,285 in Red Cross disaster assistance funds.



Stacie Ellerson, an East Baton Rouge Housing Authority (East Baton Rouge) public housing tenant, was sentenced in U.S. District Court, **Baton Rouge, LA**, to 5 years probation and ordered to pay FEMA \$2,373 for her earlier guilty plea to making false statements and claims and committing wire fraud. Ellerson applied for and received \$2,373 in FEMA disaster assistance, after she claimed property damage, and Hurricane Katrina evacuee status, but East Baton Rouge suffered no storm damage, nor were tenants evacuated.

Other Fraud

Willie Smith, Derrick Beaulieu, and Shawnzell Venson were collectively sentenced in U.S. District Court, **New Orleans, LA**, to 48 months incarceration, 6 years supervised release, and 3 years probation; ordered to perform 100 hours of community service; and fined \$5,000 for their earlier guilty pleas to committing a conspiracy to steal government funds or misprision of a felony. Smith, Beaulieu, Venson, and others attempted to divert \$646,947 in Road Home CDBG Disaster Recovery Assistance funds into their personal bank accounts.

2 sentenced in theft of grants

Women stole Road Home money

By David Hammer
Staff writer

A New Orleans woman and the real-estate closing agent who conspired with her to steal grants from elderly Road Home applicants were sentenced in federal court Wednesday.

Shawnzell Venson, 37, was sentenced to 18 months in prison, and Derrick Beaulieu, a former closing agent at First American Title Insurance Co., got 30 months. Each was ordered to pay a \$2,000 fine and will serve three years of supervised release.

Venson pleaded guilty in September to conspiring with her fiance, Willie Smith, to steal about \$600,000 from five elderly Road Home applicants. She said she and Smith posed as relatives of the grant applicants to get access to their money. Beaulieu also pleaded guilty, admitting that he used his position as a closing agent at First American to change routing instructions for the grants so they would go to Venson and Smith's bank accounts.

First American was hired by the Road Home program to handle many of the grant payments.

Agents from the U.S. Department of Housing and Urban Development's Office of Inspector General, the Social Security Administration's Office of

Inspector General and the FBI investigated the scheme when the financial institution, ASI Federal Credit Union in Harahan, flagged some of the money and sent it back to First American.

Federal prosecutors said Venson and Smith tried to keep the money in their accounts by calling the credit union and posing as relatives of the rightful Road Home applicants. Prosecutors agreed to lesser sentences for both Venson and Beaulieu because they pleaded guilty in a timely fashion.

But Smith didn't plead guilty until December. His sentencing is scheduled for March 10.



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Robert Chiarappa, a former purchasing agent for the John Galt Corporation and Safeway Environmental, organizations under contract with the Lower Manhattan Development Corporation (Lower Manhattan), an organization that received HUD CDBG Disaster Recovery Assistance funds after the September 11, 2001, terrorists attacks, was sentenced in New York County District Court, **Manhattan, NY**, to incarceration not to exceed 7.5 years and was ordered to pay Lower Manhattan \$511,000 in restitution for his earlier guilty plea to committing grand larceny. From September 2006 to November 2007, Chiarappa instructed Lower Manhattan vendors to submit fraudulent invoices for goods not delivered to the Deutsche Bank building deconstruction site; approved and submitted the false invoices to Lower Manhattan; and obtained cash, jewelry, and other personal use items in return.



Darlene Poole, a Hurricane Katrina evacuee and housing assistance recipient through the Houston Housing and Community Development, an organization that receives HUD HOME Investment Partnerships funds, and Lashona Victor were collectively sentenced in U.S. District Court, **Houston, TX**, to 9 months and 1 day incarceration and ordered to jointly pay FEMA \$14,215 in restitution for their earlier guilty pleas to committing a conspiracy to commit mail and wire fraud. Poole applied for and received \$13,000 in HUD funds to purchase a residential property, but after acquiring the property, Poole fraudulently obtained FEMA disaster housing assistance after she and Victor created and submitted false documents that declared Victor as the property owner.



Bernard McCann, also known as Bernard Mitchell, Bernard Marshall, or Johnny Jordan, was sentenced in Cook County Circuit Court, **Chicago, IL**, to 18 months probation and ordered to pay several victims \$11,700 in restitution for his earlier guilty plea to committing theft. McCann posed as a Chicago Housing Authority employee and police officer from the Cook County Sheriff's Office, fraudulently sold fake Hurricane Katrina Section 8 vouchers, and collected \$11,700 from a number of victims.



Andre Milton was sentenced in U.S. District Court, **Phoenix, AZ**, to 3 years probation and ordered to collectively pay FEMA, the American Red Cross, and the Arizona Department of Housing \$4,616 in restitution for his earlier guilty plea to committing theft of government funds. Milton applied for and received \$4,616 in disaster assistance after he claimed to be a Hurricane Katrina evacuee, but Milton resided in Arizona during the storm.



Inspections and Evaluations

Inspection of the State of Louisiana's Road Home Elevation Incentive Program Homeowner Compliance

HUD OIG completed an inspection of the State of Louisiana's (State) Road Home Elevation Incentive (elevation grant) program funded by HUD CDBG Disaster Recovery Assistance funds to determine whether homeowners used the funds to elevate their homes as set forth in their grant agreements. The inspection covered 199 (about 10 percent) of the 1,906 property owners who received more than \$44.4 million in elevation grants during the first round of State funding in 2006 and 2007.

Inspection results strongly suggest that the elevation grant program is at risk and could fail to achieve its intended goal of reducing homeowner flood risks from future hurricanes. Most homeowners had not elevated their homes, although they received grants of up to \$30,000 in 2006 and 2007 to pay toward the construction costs. Seventy-nine percent of the homes inspected (158 of 199 properties) were not elevated. These noncompliant homeowners received grant funds exceeding \$3.8 million. More than 29,000 homeowners have now received taxpayer-funded checks totaling \$845 million to leverage the cost of elevating their properties.

OIG recommended that HUD require the State to (1) coordinate efforts with HUD to address and reduce the incidence of noncompliance in the Road Home Elevation Incentive program, (2) ensure that monitoring of the elevation grants provides adequate coverage to specifically identify compliant and noncompliant recipients, (3) identify and advise all elevation grant recipients who have yet to meet the terms of their grant agreements of their obligation to either elevate the subject property or return the elevation grant funds to the State, and (4) enforce the program remedies for noncompliance as set out in the elevation grant agreements starting with recovery, where warranted, of the \$3.8 million in grant funds from the 158 noncompliant homeowners in our sample. OIG plans to revisit the elevation grant program at a future date to review the level of the State's success in reducing noncompliance, achieving intended program goals, and enforcing funds recovery. (I&E Report: **IED09 002**)



Elevation grants going nowhere

Most recipients haven't raised home

By David Hammer
Staff writer

A federal inspector general's review of Road Home elevation grants paid in 2006 and 2007 found that 80 percent of recipients have thus far failed to raise their homes with the money.

The U.S. Department of Housing and Urban Development's inspector general followed up with 10 percent of the homeowners who received Road Home grants during those two years to raise their homes and make them less flood-prone. It found that 158 out of the 199 homeowners sampled had not elevated their rebuilt homes, as required by the program.

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Chapter 7

Other Significant Audits and Investigations/ OIG Hotline



In addition to the audits and investigations described in this chapter, the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), has conducted numerous outreach efforts (see chapter 8, page 124).

Audit

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

Key program results		Questioned costs	Funds put to better use
Audit	9 audits*	---	\$522 million
Our focus	Page 104	• Audit of HUD's financial statements	
	Page 104	• FHA financial statements	
	Page 105	• Audit of the Government National Mortgage Association's financial statements	
	Page 105	• Evaluation of HUD's implementation of the Federal Information Security Management Act of 2002	
	Page 105	• Evaluation of Ginne Mae's controls over information technology	

* The total "other" audits include American Recovery and Reinvestment Act of 2009 (four audits) type audits conducted in other areas. The writeups for these audits are shown separately in chapter 5 of this semiannual report.

Audit of HUD's Financial Statements

HUD OIG provided additional details to supplement the report on HUD's fiscal years 2009 and 2008 financial statements, which is included in HUD's Fiscal Year 2009 Performance and Accountability Report.

Based on the audit and the reports of other auditors, the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The report identified 11 significant weaknesses and 4 instances of noncompliance with applicable laws and regulations. It discussed each of these conditions in detail, provided an assessment of actions taken by HUD to mitigate the deficiencies noted, and made recommendations for corrective actions. (Audit Report: **2010-FO-0003**)

FHA Financial Statements

Urbach Kahn and Werlin LLP, audited the fiscal years 2009 and 2008 financial statements of the Federal Housing Administration (FHA).

The report included an unqualified opinion on FHA's financial statements. It contained four significant deficiencies in FHA's internal controls and one reportable instance of noncompliance with laws and regulations. The report contained 15 new recommendations. It discussed the issues/conditions in detail, provided an assessment of management's responses to the report, and made recommendations for corrective actions. (Audit Report: **2010-FO-0002**)

Audit of the Government National Mortgage Association's Financial Statements

Carmichael, Brasher, Tuvell, and Company (CBTC) audited the Government National Mortgage Association's (Ginnie Mae) financial statements for the fiscal years ending September 30, 2009 and 2008.

In CBTC's opinion, the financial statements presented fairly, in all material respects, Ginnie Mae's financial position as of September 30, 2009, and September 30, 2008, 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 report identified one significant deficiency on internal control, which was a repeat finding from last fiscal year and one reportable instance of noncompliance with laws, regulations, and government-wide policies. It discussed the issues/conditions in detail, provided an assessment of management's responses to the report, and made recommendations for corrective actions. (Audit Report: **2010-FO-0001**)

Evaluation of HUD's Implementation of the Federal Information Security Management Act of 2002

(Report Not Available to the Public)

HUD OIG audited HUD's information security program and practices in accordance with requirements of the Federal Information Security Management Act of 2002. OIG has determined that the results of this audit would not be appropriate for public disclosure and has, therefore, limited distribution to selected officials. (Audit Report: **2010-DP-0802**)

Evaluation of Ginnie Mae's Controls Over Information Technology

(Redacted Report Available to the Public)

HUD OIG audited Ginnie Mae's controls over its information technology (IT) resources. OIG assessed whether Ginnie Mae's management of its information systems complied with HUD IT policies and Federal information system security requirements. The audit was performed in support of OIG's annual financial statement audit of Ginnie Mae and its annual evaluation of HUD's information system security program within the context of the Federal Information Security Management Act.

OIG has determined that the full contents of this report would not be appropriate for public disclosure and released a redacted version to the public. (Audit Report: **2010-DP-0001**)



Investigations

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

Key program results	Cases closed	\$ recovered	Convictions / pleas / pretrials	Admin / civil actions
Investigations	32	\$38,642	9	9

HUD field office director Michael Colon was arrested after his indictment in U.S. District Court, **San Juan, PR**, for allegedly committing theft of government funds and wire fraud and submitting false time and attendance records. From December 2008 to February 2010, Colon allegedly failed to work the hours he claimed on his time and attendance reports. HUD losses are estimated at \$65,979.



Herman Ransom, a former director for the HUD Office of Multifamily Housing, was convicted in U.S. District Court, **Kansas City, KS**, of committing theft of government funds and wire fraud. From September 2001 to June 2007, Ransom played tennis or gambled at local casinos during work hours. HUD realized losses of \$46,926.



KANSAS CITY, KAN. | Former HUD director convicted

A federal jury on Monday convicted a former federal housing executive of taking pay for hours not worked.

Herman S. Ransom, 53, of Olathe, will be sentenced later on 10 counts each of wire fraud and theft of public funds.

From September 2001 to May 2007, Ransom reported he was working when he was gambling, playing tennis or taking unapproved leave, prosecutors said.

The former hub director of the Department of Housing and Urban Development office in Kansas City, Kan., collected more than \$47,000 in pay for hours not worked, jurors found in the trial in Kansas City, Kan.

As part of his job, he oversaw multi-family housing for Kansas, Missouri, Iowa, Nebraska and Oklahoma and administered various federal programs that included housing for the elderly and disabled.

Sentencing is scheduled for June 28.

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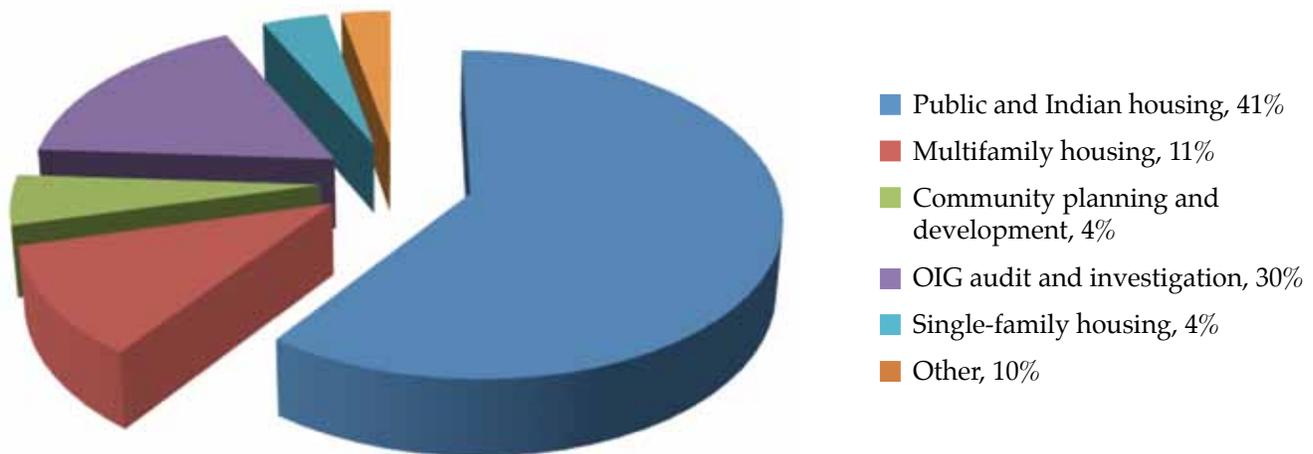
OIG Hotline

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

During this reporting period, the hotline received and processed 9,324 complaints -- 75 percent (6,962) received by telephone, 10 percent (976) by mail, and 15 percent (1,385) by e-mail. Every allegation received by the hotline is logged into a database and tracked.

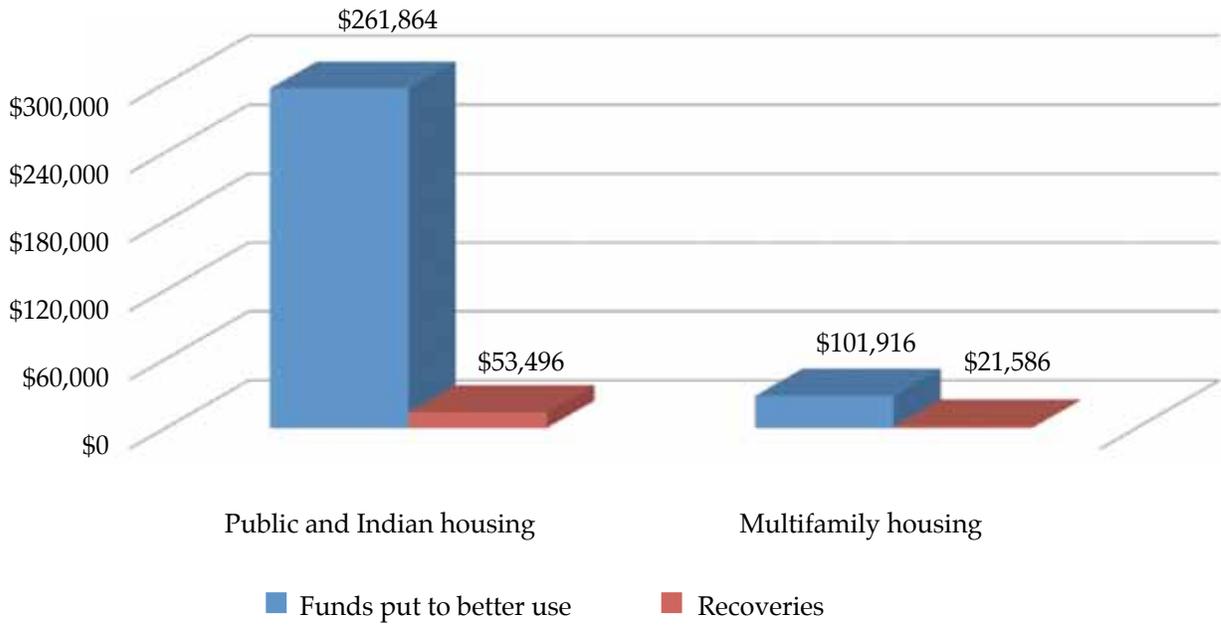
Of the complaints received, 534 were related to the mission of OIG and addressed as hotline cases. Hotline cases are referred to OIG's Offices of Audit and Investigation or to HUD program offices for action and response. The following illustration shows the distribution of hotline case referrals by percentage.

Chart 7.1 : Hotline cases opened by program area



The hotline closed 291 cases this reporting period. The closed hotline cases included 40 substantiated allegations. The substantiated allegations resulted in three administrative sanctions, including action taken against a tenant for failing to report all income and allowing unauthorized live-ins to reside in her HUD-subsidized residence. The Department also took 28 corrective actions that resulted in \$75,082 in recoveries of losses and \$363,780 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 income or family composition to qualify for rental assistance.

Chart 7.2: Hotline dollar impact from program offices



Chapter 8

Outreach Efforts



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

Single-Family Housing Programs

Inspector General Kenneth Donohue, Deputy Inspector General Michael Stevens, and Assistant Inspector General for Investigation John McCarty participated in mortgage fraud summits held in **Miami, FL**, and **Phoenix, AZ**. These regional mortgage fraud summits, sponsored by the U.S. Department of Justice Financial Fraud Enforcement Task Force, were held to highlight the nature of mortgage fraud and raise the profile of the Financial Fraud Enforcement Task Force, to assess mortgage fraud and emerging trends in different areas of the country, and to coordinate and motivate law enforcement efforts. Each summit included morning sessions open to the general public and afternoon sessions for law enforcement personnel. Attorney General Eric Holder spoke at a press conference following the Phoenix, AZ, general public session.



IG Donohue speaks at the Financial Fraud Enforcement Task Force Mortgage Fraud Summit held in Miami, FL



Deputy Assistant Inspector General for Investigation Ruth Ritzema provided an overview of nationwide fraud preventative measures as a panelist during a New York Foreclosure Summit in **Manhattan, NY**. Approximately 200 individuals representing financial institutions and State and local government agencies attended the Summit, which was sponsored by HUD and the U.S. Department of the Treasury.



Special Agent in Charge (SAC) Barry McLaughlin and Federal Housing Administration (FHA), Office of Business Development, Account Liaison Kitty Watkins provided an overview of recent changes in the FHA regulations and requirements for Illinois Mortgage Fraud Working Group members meeting in **Chicago, IL**. Approximately 45 mortgage industry personnel and State and local officials attended.



SAC Wayne North and Assistant Special Agent in Charge (ASAC) James Siwek provided an overview of HUD OIG's mission and function and described investigative priorities relating to mortgage fraud, FHA, and public housing programs at a meeting at the office of U.S. Senator Patty Murray in **Seattle, WA**. Approximately eight congressional staff members attended.



SAC Barry McLaughlin, Regional Inspector General for Audit (RIGA) Heath Wolfe, and Federal Bureau of Investigation (FBI) Supervisory Special Agent Paul Holdeman provided an overview of the roles and responsibilities of the HUD OIG Offices of Investigation and Audit and described “red flag” fraud indicators and civil enforcement initiatives at an Illinois Mortgage Bankers Association fraud conference in **Rolling Meadows, IL**. Approximately 50 individuals attended.



SAC Rene Febles and Special Agent (SA) Martin Sullivan provided an overview of HUD OIG initiatives and described mortgage fraud detection methods for individuals attending a HUD-sponsored Real Estate Settlement Procedures Act training seminar in **Manhattan, NY**. Approximately 100 mortgage industry personnel attended.



SAC Ken Taylor, Jr., provided an overview of HUD OIG’s mission and function and described investigative priorities relating to FHA-insured mortgages and grants as a panelist during a winter symposium for Property Records Industry Association members meeting in **Washington, DC**. At the conclusion, a question and answer forum was held for approximately 50 members in attendance.



SAC Barry McLaughlin and RIGA Heath Wolfe provided an overview of the Home Equity Conversion Mortgage (HECM) and FHA insurance programs and described fraud schemes, audit expectations, and OIG’s affirmative civil enforcement actions for Northeast Indiana Mortgage Bankers Association members meeting in **Fort Wayne, IN**. Approximately 60 individuals attended.



SAC Michael Powell, ASAC Cortez Richardson, and SA Jerome Winkle provided an overview of HUD OIG’s role and responsibilities relating to mortgage fraud investigations for members of a mortgage fraud working group meeting in **Augusta, GA**. More than 20 mortgage industry professionals and Federal and State banking, real estate, and law enforcement personnel attended.



SAC Barry McLaughlin and RIGA Heath Wolfe provided an overview of the HUD HECM and FHA insurance programs and described American Recovery and Reinvestment Act of 2009 (ARRA) reporting requirements and fraud schemes, OIG’s affirmative civil enforcement actions, and OIG audit expectations at a luncheon for members of the Three Rivers Association of Realtors in **Joliet, IL**. Approximately 75 real estate professionals and others attended.



RIGA Joan Hobbs and Supervisory Forensic Auditor (SFA) Tony Putzulu spoke to about 40 assistant U.S. attorneys (AUSA) attending mortgage fraud civil remedies training in **Los Angeles, CA**. RIGA Hobbs provided an overview of OIG, and SFA Putzulu gave a presentation on FHA mortgage fraud. Also attending were the HUD OIG forensic audit staff in Los Angeles and two special agents. At the conclusion of the training, OIG staff met with civil AUSAs from four districts in California and the Nevada district.



ASAC Wallace Merriman, NeighborWorks® America Chief Operating Officer Eileen Fitzgerald, FBI Assistant Director Kevin Perkins, Assistant State Attorney April Richardson, and U.S. Senator Barbara Mikulski were guest speakers at a “Loan Modification Scam Alert” campaign at the Seat Pleasant Activities Center in **Seat Pleasant, MD**. This public education event was designed to help homeowners protect themselves against loan modification scams, find trusted help, and report illegal activities. Approximately 80 State, local, and national governmental agencies, nonprofit organizations, and financial institution representatives attended.



ASAC Wallace Merriman addresses community leaders.



ASACs Michael Catinella and Eric Bizjak and Assistant Regional Inspector General for Audit (ARIGA) Ronald Farrell provided an overview of HUD OIG’s mission, goals, and priorities; explained the functions of the Offices of Audit and Investigation; and described current mortgage fraud trends at a meeting for members of the Ohio Land Title Association in **Columbus, OH**. Approximately 40 individuals attended.



ASACs Ray Espinosa and Brad Geary provided an overview of deed forgery and the effects on financial institutions and illustrated a recent investigation for Financial Institution Group members meeting in **Chicago, IL**. Approximately 20 financial institution security and loss prevention and Federal and local law enforcement personnel attended.



ASAC Lisa Gore and HUD Attorney Thomas Derryberry provided an overview of HUD and HUD OIG’s mission and goals and described the Real Estate Settlement Procedures Act final rule implementation, fraud schemes, and criminal issues and complaints at the Tennessee Land Title Association regional conference in **Nashville, TN**. Approximately 50 industry professionals attended.



ASAC Wallace Merriman provided an overview of HUD OIG’s mission and described predatory lending, property flipping, equity skimming, and appraisal and HECM program fraud as a panelist during a “Law Enforcement Best Practices and New Scams” forum in **Baltimore, MD**. Approximately 80 State, local, and nonprofit representatives attended the forum, which was sponsored by the Federal Reserve Bank.



ASAC Suzanne Steigerwald and SA John Raney provided an overview of HUD OIG’s mission and role and described reverse mortgage fraud schemes and “red flag” indicators during a training session, entitled

“Consumer University,” in **Denver, CO**. Approximately 50 individuals attended the training session, which was sponsored by AARP, the Colorado Better Business Bureau, and the Colorado Attorney Generals’ Office.



ASAC Brad Geary and Assistant U.S. Trustee Sandra Rasnak provided an overview of mortgage fraud trends involving property flipping and deed theft schemes, explained common Federal statutes involving mortgage fraud and the role of bankruptcy courts, and described current enforcement efforts at an annual meeting of Wisconsin Chapter 7 Bankruptcy Trustees in **Milwaukee, WI**. Approximately 25 trustees attended.



ASAC Kevin Chan, SA Michael Granatstein, and HUD FHA employee Migdalia Murati provided an overview of the FHA program, described OIG’s authority and process for selecting and conducting investigations, and explained the benefits of forming partnerships to address mortgage fraud at a convention of Exit Association of Mortgage Brokers members in **New Hyde Park, NY**. Approximately 100 mortgage brokers and other financial institution representatives attended.



ASAC Michael Wixted, ARIGA Kevin Smullen, SA Brian Gosselin, and AUSA Michael Drescher provided an overview of HUD OIG’s mission and described the FHA and HECM programs and fraud vulnerabilities at a meeting of members of the Vermont Mortgage Bankers Association in **Burlington, VT**. Approximately 86 members attended.



ASAC James Luu provided an overview of HUD OIG’s mission and role in mortgage fraud at a “Faith in Action” town hall meeting held in **Bakersfield, CA**, to address foreclosure rescue scams and loan modification fraud. Approximately 230 community members, housing counselors, and Federal and local officials attended.



ASAC Cortez Richardson and SAs Shelly Mack, Gustaveous Madden, and Tyrone Hardy provided an overview of HUD OIG’s mission and involvement with ARRA and described fraud vulnerabilities in the HECM program at a Georgia Real Estate Fraud Prevention and Awareness Coalition meeting in **Atlanta, GA**. At the conclusion, a question and answer forum was held for 50 mortgage industry professionals in attendance.



ASAC Kris Kanakares provided an overview of HUD OIG’s mission and funding provided by ARRA; described a number of mortgage fraud schemes; and illustrated fraud prevention, detection, and enforcement methods used to successfully prosecute mortgage fraud investigations at the 2009 Mid-America Intergovernmental Audit Forum in **Kansas City, MO**. At the conclusion, a question and answer forum was held for approximately 50 individuals in attendance.



ASAC Edwin Bonano and SAs José Laureano and Hector Mercado provided a presentation, entitled “FHA and HECM Mortgage Fraud: The Jurisdiction and Investigative Role of HUD OIG,” and described

HUD OIG's mission and priorities, common mortgage fraud schemes and indicators, and Federal criminal statutes at a training seminar for Banco Santander employees in **San Juan, PR**. Approximately 50 mortgage and compliance division employees and executives attended.



ASAC Lisa Gore, SAs Jeffrey Monnin and Keith Benderoth, and HUD Attorney Robert Kuhnle provided an overview of HUD and HUD OIG's mission and goals and described the Real Estate Settlement Procedures Act final rule implementation, criminal issues, and common fraud schemes for Kentucky Department of Financial Institutions employees meeting in **Louisville, KY**. Approximately 20 staff members attended.



ASAC Wallace Merriman provided an overview of HUD OIG's mission and described predatory lending, property flipping, equity skimming, appraisal fraud, and potential HECM program fraud as a panelist during a "Law Enforcement Best Practices and New Scams" seminar sponsored by the Maryland Housing Counselors Network in **Prince Georges County, MD**. Approximately 40 individuals representing State and local governments and nonprofit agencies attended.



ASACs Ray Espinosa and Brad Geary provided an overview of the emerging trends at HUD and described FHA and HECM loans, the Neighborhood Stabilization Program (NSP), and OIG initiatives to ensure the integrity of these programs at a meeting of Lifelong Learning Institute members at Northern Illinois University in **Dekalb, IL**. Approximately 15 individuals attended.



ASAC Lisa Gore provided an overview of HUD OIG's mission and goals, described the functions of the Offices of Investigation and Audit, discussed potential criminal issues and common fraud schemes associated with HUD programs, and participated in a panel discussion at a Property Records Industry Association conference in **Nashville, TN**. Approximately 60 mortgage industry professionals attended.



ASAC Nadine Gurley provided an overview of HUD OIG and mortgage fraud investigations for members of the Alabama Association of Certified Fraud Examiners meeting in **Birmingham, AL**. More than 40 financial, insurance, and other industry professionals attended.



SA Timothy Lishner provided an overview of HUD OIG's mission and role and described single-family housing fraud schemes at a "Housing Summit" sponsored by Congresswoman Betsy Markey in **Fort Collins, CO**. Approximately 50 home buyers and mortgage industry professionals attended.



SA José Laureano provided an overview of HUD OIG's mission, jurisdiction, and role in FHA mortgage fraud investigations during a consumer financial education fair sponsored by the Puerto Rico Office of the Commissioner for Financial Institutions in **San Juan, PR**. About 25 individuals attended.



SA James Carrieres provided an overview of HUD OIG's mission and described successful Arizona mortgage fraud investigations at a meeting of Keller Williams Realty staff in **Tempe, AZ**. Approximately 50 real estate agents attended.



SA DeChantel Bahr provided an overview of HUD programs and described mortgage rescue fraud schemes and the availability of foreclosure assistance for residents attending an "open house" sponsored by the DC Metropolitan Police Department in **Washington, DC**. More than 250 local residents, community leaders and organizations, Federal law enforcement representatives, and others attended.



SA José Laureano provided a presentation, entitled "Jurisdiction and the Investigative Role of HUD OIG in Mortgage Fraud Cases"; described HUD OIG's mission and priorities; and illustrated common FHA mortgage fraud indicators and schemes at a training session for First Bank employees in **San Juan, PR**. Approximately 60 loan originators, compliance and collection officers, fraud investigators, and executive staff attended.



SA Samuel Ortiz-Diaz provided an overview of HUD OIG's mission and priorities and described OIG's role in mortgage fraud investigations at a Bank Secrecy Act conference in **Springfield, MA**. At the conclusion, a question and answer forum was held for approximately 35 financial institution and legal and law enforcement personnel in attendance.



SAs Patrick Fox and Matthew Nutt and U.S. Secret Service SA Marisella Shaw provided an overview of current mortgage fraud schemes for State Farm Insurance personnel meeting in **Livonia, MI**. Approximately 50 insurance investigators and claim representatives attended.



SA Michael Weinstein provided an overview of HUD OIG's mission and programs and described the value of FHA mortgage activity reports for individuals attending a Maryland Association for Bank Security meeting in **Baltimore, MD**. Approximately 30 financial institution and Federal, State, and local government representatives attended.



SA José Laureano provided an overview of HUD OIG's mission and role in FHA mortgage fraud and described mortgage fraud detection and prevention strategies for members of the Puerto Rico Mortgage Loan Officers Association meeting in **San Juan, PR**. More than 60 members attended.



SA Timothy Lishner provided an overview of HUD OIG's mission and role in FHA mortgage fraud and described mortgage fraud detection and prevention strategies for members of the Northern Colorado Association of Real Estate Appraisers meeting in **Northglenn, CO**. More than 60 members attended.



RIGA Heath Wolfe provided a presentation to the Mid-America Intergovernmental Audit Forum's winter meeting in **Kansas City, MO**, entitled "Auditors Pursuing Civil Fraud Through Affirmative Civil Enforcement Actions." The presentation included an overview of OIG's mission and the Office of Audit's affirmative civil enforcement initiative. Approximately 60 individuals attended



RIGA Joan Hobbs and Assistant Inspector General for Audit (AIGA) James Heist spoke to about 40 Pacific Island auditors at the Western Intergovernmental Audit Forum Conference in **Honolulu, HI**. RIGA Hobbs spoke on the topic of mortgage fraud, and AIGA Heist spoke on ARRA, how HUD has implemented it, and how HUD OIG is auditing the funds.



RIGA Joan Hobbs and AIGA James Heist spoke to about 350 attendees at the joint conference of the Association of Government Accountants/ Association of Military Comptrollers in **Honolulu, HI**. The topic of their presentation was the mortgage fraud crisis and what HUD and FHA are doing to help the public.

Public Housing and Rental Assistance Programs

SAC Phyllis Robinson and ASAC Gene Westerlind provided an overview of HUD OIG's mission and authority and described OIG's relation to HUD programs at a "HUD Strategic Planning and Regional Feedback" session in **St. Louis, MO**. At the conclusion, a question and answer forum was held for 60 housing professionals and HUD staff in attendance.



SAC Herschell Harvell, ASAC Michael Wilson, and SA Gary Haley provided an overview of HUD OIG's mission and structure; described and illustrated tenant, landlord, and multifamily Section 8 fraud; explained FHA-insured mortgages; and offered information relating to NSP and ARRA at an Arkansas National Association of Housing and Redevelopment Officials (NAHRO) meeting in **Little Rock, AR**. Approximately 100 housing officials attended.



SAC Kenneth Taylor, Jr., ASAC Kevin McBride, and SA Kylan Dunn provided an overview of HUD OIG's mission and goals and described housing assistance program fraud and avenues available to report fraudulent activities during a meeting of Prince Georges County Housing Authority landlords in **Largo, MD**. Approximately 30 landlords attended.



SAC George Dobrovic provided an overview of HUD OIG's mission, goals, and priorities and discussed HUD OIG initiatives and the support available to help provide safe environments for subsidized housing residents at a meeting of Cuyahoga, Summit, Youngstown, and Lorain police departments and housing authority personnel in **Cleveland, OH**. Approximately 30 housing authority and law enforcement representatives attended.



Michael Beard, Director, Technical Oversight and Planning Division, gave a presentation, entitled “How to Prepare for an OIG Audit,” at the 33rd Annual Housing Choice Voucher Conference in **Washington, DC**. Quadel Consulting sponsored the training event. More than 60 individuals from State and local housing agencies attended.



Frank Rokosz, Assistant Director, Technical Oversight and Planning Division, participated in a panel presentation at the National Leased Housing Association’s fall seminar on Asset Management, Occupancy, and Preservation of Section 8 Projects in **Washington, DC**. The panel discussed the topic, “How to Survey an OIG Audit or a Referral to the DEC [Departmental Enforcement Center].” The panel included Henry Czauski, Deputy Director of the Departmental Enforcement Center; Lisa Tunick, an attorney with Hessel, Aluise, and Neun; and George Wiedenfeller, an attorney with Goulston and Storrs. More than 120 owners, managers, and consultants attended.



RIGA Heath Wolfe and ASAC Michael Catinella provided an overview of HUD OIG’s mission, goals, and priorities; explained the functions of the Offices of Audit and Investigation; and described common audit findings in nonprofit activities, the Office of Audit’s affirmative civil enforcement initiative, the accountability and reporting requirements for capital funding through ARRA, and the Section 8 and housing voucher programs for Michigan Housing Director’s Association members meeting on **Mackinac Island, MI**. Approximately 70 individuals attended.



ASAC Edwin Bonano provided an overview of HUD OIG’s mission and described various housing fraud schemes at a HUD-sponsored workshop for Miami-Dade County Commissioners in **Miami, FL**. At the conclusion, a question and answer forum was held for approximately 30 commissioners and Miami-Dade County residents in attendance.



ASAC Lou Mancini provided an overview of HUD OIG’s mission and structure; described tenant, landlord, and multifamily Section 8 fraud indicators and presented fraud scenarios; and explained FHA-insured mortgages and community planning and development programs, including NSP and homeless and Emergency Shelter Grant programs at the New York State Division of Housing and Community Renewal Section 8 conference in **Syracuse, NY**. Approximately 120 individuals attended.



ASAC Gene Westerlind and SA Greg Moyer provided an overview of HUD OIG’s mission and described various housing fraud schemes, NSP, and ARRA for Section 8 landlords meeting at the Wichita Housing Authority in **Wichita, KS**. At the conclusion, a question and answer forum was held for approximately 80 landlords and housing officials in attendance.



ARIGA Kim Randall and SAs Karen Gleich and Paul Pace provided an overview of HUD OIG’s mission and the funding provided by ARRA; described the functions of OIG’s Offices of Audit and Investigation; and

illustrated fraud prevention, detection, and enforcement methods used to successfully prosecute housing investigations at the Kansas NAHRO conference in **Lawrence, KS**. Approximately 60 housing officials attended.



SA Victoria Marquez and Austin Housing Authority senior rental integrity coordinator Chress Rocha conducted a panel discussion, entitled “Combating Tenant Fraud From a Housing Authority and HUD OIG’s Prospective,” at the 2009 Texas NAHRO conference in **San Marcos, TX**. Approximately 450 housing officials attended.



SA Scott Savedow, Palm Beach County Sheriff detective Michael Leatherman, and Palm Beach County Housing Authority General Counsel Jennifer Cuhna moderated a discussion forum, entitled “Convictions for Tenant Fraud,” at the Housing and Development Law Institute general counsel forum in **Tampa, FL**. Approximately 25 general counsel representatives attended.



SA Jeffery Monnin provided an overview of HUD OIG’s mission and goals and described public housing fraud schemes and the criminal referral process at the Kentucky Housing Executives Association conference in **Lexington, KY**. Approximately 40 executive directors attended.



SA Ronnyne Bannister provided an overview of HUD OIG’s mission, priorities, and subsidized housing programs during a panel discussion for residents of Gateway Village Apartments, a HUD-subsidized elderly housing development in **Capitol Heights, MD**. At the conclusion, a question and answer forum was held for about 45 tenants in attendance.



SA Angela Stewart provided an overview of HUD OIG’s mission and described criminal and civil fraud schemes and prosecutorial results involving HUD housing assistance programs at a meeting of Fort Walton Beach Housing Authority landlords in **Fort Walton Beach, FL**. Approximately 18 landlords attended.



SA Gregory Williams provided an overview of HUD OIG’s mission, role, and priorities and described the process for detecting, preventing, and reporting fraud at a meeting in **Gardner, MA**, for staff members from RCAP Solutions, a nonprofit organization that administers a number of HUD-funded housing programs. Approximately 23 staff members attended.



SA Stephen Tufts provided an overview of HUD OIG’s mission and role in detecting and investigating waste, fraud, and abuse in HUD programs for Maine Department of Health and Human Services employees meeting in **Augusta, ME**. At the conclusion, a question and answer forum was held for about 20 individuals in attendance.



SA Ronnyne Bannister provided an overview of HUD OIG's mission and priorities and described HUD-subsidized housing and the real estate-owned program during a community meeting for residents of **Hillside** and **Capitol Heights, MD**. At the conclusion, a question and answer forum was held for about 25 residents in attendance.



RIGA John Buck and SAC Joseph Clarke were guest speakers at the Pennsylvania Association of Housing and Redevelopment Agencies (PAHRA) annual conference in **Harrisburg, PA**. PAHRA is an affiliation of Pennsylvania's housing authorities, redevelopment authorities, community development agencies, and nonprofit corporations. RIGA Buck and SAC Clarke presented an overview of HUD OIG's mission and goals and the functions of the Offices of Audit and Investigation. RIGA Buck presented information on recent audits and future plans for auditing ARRA funds, concerns about the risk in ARRA programs, and information about the region's overall audit plans. SAC Clarke presented information on the Fraud Enforcement and Recovery Act and potential criminal activities associated with ARRA programs and provided examples of HUD OIG criminal cases involving government funds. Approximately 60 members attended the presentation.

Community Planning and Development

SAC Rene Febles provided a briefing on HUD stimulus funds awarded to New York agencies and OIG's efforts to protect these funds at a New York State Stimulus Board meeting in **Manhattan, NY**. Approximately eight board members representing the New York State Commission on Human Rights, the New York State OIG, and the Metropolitan Transit Administration OIG attended.



SAC Barry McLaughlin, RIGA Heath Wolfe, and ASACs Brad Geary and Ray Espinosa provided an overview of the HUD OIG Offices of Investigation and Audit and described "red flag" fraud indicators, the audit process, the HOME Investment Partnerships (HOME) and Supportive Housing programs, the False Claims and Program Fraud Civil Remedies Acts, and ARRA accountability and reporting requirements for Cook County Department of Planning and Development employees in **Chicago, IL**. Approximately 50 county employees attended.



ASACs Ray Espinosa and Brad Geary provided an overview of Illinois mortgage fraud and described NSP areas susceptible to fraud at a meeting in **Chicago, IL**, for Illinois NSP grantees. More than 100 individuals attended the meeting, which was hosted by the Illinois Housing Development Authority and the Department of Human Services.



ASAC Kris Kanakares and SA Chris Conn provided an overview of HUD OIG's mission; described the functions of OIG's Offices of Audit and Investigation; and illustrated fraud prevention, detection, and enforcement methods used to successfully prosecute community planning and development-related investigations for Missouri's Department of Economic Development and Business and Community Services personnel meeting in **Jefferson City, MO**. Approximately 10 supervisory employees attended.



ASAC Lisa Gore and SAs Jeffrey Monnin and Keith Benderoth provided an overview of HUD OIG's mission and goals; described the functions of the Offices of Investigation and Audit; discussed potential criminal issues and common fraud schemes associated with Community Development Block Grant (CDBG) funding; and explained HUD OIG's oversight and responsibilities relating to grants awarded through ARRA at a HUD-sponsored meeting of Kentucky community planning and development grantees in **Louisville, KY**. Approximately 60 grantees attended.



ASAC Robert Jones provided an overview of the HUD Disaster Recovery Assistance program and NSP; described ARRA and the Housing and Economic Recovery Act of 2008 (HERA); and illustrated OIG's role in addressing fraud, waste, and abuse in HUD-funded programs at a community planning and development "Directors Round-Up" hosted by the HUD Office of Community Planning and Development (CPD) in **Houston, TX**. Approximately 20 individuals representing local CPD-funded entities attended.



SA Alexander Rosania provided an overview of the HUD Homelessness Prevention and Rapid Re-Housing Program and described fraud vulnerabilities at a meeting with the Rhode Island Office of Housing and Community Development staff and other city employees in **Providence, RI**. At the conclusion, a question and answer forum was held for approximately 30 State and local employees in attendance.



RIGA Heath Wolfe and ASAC Brad Geary made two presentations at the Cook County, IL, Community Development Block Grant Agreement Workshop in **Chicago, IL**. The presentations consisted of an overview of HUD OIG's mission and goals and the functions of the Offices of Investigation and Audit. RIGA Wolfe and ASAC Geary also presented information on OIG's planned oversight and priorities to address HUD's funding for HERA and ARRA. There were more than 65 individuals in attendance for each presentation.

Disaster Relief

SAC Robert Anderson and ARIGA Tracey Carney provided an overview of HUD disaster relief grants during a panel discussion at the National Disaster Recovery Stakeholder Forum at the University of New Orleans International Conference Center in **New Orleans, LA**. Approximately 200 nonprofit grant recipients and Federal, State, and local government representatives attended.



Acting RIGA Tracey Carney provided an overview of HUD OIG's background, mission, goals, and audit process during HUD's CDBG Disaster Recovery Training in **Houston, TX**. The training was sponsored by HUD's Office of Block Grant Assistance, Disaster Recovery and Special Issues Division. The training purpose was to bring together HUD grantees and presenters to review and discuss compliance issues in a number of areas such as performance management, compliance systems, and fraud prevention. More than 110 individuals representing Federal, State, and local governments responsible for the oversight and administration of CDBG disaster funding attended.

American Recovery and Reinvestment Act

SAC Barry McLaughlin and RIGA Heath Wolfe provided an overview of HUD OIG, NSP, and future projects funded by ARRA and described HUD program regulations, reporting requirements, “red flag” indicators, and subgrantee responsibilities at a meeting of Cook County subgrantees in **Chicago, IL**. More than 50 business executives attended.



RIGA Heath Wolfe and ASAC Brad Geary provided an overview of HUD OIG’s mission and goals, described the functions of the Offices of Audit and Investigation, and illustrated OIG’s planned oversight of HUD funding relating to HERA and ARRA at a Cook County CDBG Agreement workshop in **Chicago, IL**. More than 120 community planning and development grantees attended.



RIGA John Dvorak, ASAC Michael Wixted, and ARIGA Kevin Smullen met in **Boston, MA**, with Neil Cohen, the Deputy Inspector General from the Massachusetts OIG, and several of his staff to make a presentation on HUD OIG’s oversight efforts regarding ARRA. Participants were briefed on OIG’s mission, role, and responsibilities with regard to auditing ARRA funds and detecting and investigating ARRA fraud. The types of funds HUD would provide and the associated risks of administering these funds were discussed, as well as OIG outreach efforts in the State. Mr. Cohen noted that his office would evaluate the State’s use of ARRA funds. There was an exchange of ideas on how the two offices could jointly ensure that the areas which may be at risk could be evaluated/audited to prevent duplication of effort, followed by a commitment to continue the exchange of information on HUD programs and ARRA funding. A question and answer session followed the presentation.



ASAC James Luu and SA Eric Huhtala provided an overview of HUD OIG’s mission and described ARRA and OIG’s role in addressing program fraud at a fraud awareness training session for Western Region Inspector General Council members meeting in **Sacramento, CA**. Approximately 250 State, county, and local government officials attended.



ASAC Nadine Gurley provided an overview of HUD OIG’s mission and described OIG’s involvement with ARRA funding at a meeting of Alabama housing authority executive directors in **Birmingham, AL**. At the conclusion, a question and answer forum was held for 50 executive directors in attendance.



SA Jessica Thompson and HUD CPD Program Manager Robert Shumeyko provided an overview of HUD funding through ARRA and described potential risks and fraud involving the programs or grantees at a meeting in **Boston, MA**, of employees from the Massachusetts OIG. At the conclusion, a question and answer forum was held for approximately 15 investigators, analysts, and senior staff members in attendance.



SA Shelly Mack provided an overview of HUD OIG and its role in investigative initiatives and described HERA and ARRA at a meeting of Exit Realty Company employees in **Calhoun, GA**. Approximately 25 employees attended.



SAC Joseph Clarke, ASAC Cary Rubenstein, and ARIGA Osiko Tekpetey made a presentation at the Council of State Community Development Agencies' annual conference in **Harrisonburg, PA**. They provided an overview of HUD OIG's mission and goals and the functions of the Offices of Audit and Investigation. Their presentation focused primarily on anticipated and ongoing HUD OIG oversight of funding received from ARRA. The conference was attended by representatives from various State agencies nationwide. Approximately 60 participants attended the presentation.



RIGA Heath Wolfe and SAC Barry McLaughlin gave a presentation to HUD's HOME Fund Accounting training in **Pewaukee, WI**. The presentation consisted of an overview of HUD OIG's mission and goals and the functions of the Offices of Investigation and Audit. RIGA Wolfe presented information on the HOME program, common HOME audit findings, and OIG's affirmative civil enforcement initiatives. SAC McLaughlin presented information on community development grant fraud, potential criminal issues/activities associated with the HOME program, and OIG's focus on ARRA funding and provided examples of OIG criminal cases involving government funds. There were more than 50 individuals in attendance.



SAC Diane DeChellis and ARIGA Kevin Smullen attended the STOP Fraud Task Force meeting at the offices of the Massachusetts Attorney General in **Boston MA**. The Task Force, established in 2009 in response to the enactment of ARRA, includes representatives from Massachusetts State and U.S. Federal investigative, audit, and inspector general agencies. The discussion topics centered on the issue of what areas the Task Force should address going forward from the release of ARRA funding to various Massachusetts entities. The discussion noted outreach efforts taken by HUD OIG in New England in advance of NSP/HERA and ARRA and the capacity audit of the City of Brockton, MA, NSP-I program. During the capacity audit, OIG's Office of Audit determined that the City of Brockton's grantee for NSP funds, Building a Better Brockton (BBB), had capacity issues and that there appeared to be conflict-of-interest issues relative to many board members on the BBB with entities that would benefit from the NSP funds. From conditions cited in the audit report (2009-BO-1803), HUD cancelled the NSP-II ARRA funding, totaling more than \$20 million, for the City. This report was recognized as an example of lessons to be learned by other HERA/ARRA grantees, and several Task Force members were provided copies of the published audit report. Approximately 25 Task Force members were in attendance.



RIGA Edgar Moore and ARIGA Jack Harrison met in **New York, NY**, with Ms. Rose Gill Hearn, Commissioner, New York City Department of Investigation; her deputy commissioner for investigations; and two inspectors general from her staff (Department of Housing Preservation and Development and New York City Housing Authority) that oversee housing-related issues to discuss the roles of each and opportunities to coordinate activity in light of the ARRA funds distributed by HUD.

Law Enforcement Outreach

SAC Rene Febles provided an overview of FHA and HECM fraud schemes as a panelist during a mortgage fraud panel in **Brooklyn, NY**, hosted by New York defense attorneys and moderated by U.S. District Judge Joanne Seybert. Additional panelists included AUSA Jon Green, U.S. Probation Chief Mark Gelaj, and defense attorney Tom Rice. Approximately 70 New York defense attorneys attended.



SAC Robert Anderson and SA Aimee Peralta provided an overview of HUD OIG's mission and authority, described the working relationships between HUD OIG and Federal prosecutors, and discussed public corruption investigations relating to HUD programs at a meeting of members of the Indonesian Anti-Corruption Task Force sponsored by the **New Orleans, LA**, U.S. Attorney's Office. At the conclusion, a question and answer forum was held for 15 Indonesian prosecutors in attendance.



SA Heather Yannello provided an overview of HUD OIG's investigative mission and described HUD programs at a New York State Division of Criminal Justice training seminar in **Buffalo, NY**. Approximately 120 government officials attended.



SAs Bozena Schrank and John Keaney provided an overview of HUD OIG's mission involving FHA mortgage fraud and described a number of fraud vulnerabilities, including loan originations, appraisals, identity theft, straw borrowers, and foreclosure rescue schemes, for individuals attending a "Fraud Investigations" training seminar at the Connecticut Police Academy in **Meriden, CT**. Approximately 45 State and local police department personnel attended.



SAs José Laureano and Hector Mercado provided an overview of HUD OIG's mission and described avenues available to support each agency's respective mission and goals during presentations for the director of the Puerto Rico Treasury Department Tax Evasion Division and the Puerto Rico Comptroller in **San Juan, PR**.



SA Charee' Carey and Rockland County District Attorney's Office detective Brendan Donohue provided a presentation, entitled "Thinking Outside of the Box," and described white-collar crimes and HUD Section 8 fraud for Rockland County Police Academy students in **Pamona, NY**. Approximately 35 New York and Connecticut law enforcement personnel attended.



SA Michael Weinstein provided an overview of HUD OIG's mission and programs and described available OIG resources for individuals attending a Central Maryland Financial Crimes and Identity Theft seminar in **Baltimore, MD**. Approximately 25 Federal, State, and local government representatives attended the seminar, which was sponsored by the U.S. Postal Inspection Service.

Other Outreach

ASAC Wallace Merriman provided an overview of HUD OIG's mission and described the HUD OIG tools used to detect grant fraud in HUD programs at a Grant Fraud Investigations Training seminar hosted by the National Science Foundation OIG in **Arlington, VA**. Approximately 250 attorneys, auditors, and law enforcement personnel attended.



ARIGA Frederick Smith gave a presentation to the Beta Alpha Psi association at the campus of Metro State in **Denver, CO**. In attendance were 16 students from Metro State and the University of Colorado Denver. ARIGA Smith discussed the duties and responsibilities of Federal auditors and investigators, specifically as they pertain to HUD programs and ARRA. He provided a synopsis of each HUD program and examples of typical audits conducted by OIG within these program areas and discussed the advantages of a career in the Federal Government and the benefits of working for HUD OIG.



Forensic Auditor (FA) Seda Mangassarian and an FBI agent were guest speakers at a graduate class in forensic accounting at the University of Southern California's Marshall School of Business in **Los Angeles, CA**. They spoke to about 30 students on the impact of forensic accounting and auditing on criminal investigations. FA Mangassarian discussed her varied assignments during a public corruption case that resulted in a trial and her testimony in court, as well as her work on mortgage fraud cases.



Counsel to the Inspector General Bryan Howell, SAC James Todak, and RIGA Heath Wolfe made presentations at the Association of Certified Fraud Specialists' 10th Annual Fraud Conference in **San Diego, CA**. RIGA Wolfe presented information on the functions of the Office of Audit and the FHA insurance program. SAC Todak presented an overview of OIG's Office of Investigation's roles and responsibilities, and Counsel Howell discussed OIG's civil enforcement initiative. There were 45 individuals in attendance.



ASAC Jeanne Daumen and ARIGA Joseph Vizer participated in the Joint Investigations and Global Resolutions - Parallel Proceeding Conference and the Government Fraud Task Force Meeting at the United States Attorneys Office in **Newark, NJ**. They presented information relating to HUD OIG's mission, initiatives, and opportunities to participate in criminal and civil parallel proceedings.



ASAC Jeanne Daumen and ARIGA Joseph Vizer participated in the Interagency Bankruptcy Fraud Task Force Meeting at the United States Attorneys Office in **Newark, NJ**. They presented information relating to HUD OIG's Mortgage Fraud Initiative investigations and civil parallel proceedings.



Senior Auditors Joanna Varenhorst and Larry McMillion gave a presentation to doctoral students at Our Lady of the Lake University in **San Antonio, TX**. The presentation included a brief background about HUD and HUD OIG and included examples of OIG activities from recent audits and media reports. The presentation included a short question and answer session.



The HUD OIG office in **Seattle, WA**, invited members of the University of Washington's chapter of the Beta Alpha Psi accounting fraternity for a presentation and office tour. During the presentation, ARIGAs Ed Schmidt and Tracey Vargas, Auditor Kela Mikkelsen, and SAC Wayne North described the mission and work of the HUD OIG Offices of Audit and Investigation. The attendees were also briefed on the advantages of seeking a career with HUD OIG.



RIGA John Buck, SAC Joseph Clarke, ASAC Cary Rubenstein, and Auditor Stephen Cholewiak attended the Pennsylvania Attorney General's Consumer Fair in **Philadelphia, PA**, along with program staff from HUD's Philadelphia field office, as part of National Consumer Protection Week. They discussed issues such as HUD OIG's priority to combat mortgage fraud; its efforts to ensure that housing authorities have the capacity to spend ARRA funding; and how taxpayers can report fraud, waste, and abuse in public housing.



Senior Auditor Michael Zaccaria participated in Essex County's Point in Time Survey of the Homeless outreach in **Newark, NJ**, along with Newark HUD program staff. HUD staff interviewed and obtained information from homeless individuals and made them aware of resources that were available to assist them.



RIGA Gerald Kirkland; ARIGA Jacob Williams; and Senior Auditors Joanna Varenhorst, Lorenzo Garcia, Larry McMillion, and Enrique Espinoza gave presentations to three accounting classes at the St. Mary's University Bill Greehey School of Business in **San Antonio, TX**. The event was a part of the University's annual Business Week, which honors outstanding students and professors. The presentation included a brief background about HUD and OIG and examples of OIG activities from recent audits and media reports. There was a short question and answer session during which audit staff discussed challenges faced by OIG and employment opportunities.



Chapter 9

Reviews of Policy Directives



Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG has committed approximately 540 hours to reviewing 106 issuances. The draft directives consisted of 4 notices of funding availability, 20 new or revised regulations, 62 mortgagee letters or notices, and 20 other directives. OIG provided comments on 51 percent of these directives. This chapter highlights some of OIG's comments for this reporting period.

Enacted Legislation

Due to the collapse of the subprime mortgage market and resulting increase in foreclosures, Congress and the President approved the Housing and Economic Recovery Act of 2008 (HERA) and the American Recovery and Reinvestment Act of 2009 (ARRA). This legislation contained significant new funding and programs for the U.S. Department of Housing and Urban Development (HUD). Specifically, the Neighborhood Stabilization Program (NSP) was created under HERA and provided an initial \$3.92 billion in funding to State and local governments for the redevelopment of abandoned and foreclosed-upon homes and residential properties. ARRA provided an additional \$13.61 billion to existing programs, including an additional \$2 billion for NSP.

OIG, at the request of Congress, is performing audits of recipients of HERA and ARRA funding. Based on risks identified in HUD's front-end risk assessments, OIG targeted program areas and will propose regulatory changes, as necessary, to control risks in these new program areas.

OIG also participated in a number of meetings with HUD officials regarding these additional funds and the programmatic risks of the activities. OIG continues to express concerns about the capacity of many of the grantees. OIG has expressed its concerns in our review comments to clearance items and directly to HUD officials.

The Federal Housing Commissioner continued to propose a number of risk management initiatives related to HUD's single-family programs and has started the process of updating its multifamily program requirements. As part of the issuances reviewed, OIG provided comments on the preliminary rules. Many of the proposed changes required rule making. Therefore, OIG is awaiting publication of the proposed rules in the Federal Register and subsequent submission of the final rules in the clearance process. OIG will continue to monitor and review proposed changes related to the Federal Housing Administration.

Notices and Policy Issuances

OIG objected to two HUD-proposed notices and one policy issuance. Working cooperatively with the Department, OIG continues efforts to resolve its objections.



Chapter 10

Audit Resolution



In the audit resolution process, Office of Inspector General (OIG) and U.S. Department of Housing and Urban Development (HUD) management agree upon the needed actions and timeframes for resolving audit recommendations. Through this process, OIG hopes to achieve measurable improvements in HUD programs and operations. The overall responsibility for ensuring that the agreed-upon changes are implemented rests with HUD managers. This chapter describes significant revised management decisions and 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, 2010."

Audit Reports Issued Before Start of Period With No Management Decision as of March 31, 2010

Registered Sex Offenders' Occupancy of HUD-Subsidized Housing

Issued August 14, 2009. The Inspector General referred this issue to the Assistant Secretaries for Housing and Public Housing on December 28, 2009, because agreement could not be reached with the Deputy Assistant Secretaries on 13 of the 22 recommendations. The recommendations relate to OIG's audit of HUD's requirement prohibiting lifetime registered sex offenders from admission to HUD-subsidized housing. Based upon a statistical sample, OIG determined that HUD subsidized an estimated 2,094 to 3,046 households that included lifetime registered sex offenders. As a result, it did not accomplish the objective of the statute to prevent admission of dangerous sex offenders, and the same offenders who were deemed too dangerous for admission were allowed to continue living in subsidized housing. OIG recommended that HUD seek legislative and program rule changes to require denial of continued occupancy and termination of tenancy or continued subsidy, as appropriate, for all lifetime registered sex offenders residing in subsidized housing. OIG also recommended that if legislative changes are passed, HUD develop and implement a plan to detect lifetime registered sex offenders occupying subsidized housing. Additionally, OIG recommended that HUD require projects and housing authorities to revise their admission, screening, and recertification procedures and urge them to aggressively pursue termination of assistance for lifetime sex offenders to the extent allowed by law.

Both Assistant Secretaries submitted new proposed management decisions on March 31, 2010. OIG agreed with the Assistant Secretaries on all but two recommendations, which related to the need for legislative changes to require denial of continued occupancy and termination of tenancy for all lifetime registered sex offenders residing in subsidized housing. Specifically, OIG's audit identified tenants who were eligible at the time of admission but later became lifetime registered sex offenders. While Congress has banned lifetime registered sex offenders from being admitted to federally assisted housing, current statutes do not effectively empower HUD to purge all lifetime registrants who already reside there. This issue is troubling because HUD possesses sufficient legal authority to terminate other groups. To compensate for this gap in its statutory authority, HUD's only present option is to employ a mix of regulations, policies, and procedures, the statutory basis and ultimate efficacy of which are disputable. A statutory fix authorizing and requiring termination of lifetime registrants from federally assisted housing is the surest means to enable HUD to protect residents from known sexual offenders. After the end of this semiannual reporting period, OIG referred this matter to the Deputy Secretary for a final decision. (Audit Report: 2009-KC-0001)

The City of Boston's Department of Neighborhood Development in Boston

Issued August 19, 2009. The OIG Office of Audit initially referred this issue to the Deputy Assistant Secretary for Grant Programs, Office of Community Planning and Development (CPD), on December 18, 2009, because agreement could not be reached on recommendations for finding 2 in the audit report with the CPD Director of Region 1 (Boston). The five recommendations relate to the City of Boston's failure to ensure that project developers that received HOME Investment Partnerships Program (HOME) funds (from the City) followed Federal procurement regulations when they hired contractors for construction and development work. The City's procurement transactions were not conducted in a manner to provide open and free competition. The City's own written policy on bidding states that projects must be competitively bid to achieve the lowest reasonable construction costs and to provide increased fair access to the economic opportunities created through the project. The City's policy further states that developers must solicit and receive at least three bids, at least two of which are from general contractors that have not previously contracted with the developer. Both the Federal regulations and the auditee's written policies should serve as valid criteria.

In its response, the Region 1 CPD Director appeared to be in agreement that projects should be competitively bid to achieve the lowest possible construction costs and to provide increased fair access to economic opportunities created through the project. OIG did not agree, however, with CPD's statement that the City provided the necessary documentation indicating that the City followed proper bidding policies on all projects identified in the OIG report.

In the audit report, OIG recommended that the Boston CPD Director require the City to (1) conduct an independent cost analysis for each of the procurements noted to ensure that nearly \$5.2 million was reasonable and properly supported and to reimburse the program any amounts not determined to be reasonable and supported; (2) monitor the developer's procurement process to ensure that construction bids are formally (publicly) advertised, bids are solicited from an adequate number of contractors, and awards are made to the lowest responsive bidder; (3) provide technical assistance to the developers as needed; (4) review and maintain supporting documentation for each procurement including a history of the procurement; and (5) revise its written procurement regulations to ensure compliance with Federal regulations.

By late March 2010, 3 months after OIG submitted the referral to the Deputy Assistant Secretary, it had not received a response from the Deputy Assistant Secretary's office. The management decisions for these recommendations were pending as of March 31, 2010. (Report No. **2009-BO-1011**)

HUD Lacked Adequate Controls To Ensure The Timely Commitment and Expenditure of HOME Funds

Issued September 28, 2009. HUD OIG audited HUD's HOME program. OIG recommended that HUD CPD establish and implement controls to ensure that field offices require participating jurisdictions to close out future HOME activities within a timeframe that will permit reallocation and use of the funds for eligible activities in time to avoid losing them to recapture by the United States Treasury under provisions of Public Law 101-510. OIG also recommended that CPD obtain a formal legal opinion from HUD's Office of General Counsel regarding whether

- HUD's cumulative technique for assessing compliance with commitment deadlines is consistent with and an allowable alternative to the 24-month commitment required by 42 U.S.C. (United States Code) 12748 and

- HUD's first-in, first-out (FIFO) method for assessing compliance with HOME expenditure requirements is consistent with and an allowable alternative to the 8-year recapture deadline pursuant to Public Law 101-510, codified at 31 U.S.C. 1552.

CPD obtained a legal opinion from the Assistant General Counsel for Community Development on March 5, 2010. The legal opinion supports the Department's use of the cumulative approach and FIFO accounting method. Based on this legal opinion, CPD does not plan to implement OIG's recommendation to discontinue use of the FIFO method to account for the commitment and expenditure of HOME funds or the cumulative technique for assessing deadline compliance.

OIG disagrees with the conclusions of the CPD legal opinion. OIG continues to disagree that CPD's use of the FIFO method for recognizing commitments and expenditures that participating jurisdictions make against their HOME appropriations or CPD's cumulative accounting are consistent with the legislation, 42 U.S.C. 12748, requiring recapture of funds not committed by statutory deadline dates. These methods of accounting also potentially violate the closure of accounts under 31 U.S.C. 1552.

The issues related to the commitment and expenditure of funds should be reviewed by the Office of the Chief Financial Officer. OIG is also considering referring the matter to the Government Accountability Office for its review and determination.

Another issue raised by CPD's accounting methods is whether HUD's FIFO accounting method complies with Federal accounting requirements for maintaining the U.S. Standard General Ledger and general appropriations law. The accounting issues require review for compliance with Federal accounting standards and appropriation law. (Audit Report: **2009-AT-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 four audits.

Mays Property Management, Inc., Multifamily Management Agent - Little Rock, AR

Issue Date: September 17, 2004. As part of HUD OIG's initiative to combat equity skimming, OIG audited nine multifamily projects managed by Mays Property Management, Inc. (Mays). HUD either insured or held the mortgages on the properties. OIG's objective was to determine whether Mays complied with project regulatory agreements and HUD regulations when spending project funds.

HUD OIG found that Mays officials disbursed project operating funds for items that violated project regulatory agreements with HUD. They charged management agent expenses to projects, paid for unsupported expenditures, diverted project funds to Mays and a property owner, and overcharged expenses to projects. In addition, Mays split its management fee with a project owner and transferred project funds to other projects having cash-flow problems. As a result, Mays' officials misspent more than \$979,000 in project-operating funds and made unauthorized advances of more than \$20,000 from five projects to other projects. This action had a negative financial impact on the projects.

OIG made six recommendations to HUD. The recommendations included (1A) require Mays to pay back the projects nearly \$492,000 for the ineligible expenditures from project operating funds, (1C)

require Mays to either furnish required documentation or pay back the projects more than \$437,000 for the unsupported outlays, and (1E) with HUD review and approval, require projects to pay their debt to other projects.

In February 2005, HUD and OIG reached agreed-upon management decisions. HUD sent a letter to Mays requiring Mays to either provide supporting documentation or reimburse the projects. HUD followed up on this request with a June 3, 2005, demand letter for immediate repayment of the debt owed projects. HUD officials have been unsuccessful in collecting the misspent funds. Moreover, on March 16, 2007, Pulaski County Circuit Court, located in Arkansas, awarded a \$1.39 million creditor judgment against Mays and its owner. The judgment awarded liens to the creditor that were superior to any liens held by HUD. As a result, HUD deems the debt as uncollectable. On March 18, 2010, HUD and OIG agreed that HUD should submit a revised management decision indicating that HUD would write off the nearly \$929,000 debt as uncollectable because Mays would not be able to repay. HUD would also revise the management decision by not requiring projects to pay their debt to other projects. Once agreed upon by OIG, those actions would close recommendations 1A, 1C, and 1E. (Audit Report: **2004-FW-1009**)

Capmark Finance, Inc., Underwriter for Asbury Square Apartments' Mortgage Loan - Tulsa, OK

Issue Date: July 2, 2007. At the request of HUD, OIG audited Capmark Finance, Inc.'s (Capmark) underwriting and processing of the mortgage loan for Asbury Square Apartments (Asbury), located in Tulsa, OK. OIG had previously audited Asbury's owner/management agent. OIG's objective was to determine whether Capmark followed HUD requirements when underwriting and processing the Asbury loan.

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

OIG recommended that the Assistant Secretary for Housing refer Capmark to the Mortgagee Review Board for appropriate action. Further, OIG recommended that the acting Deputy Assistant Secretary for Multifamily Housing establish a MAP Lender Review Board to address and resolve violations by Capmark.

On March 31, 2010, HUD and OIG reached a revised management decision. HUD's Office of General Counsel provided an opinion that collection is not likely due to pending litigation and Capmark's bankruptcy in December of 2009. As a result, HUD will follow appropriate procedures to write off the more than \$5.2 million loss. (Audit Report: **2007-FW-1011**)

Heartland Funding Corporation - Springfield, MO

Issue Date: September 8, 2008. HUD OIG conducted an audit of Heartland Funding Corporation, which disclosed that Heartland Funding violated the Real Estate Settlement Procedures Act and HUD's requirements when processing Federal Housing Administration (FHA) loans that involved downpayment assistance. In addition, Heartland Funding did not follow HUD requirements when it underwrote 27 FHA loans.

OIG recommended that HUD require Heartland Funding to (1) make principal reductions totaling nearly \$84,000 on the 25 loans that used the improper downpayment assistance program, (2) indemnify HUD for 17 actively insured loans with unpaid principal balances totaling more than \$1.4 million, (3) indemnify HUD for future losses on nine loans with unpaid principal balances totaling nearly \$930,000 for which HUD has not yet sold the property, and (4) reimburse HUD for one loan for which HUD has sold the property and incurred a loss of more than \$54,000.

HUD agreed with the recommendations; however, an initial attempt by HUD to deliver the findings letter and indemnification agreements to Heartland Funding's home office in Springfield, MO, on February 12, 2009, was unsuccessful. Heartland Funding failed to notify HUD that it was no longer operating at that address. A second attempt to deliver the findings letter and indemnification agreements to the residential address of Heartland Funding's chief executive officer was successful on March 25, 2009. On August 18, 2009, Heartland provided a written response to HUD, in which it indicated that the planned actions outlined in response to our audit recommendations were inappropriate and stated that the company was in the process of dissolving. HUD determined that Heartland Funding was a viable company with active FHA approval and referred the lender to the Mortgagee Review Board for review and appropriate action.

On March 22, 2010, HUD submitted a revised management decision proposing to write off (1) the nearly \$84,000 in principal reductions for the 25 loans that used the improper downpayment assistance program, (2) the projected loss of nearly \$534,000 for the 17 actively insured loans with unpaid principal balances totaling more than \$1.4 million, (3) the projected loss of more than \$351,000 for the nine loans with unpaid principal balances totaling nearly \$930,000 for which HUD has not yet sold the property, and (4) the more than \$54,000 for the one loan for which HUD sold the property and incurred a loss. On March 25, 2010, OIG agreed with the revised management decision. (Audit Report No. 2008-KC-1006)

Homes for Life Foundation, Los Angeles, CA

Issue Date: December 18, 2007. OIG audited Homes for Life Foundation (Foundation) to determine whether the Foundation applied and tracked its HUD Supportive Housing Program cash match in accordance with applicable laws, regulations, and requirements. The audit showed that 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 more than \$5,000 in duplicate operational costs to both HUD and the Los Angeles County Department of Mental Health and more than \$107,000 in unsupported duplicate salaries. OIG attributed the deficiencies to the Foundation's inadequate understanding of the cash match record-keeping rules and regulations, its inadequate financial management system, its failure to implement a cost allocation plan that met HUD requirements to distribute shared costs among its multifunded projects, and the Authority's failure to monitor the Foundation's cash match operations.

OIG recommended that HUD require the Foundation and/or the Authority to (1) provide adequate supporting documentation to substantiate that the cash match of more than \$389,000 was met or repay more than \$2 million from non-Federal funds for the 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 the duplicate costs, and (4) establish and implement a cost allocation plan that meets HUD requirements by allocating program expenditures for its multifunded projects equitably. On February 26, 2008, HUD and OIG reached management decisions to implement the recommendations by February 22, 2009. Later, the Foundation implemented a new financial management system that would adequately identify the source and application of funds spent in the future and implemented a cost allocation plan. However, HUD and OIG were unable to reach an agreement on

whether the documentation provided by the Foundation adequately supported the questioned costs associated with the recommendations.

The Assistant Secretary for Community Planning and Development agreed with OIG's audit opinion that the Foundation's financial management system was deficient and agreed that the findings were valid. She further agreed that the Foundation did not satisfactorily track the use of its cash-matching funds through its accounting records down to the level of the individual projects as required by 24 CFR (Code of Federal Regulations) 85.20(a)(2), and HUD was unable to obtain documentation to prove whether the double billings had occurred. Despite all of this, HUD's position was that since the Foundation has since implemented a new financial management system, there was no evidence of fraudulent activity on the Foundation's part so no repayment of grant funds should be required. Instead, HUD agreed to monitor the Foundation over the next 3 years to ensure that the new financial management system is adequate. HUD chose not to implement the original agreed-upon management decisions to require repayment of the grant funds. A revised management decision to monitor the Foundation over the next 3 years will not remedy the past deficiencies. Although, the Foundation was unable to demonstrate that the grant funds were used in accordance with the pertinent requirements or that the effectiveness of the Supportive Housing Program's intent was met, OIG accepted the revised management decisions and the final action target date of April 1, 2013. (Report No. 2008-LA-1003)

Significant Management Decision With Which OIG Disagrees

There were no reports in which OIG disagrees with the Department's final management decision.

Federal Financial Management Improvement Act of 1996

In fiscal year 2009, HUD did not substantially comply with FFMIA. In this regard, HUD's financial management systems did not substantially comply with Federal financial management system requirements.

During fiscal year 2009, HUD made limited progress in bringing the financial management systems into compliance with FFMIA. HUD's financial management systems continued to not meet current requirements. HUD's systems were not operated in an integrated fashion and linked electronically to efficiently and effectively provide agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

HUD's financial systems, many of which were developed and implemented before the issue date of current standards, were not designed to provide the range of financial and performance data currently required. HUD is in the process of modernizing its financial management systems by developing an integrated financial management system. The modernization development, HUD's Integrated Financial Improvement Project (HIFMIP), was launched in fiscal year 2003 but has been plagued by delays. Originally planned for implementation in 2006, HIFMIP is now slated to be fully integrated in fiscal year 2015.

FFMIA requires OIG to report in its Semiannual Reports to the Congress instances and reasons when an agency has not met the intermediate target dates established in its mediation plan required by FFMIA. At the end of 2009, the Department reported that 2 of its 40 financial management systems were not in substantial compliance with FFMIA. These two systems are the HUD Procurement System and Small Purchase System. The Department plans to acquire a new application, which will bring these systems into compliance with FFMIA. The acquisition of the new application is anticipated to be complete by June 30, 2010. However, full funding to complete the project has not been obtained; therefore, it is unclear when the new application will be fully implemented. Although 38 individual systems had been certified as compliant with Federal financial management systems requirements, HUD had not performed independent reviews

on all of its financial management systems within the 3-year period required by Office of Management and Budget (OMB) Circular A-127. Collectively and in the aggregate, deficiencies continued to exist.

In addition, OIG audit reports have disclosed that security of financial information was not provided in accordance with OMB Circular A-130, Management of Federal Information Resources, appendix III, and the Federal Information Security Management Act.



Appendix 1

Audit Reports Issued



Internal Reports

19 Audit Reports

Chief Financial Officer (1 Report)

2010-FO-0003 Additional Details to Supplement Our Report on HUD's Fiscal Years 2009 and 2008 Financial Statements, 11/16/2009. Better use: \$516,100,000.

Community Planning and Development (2 Reports)

2010-BO-0002 HUD's CPD Had Established and Implemented an Appropriate Risk Assessment Process, 03/18/2010.

2010-CH-0001 The Office of Block Grant Assistance Lacked Adequate Controls Over the Inclusion of Special Conditions in NSP Grant Agreements, 03/29/2010.

Government National Mortgage Association (2 Reports)

2010-DP-0001 Review of Ginnie Mae's Controls over Its Information Technology Resources, 12/11/2009.

2010-FO-0001 Audit of Ginnie Mae's Financial Statements for Fiscal Years 2009 and 2008, 11/06/2009.

Housing (3 Reports)

2010-FO-0002 Audit of the FHA's Financial Statements for Fiscal Years 2009 and 2008, 11/13/2009.

2010-LA-0001 HUD's Performance-Based Contract Administration Contract Was Not Cost Effective, 11/12/2009. Better use: \$7,600,755.

2010-PH-0001 HUD's Philadelphia, PA, Homeownership Center Did Not Always Ensure That Required Background Investigations Were Completed for Its Contracted Employees, 02/26/2010. Questioned: \$5,438,372; Unsupported: \$5,438,372; Better use: \$2,175,348.

Lead Hazard Control (1 Report)

2010-HA-0001 HUD's OHHLHC Awarded Grants to Ineligible Applicants, 01/11/2010. Better use: \$5,774,821.

Public and Indian Housing (2 Reports)

2010-BO-0001 HUD Was Not Effective in Recovering the New London Housing Authority From Troubled Status and Did Not Take the Required Regulatory or Statutory Action, 02/18/2010. Questioned: \$812,618; Unsupported: \$162,525; Better use: \$14,306.

2010-FW-0001 HUD Did Not Maintain Documentation to Determine if Public Housing Agencies Took Corrective Action on its January 7, 2008 Memorandum and Public Housing Agencies Paid an Estimated \$7 Million for Deceased Tenants, 11/10/2009. Questioned: \$7,061,404; Unsupported: \$7,056,917; Better use: \$6,423,628.

Audit-Related Memorandums¹

Chief Financial Officer (1 Report)

2010-LA-0802 Evaluation of the Final Front-End Risk Assessment for the Native American Housing Block Grant Program, 10/26/2009.

Chief Information Officer (1 Report)

2010-DP-0802 OIG Response to Questions From the OMB Under the Federal Information Security Management Act of 2002, 11/18/2009.

Housing (2 Reports)

2010-LA-0801 HUD Needs to Make a Final Determination on Whether San Diego Square Subleased Property is HUD Insured Under Section 202 of the Housing Act of 1959, San Diego, CA, 10/01/2009. Better use: \$73,621.

2010-PH-0801 HUD's Regulatory Agreement with the Yorkville Cooperative Does Not Protect HUD's Interest, 01/12/2010. Better use: \$989,521.

Office of the Secretary (1 Report)

2010-DP-0801 Review of HUD's Process for Monitoring Recipient Reporting for the ARRA, 10/30/2009.

Public and Indian Housing (3 Reports)

2010-AO-0801 HUD Needs to Ensure That the Housing Authority of New Orleans Strengthens Its Capacity to Adequately Administer Recovery Funding, 12/15/2009. Questioned: \$321,462; Unsupported: \$321,462.

2010-FW-0801 HUD Guidance on American Recovery and Reinvestment Act Capital Fund Physical Needs Assessment, 01/15/2010.

2010-LA-0803 Review Results for Hotline Case Number HL-09-0756 Kaibab Band of Paiute Indians, Pipe Spring, AZ, 01/25/2010.



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

External Reports

63 Audit Reports

Community Planning and Development (19 Reports)

2010-AO-1001	Mississippi Development Authority Did Not Always Ensure Compliance under Its Public Housing Program, Jackson, MS, 12/15/2009.
2010-AO-1002	State of Louisiana Did Not Always Ensure Compliance Under Its Recovery Workforce Training Program, Baton Rouge, LA, 01/04/2010. Questioned: \$147,681; Unsupported: \$145,392.
2010-AT-1002	Broward County Needs To Strengthen Controls Over Its NSP, Fort Lauderdale, FL, 03/31/2010.
2010-BO-1002	The City of Holyoke, Office of Community Development, Needs to Improve Its Administration of HOME- and CDBG-Funded Housing Programs, Holyoke, MA, 11/23/2009. Questioned: \$1,595,491; Better use: \$2,277,385.
2010-BO-1004	The City of Waterbury's Subrecipient, Waterbury Development Corporation, Needs to Improve Its Capacity to Effectively Administer Its Neighborhood Stabilization Program, Waterbury, CT, 01/20/2010. Questioned: \$8,900; Better use: \$15,700.
2010-CH-1002	The City of Saginaw Lacked Adequate Controls over Its CDBG-Funded Demolition Activities, Saginaw, MI, 11/03/2009. Questioned: \$268,369; Unsupported: \$188,225.
2010-KC-1001	The State of Iowa Misspent CDBG Disaster Assistance Funds and Failed To Check for Duplicate Benefits, Des Moines, IA, 03/10/2010. Questioned: \$10,532,871; Unsupported: \$10,532,871.
2010-KC-1003	The City of East St. Louis Did Not Properly Allocate Salary and Building Expenses or Properly Document Its Process to Secure a Consulting Services Contract, East St. Louis, IL, 03/26/2010. Questioned: \$1,025,798; Unsupported: \$1,025,798.
2010-LA-1001	City of Los Angeles Housing Department Did Not Ensure That the NoHo Commons Housing Development Met HOME Program Requirements, Los Angeles, CA, 10/28/2009.
2010-LA-1003	City of Los Angeles' Community Development Department Projects Did Not Comply with CDBG Program Requirements, Los Angeles, CA, 12/04/2009. Questioned: \$935,000; Unsupported: \$935,000.
2010-LA-1004	Although the County of Riverside Had Sufficient Overall Capacity, It Lacked Necessary Controls To Administer Its NSP, Riverside, CA, 12/29/2009.
2010-LA-1006	City of Fresno, NSP, Fresno, CA, 02/03/2010.
2010-LA-1007	The County of San Bernardino Had Questionable Capacity To Administer Its Allocation of NSP Funds, San Bernardino, CA, 02/11/2010.
2010-LA-1008	The City of Los Angeles Generally Had Sufficient Capacity and Adequate Internal Controls To Administer Its NSP Funds, Los Angeles, CA, 03/17/2010.
2010-NY-1001	Lower Manhattan Development Corporation Generally Administered CDBG Disaster Recovery Assistance Funds in Accordance with Regulations, New York, NY, 10/06/2009.

2010-NY-1005	The City of Paterson Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Paterson, NJ, 12/18/2009. Questioned: \$4,347,948; Unsupported: \$3,707,142; Better use: \$2,093,480.
2010-NY-1007	The City of Jersey City Needs To Strengthen Its Controls To Ensure That It Will Be Able To Effectively Administer CDBG-R Funds, Jersey City, NJ, 02/02/2010. Questioned: \$298,901; Unsupported: \$237,183.
2010-NY-1008	The Lower Manhattan Development Corporation Generally Administered CDBG Disaster Recovery Assistance Funds in Compliance With Regulations, New York, NY, 03/22/2010.
2010-PH-1001	The City of Altoona Made Unsupported CDBG Payments, Altoona, PA, 10/02/2009. Questioned: \$914,335; Unsupported: \$914,335; Better use: \$458,700.
Housing (12 Reports)	
2010-AT-1001	Mortgage Counseling Services, Inc., Did Not Follow HUD Requirements in Originating and Closing Loans and Implementing Its Quality Control Program, College Park, GA, 01/13/2010. Better use: \$469,057.
2010-CH-1004	Leader Financial Services Did Not Perform an Adequate Due Diligence Review of Purchased Loan Components of FHA-Insured Loans, Parma, OH, 12/15/2009.
2010-DE-1001	Kier Paid or Recorded Ineligible Costs and Did Not Properly Compute Subsidies, Denver, CO, 12/18/2009. Questioned: \$84,510; Better use: \$2,050,000.
2010-LA-1009	DHI Mortgage Company, LTD's Scottsdale, AZ, Branches Did Not Follow FHA-Insured Loan Underwriting Requirements, 03/19/2010. Questioned: \$265,420; Better use: \$1,501,765.
2010-NY-1002	Jersey Mortgage Company Did Not Always Comply with HUD/FHA Loan Underwriting Requirements, Cranford, NJ, 10/09/2009. Questioned: \$96,359; Better use: \$1,281,314.
2010-NY-1003	The South Bronx Community Management Co., Inc., Had Weaknesses in Its Administration of the Project Maria Isabel, Bronx, NY, 11/04/2009. Better use: \$2,005.
2010-NY-1004	Ark Mortgage, Incorporated, Did Not Always Comply with HUD/FHA Loan Origination Requirements, North Brunswick, NJ, 11/24/2009. Questioned: \$79,860; Unsupported: \$79,860; Better use: \$672,158.
2010-NY-1006	SFDS Development Corporation Had Weaknesses in Its Financial, Procurement and Administrative Controls, New York, NY, 12/22/2009. Questioned: \$676,049; Unsupported: \$498,643; Better use: \$20,386.
2010-NY-1009	Somerset Investors Corporation Did Not Always Comply With HUD/FHA Loan Underwriting Requirements, Melville, NY, 03/26/2010. Better use: \$2,799,832.
2010-PH-1003	The Yorkville Cooperative Did Not Administer Its Section 221(d)(3) Property and Housing Assistance Contract According to Its Regulatory Agreement and HUD Requirements, Fairfax, VA, 11/25/2009. Questioned: \$324,935; Unsupported: \$66,850; Better use: \$81,257.
2010-PH-1004	Residential Home Funding Corporation Did Not Always Comply With HUD Requirements in Originating FHA-Insured Single-Family Loans, Gaithersburg, MD, 01/21/2010. Better use: \$997,291.
2010-PH-1005	Infinity Home Mortgage Company, Inc., Did Not Implement a Quality Control Plan in Accordance With HUD Requirements, Cherry Hill, NJ, 03/31/2010.

Public and Indian Housing (11 Reports)

- 2010-BO-1001 The State of Connecticut Department of Social Services' Section 8 Housing Units Did Not Always Meet HUD's Housing Quality Standards, Hartford, CT, 11/02/2009. Questioned: \$62,459; Better use: \$22,002,284.
- 2010-BO-1003 The State of Massachusetts, Department of Housing and Community Development, Properly Administered Its Section 8 Project-Based Voucher Program, Boston, MA, 12/17/2009.
- 2010-CH-1001 The Lake Metropolitan Housing Authority Did Not Always Ensure That Section 8 Units Met HUD's Housing Quality Standards, Painesville, OH, 10/28/2009. Questioned: \$89,713; Better use: \$903,984.
- 2010-CH-1003 The Grand Rapids Housing Commission Needs to Improve Its Administration of Its Section 8 Project-Based Voucher Program, Grand Rapids, MI, 11/24/2009. Questioned: \$3,152,357; Unsupported: \$3,050,078; Better use: \$140,766.
- 2010-DE-1002 Fort Belknap Indian Community Did Not Properly Administer Its Indian Housing Block Grant Funds, Harlem, MT, 03/07/2010. Questioned: \$514,898; Better use: \$1,043,553.
- 2010-FW-1001 Dallas Housing Authority Demonstrated Capacity to Administer Its Recovery Act Capital Fund Formula Grant, Dallas, TX, 12/18/2009. Questioned: \$27,425; Unsupported: \$27,425; Better use: \$1,174,243.
- 2010-FW-1002 The Housing Authority of the Sac and Fox Nation of Oklahoma Improperly Spent More Than \$800,000 in Contracts and Did Not Always Operate in Accordance with HUD Rules and Regulations or Its Own Policies, Shawnee, OK, 01/20/2010. Questioned: \$809,547; Unsupported: \$803,272; Better use: \$269,604.
- 2010-KC-1002 The Kansas City Housing Authority Did Not Violate HUD's Waiting List Rules When It Issued Section 8 Vouchers to Delaware Highlands Assisted Living Tenants, Kansas City, KS, 03/12/2010.
- 2010-LA-1002 Guam Housing and Urban Renewal Authority, Capital Fund Recovery Act Grant, Sinajana, GU, 12/02/2009.
- 2010-LA-1005 The Department of Hawaiian Home Lands Generally Had Capacity To Manage; However, It Needs To Improve Controls Over Its Administration of Recovery Act Funds, Kapolei, HI, 01/19/2010.
- 2010-PH-1002 The Philadelphia Housing Authority Needs to Improve Its Controls over Housing Assistance Payments, Philadelphia, PA, 10/06/2009. Questioned: \$204,838; Unsupported: \$154,736; Better use: \$2,336,377.

Audit-Related Memorandums¹

Community Planning and Development (14 Reports)

- 2010-AT-1801 Miami-Dade County Needs to Strengthen Controls over Its NSP, Miami, FL, 11/20/2009.
- 2010-AT-1802 The City of Atlanta Needs To Improve Certain Aspects of Its NSP To Meet the Program's 18-Month Obligation Deadline, Atlanta, GA, 12/14/2009.

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

- 2010-AT-1803 Hillsborough County has the Capacity To Administer its NSP and To Accurately Enter Commitments for its HOME Investment Partnerships Program, Hillsborough County, FL, 12/18/2009. Better use: \$61,256.
- 2010-BO-1801 The State of Vermont's Agency of Commerce and Community Development Had Sufficient Capacity To Effectively Administer Its NSP, Montpelier, VT, 12/07/2009.
- 2010-BO-1802 The State of Maine's Department of Economic and Community Development, Office of Community Development, Has Sufficient Capacity To Effectively Administer Its NSP, Augusta, ME, 12/16/2009.
- 2010-BO-1804 The City of Meriden Had Sufficient Capacity To Effectively Administer Its NSP, Meriden, CT, 01/27/2010.
- 2010-CH-1801 Wayne County Needs To Improve Its Capacity to Effectively and Efficiently Administer Its NSP, Wayne County, MI, 01/12/2010.
- 2010-CH-1802 The City of East Cleveland Had Sufficient Capacity To Effectively and Efficiently Administer Its Recovery Act Block Grant Program, East Cleveland, OH, 01/12/2010.
- 2010-CH-1803 The State of Indiana's Administrator Awarded NSP Funds for an Inappropriate Project, Indianapolis, IN, 02/25/2010. Better use: \$4,500,000.
- 2010-CH-1804 The City of Saginaw Needs To Improve Its Capacity To Effectively and Efficiently Administer Its CDBG Program Under the ARRA, Saginaw, MI, 03/31/2010. Better use: \$335,750.
- 2010-FW-1801 The State of Arkansas Has the Capacity to Manage Recovery Act Funding, Little Rock, AR, 12/15/2009.
- 2010-FW-1802 The City of San Antonio Demonstrated Capacity To Administer Its Recovery Act Grant, San Antonio, TX, 12/29/2009.
- 2010-FW-1803 The City of Grand Prairie Maintains Capacity To Adequately Administer Recovery Funding But Needs To Make Program Improvements, Grand Prairie, TX, 01/06/2010. Questioned: \$5,309.
- 2010-PH-1802 District of Columbia - HOME Funds Provided to Developer H.R. Crawford for Parkside Terrace Apartments, Washington, DC, 02/25/2010.

Housing (1 Report)

- 2010-LA-1802 Review of Lutheran Gardens Corporation Trust Fund Account, Compton, CA, 12/18/2009. Better use: \$87,076.

Lead Hazard Control (1 Report)

- 2010-NY-1801 The City of Utica Has the Capacity to Administer Lead-Based Paint Funds Provided Under the ARRA, Utica, NY, 12/22/2009.

Public and Indian Housing (5 Reports)

- 2010-AT-1804 The Chattanooga Housing Authority Demonstrated Capacity To Administer Its Recovery Act Funds, Chattanooga, TN, 01/26/2010.
- 2010-LA-1801 HUD Should Provide Additional Monitoring of the Navajo Housing Authority's Implementation of Recovery Act-Funded Projects, Window Rock, AZ, 10/09/2009.
- 2010-NY-1802 Control Weaknesses at the Syracuse Housing Authority May Affect Its Capacity to Administer American Recovery and Reinvestment Act Funds, Syracuse, NY, 01/14/2010. Better use: \$1,390,588.

2010-NY-1803	The New York City Housing Authority Had the Capacity to Administer Capital Funds Provided Under the American Recovery and Reinvestment Act, New York, NY, 03/12/2010.
2010-PH-1801	Audit of the Scranton Housing Authority, Scranton, PA, 12/17/2009. Questioned: \$2,204,000; Unsupported: \$2,204,000.



Appendix 2

Tables



Table A

Audit reports issued before the start of the period
with no management decision at March 31, 2010

*Significant audit reports described in previous semiannual reports

Report number and title	Reason for lack of management decision	Issue date
* 2009-KC-0001 HUD Subsidized an Estimated 2,094 to 3,046 Households That Included Lifetime Registered Sex Offenders	See chapter 10, page 130.	08/14/2009
* 2009-BO-1011 The City of Boston's Department of Neighborhood Development in Boston, Massachusetts, Did Not Administer Its HOME Program in Compliance with HUD Requirements	See chapter 10, page 131.	08/19/2009
* 2009-AT-0001 HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds	See chapter 10, page 131.	09/28/2009

Table B

Significant audit reports on which final action had not been completed
within 12 months after the date of the
Inspector General's report

Report number	Report title	Issue date	Decision date	Final action
2002-AT-1002	Housing Authority of the City of Tupelo, Housing Programs Operations, Tupelo, MS	07/03/2002	10/31/2002	07/01/2015
2002-KC-0002	Nationwide Survey of HUD's Office of Housing Section 232 Nursing Home Program	07/31/2002	11/22/2002	Note 1
2004-DP-0002	Application Control Review of the Tenant Rental Assistance Certification System	02/25/2004	07/14/2004	Note 1
2004-PH-1008	Safe Haven Outreach Ministry, Incorporated, Washington, DC	06/03/2004	08/31/2004	Note 1
2004-PH-1012	Mortgage America Bankers, LLC, Nonsupervised Loan Correspondent, Kensington, MD	09/10/2004	01/06/2005	04/30/2010
2004-FW-1009	Mays Property Management, Inc., Multifamily Management Agent, Little Rock, AR	09/17/2004	02/23/2005	12/31/2010
2005-AT-1004	Housing Authority of the City of Durham, NC	11/19/2004	03/15/2005	03/15/2015
2005-CH-1002	Washington Mutual Bank, Underwriting of FHA-Insured Loans, Downers Grove, IL	11/29/2004	01/28/2005	Note 2
2005-NY-1005	The Housing Authority of the City of Newark Bond Financing Activities and Section 8 Housing Choice Voucher Administrative Fee Reserves, Newark, NJ	05/26/2005	09/23/2005	10/11/2011
2005-AT-1013	Corporacion Para el Fomento Economico de la Ciudad Capital Did Not Administer Its Independent Capital Fund in Accordance with HUD Requirements, San Juan, PR	09/15/2005	01/11/2006	Note 1
2006-CH-0001	Real Estate Assessment Center's Physical Condition Assessment Was Compromised	11/30/2005	01/10/2006	12/31/2011

Report number	Report title	Issue date	Decision date	Final action
2006-AT-1004	The Housing Authority of the City of Prichard Did Not Ensure Section 8 Subsidy Payments Were for Eligible Units, Tenants, and Landlords, Prichard, AL	01/13/2006	04/25/2006	06/30/2010
2006-NY-1003	The Housing Authority of the City of Newark's Controls Over Bond Financing Activities, Obtaining Supporting Documentation, and Legal Settlements Require Improvement, Newark, NJ	02/14/2006	08/17/2006	09/13/2012
2006-CH-1007	Huntington National Bank, Supervised Lender, Generally Complied with Requirements Regarding Submission of Late Requests for Endorsement and Underwriting of Loans, Columbus, OH	03/15/2006	09/18/2006	Note 2
2006-NY-0001	HUD's Controls over the Reporting, Oversight, and Monitoring of the Housing Counseling Assistance Program Were Not Adequate	06/08/2006	01/08/2007	Note 2
2006-BO-1009	The Rhode Island Housing and Mortgage Finance Corporation Incorrectly Made More Than \$1.8 Million in Section 8 Subsidy Payments and Released More Than \$900,000 from Restricted Residual Receipts Accounts, Providence, RI	07/06/2006	10/24/2006	11/01/2010
2006-BO-0001	HUD Incorrectly Approved \$42 Million in Operating Subsidies for Phase-Down for Demolition Add-On Funding	07/11/2006	10/13/2006	10/01/2013
2006-SE-0002	The Office of Single Family Housing Expanded Late Endorsement Eligibility Without Studying Associated Risks	08/16/2006	03/30/2007	Note 1
2006-KC-1013	The Columbus Housing Authority Improperly Expended and Encumbered Its Public Housing Funds, Columbus, NE	08/30/2006	10/17/2006	11/30/2012
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	Note 2
2007-LA-0001	Tax Credit Project Owners Are Allowed to Charge Higher Rents for Tenant-Based Section 8 Voucher Households than Non-Voucher Households	11/08/2006	07/05/2007	10/01/2010

Report number	Report title	Issue date	Decision date	Final action
2007-DP-0003	Review of HUD's Procurement Systems	01/25/2007	05/25/2007	09/30/2010
2007-KC-0002	HUD Can Improve Its Use of Residual Receipts to Reduce Housing Assistance Payments	01/29/2007	01/29/2007	01/31/2011
2007-AT-1007	The Municipality of Toa Baja Needs to Improve Its CDBG Program Administration, Toa Baja, PR	04/11/2007	07/16/2007	Note 2
2007-KC-0003	HUD Did Not Recapture Excess Funds from Assigned Bond-Financed Projects	04/30/2007	08/27/2007	Note 2
2007-BO-0002	HUD Did Not Process Multifamily Accelerated Processing Applications within Established Processing Goals and the Multifamily Accelerated Processing Guide Is Outdated	05/21/2007	09/07/2007	06/30/2010
2007-LA-1011	Suburban Mortgage Company Did Not Comply with HUD Requirements in the Origination of FHA-Insured Single-Family Mortgages, Phoenix, AZ	05/29/2007	12/31/2007	Note 1
2007-SE-0001	HUD's Oversight of the Section 8 Project-Based Contract	06/07/2007	10/05/2007	Note 1
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	11/30/2010
2007-BO-1006	Multifamily Project Deficiencies Resulted in More Than \$730,000 in Cost Exceptions for Moosup Gardens Apartments, Moosup, CT	07/25/2007	11/20/2007	07/10/2010
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-AT-1010	The Cathedral Foundation of Jacksonville Used More Than \$2.65 Million in Project Funds for Questioned Costs, Jacksonville, FL	08/14/2007	12/03/2007	04/01/2010

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	Note 1
2007-DP-0006	Review of HUD's Personal Identity Verification and Privacy Program	08/28/2007	12/20/2007	Note 2
2007-AT-0001	HUD Needs to Improve Controls Over Its Contract Administration Processes	09/19/2007	09/19/2007	Note 2
2007-KC-0801	Lenders Submitted Title II Manufactured Housing Loans for Endorsement without the Required Foundation Certifications	09/24/2007	03/11/2008	09/30/2010
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-1017	The City of Cincinnati Lacked Adequate Controls over Its HOME Investment Partnerships Program, Cincinnati, OH	09/30/2007	01/28/2008	09/30/2011
2007-CH-1018	The City of Milwaukee Needs to Improve Existing Controls over Its HOME Program Regarding Housing Conditions and Contracting, Milwaukee, WI	09/30/2007	03/20/2008	Note 2
2008-LA-0001	The Los Angeles Multifamily Hub Did Not Properly Monitor Its Performance-Based Contract Administrator, Los Angeles LOMOD	11/05/2007	03/03/2008	Note 1
2008-AT-1002	The Municipality of Canovanas Needs to Improve Administration of Its CDBG Program, Canovanas, PR	11/15/2007	03/07/2008	Note 2
2008-LA-1003	Home for Life Foundation Did Not Properly Administer Its Supportive Housing Program Grants, Los Angeles, CA	12/18/2007	02/26/2008	04/01/2013
2008-NY-0001	HUD's Monitoring Controls and Procedures Regarding the CDBG Program Were Not Adequate	12/31/2007	03/27/2008	Note 2
2008-FW-1005	The Housing Authority of the City of McKinney Inappropriately Advanced Funds and Transferred Real Estate to Its Not-for-Profit Affiliate, McKinney, TX	01/07/2008	04/24/2008	07/31/2010

Report number	Report title	Issue date	Decision date	Final action
2008-AT-1004	The City of West Palm Beach Did Not Properly Administer Its CDBG Program, West Palm Beach, FL	01/09/2008	05/05/2008	05/01/2012
2008-AT-1005	The City of Fort Lauderdale Did Not Properly Administer Its CDBG Program, Fort Lauderdale, FL	01/11/2008	05/05/2008	05/01/2012
2008-KC-0001	HUD's Quality Assurance Division Did Not Always Resolve Materially Deficient or Potentially Fraudulent Loans Consistently	01/14/2008	06/05/2008	Note 2
2008-NY-1003	The City of New York's Department of Housing Preservation and Development Had Administrative Weaknesses in Its HOME Program, New York, NY	01/23/2008	05/21/2008	Note 2
2008-AO-1002	State of Louisiana, Road Home Program, Funded 418 Grants Coded Ineligible or Lacking an Eligibility Determination, Baton Rouge, LA	01/30/2008	05/12/2008	Note 1
2008-BO-1004	Multifamily Project Deficiencies Resulted in More Than \$1.1 Million in Cost Exceptions for Mohegan Commons, Norwich, CT	02/04/2008	05/21/2008	07/10/2010
2008-KC-0002	HUD Did Not Ensure That Housing Authorities Properly Administered the Community Service and Self-Sufficiency Requirement	03/24/2008	07/22/2008	10/01/2011
2008-AO-0801	Review of Duplication of Participants Benefits under HUD's Katrina Disaster Housing Assistance Program and Disaster Voucher Program	03/28/2008	08/01/2008	Note 2
2008-CH-1006	The Indianapolis Housing Agency Did Not Effectively Operate Its Section 8 Housing Choice Voucher Program, Indianapolis, IN	04/15/2008	08/12/2008	04/01/2010
2008-AT-0002	The Miami Dade Housing Agency Did Not Maintain Adequate Controls over Its Capital Fund Program	04/24/2008	08/22/2008	06/30/2010

Report number	Report title	Issue date	Decision date	Final action
2008-SE-1004	A Plus Mortgage, Inc., Overcharged Borrowers and Allowed Independent Contractors and Unapproved Branches to Originate Loans, Tukwila, WA	05/07/2008	09/24/2008	Note 2
2008-AT-0003	HUD Lacked Adequate Controls over the Physical Condition of Section 8 Voucher Program Housing Stock	05/14/2008	09/10/2008	10/01/2011
2008-BO-0002	Maintenance of Effort Requirements Are Needed to Ensure Intended Use of CDBG Program Funds	05/21/2008	10/02/2008	Note 1
2008-CH-1010	The City of Cincinnati Lacked Adequate Controls over Its System Reporting and Rental Rehabilitation Projects for Its HOME Investment Partnerships Program, Cincinnati, OH	06/11/2008	10/09/2008	07/13/2011
2008-DP-0004	Review of Selected FHA Major Applications' Information Security Controls	06/12/2008	10/08/2008	Note 2
2008-LA-1012	The Housing Authority of the City of Calexico Did Not Comply with Public Housing Program Rules and Regulations, Calexico, CA	07/01/2008	10/14/2008	12/31/2013
2008-FW-0001	HUD's CDBG Set-Aside for Colonias Was Not Used for Its Intended Purposes	07/29/2008	11/24/2008	04/01/2010
2008-AO-1005	State of Louisiana, Road Home Program, Did Not Ensure That All Additional Compensation Grant Applicants Were Eligible, Baton Rouge, LA	08/07/2008	01/13/2009	Note 2
2008-LA-0003	Implementation Weaknesses Existed in All Major Phases of the FHA Appraiser Review Process	09/04/2008	12/19/2008	Note 2
2008-AT-0004	The Miami-Dade Housing Agency Did Not Maintain Adequate Controls over Capital Fund Program Drawdowns, Miami, FL	09/17/2008	09/17/2008	06/30/2010

Report number	Report title	Issue date	Decision date	Final action
2008-LA-1016	The City of Los Angeles Housing Department Did Not Comply with HOME Affordability Monitoring and Inspection Requirements for Its HOME-Assisted Rental Housing, Los Angeles, CA	09/18/2008	12/02/2008	04/16/2010
2008-DE-1003	The State of Colorado Did Not Comply with CDBG Program Requirements, Denver, CO	09/23/2008	01/14/2009	09/30/2011
2008-CH-1014	The City of Cincinnati Did Not Adequately Manage Its HOME Investment Partnerships Program, Cincinnati, OH	09/26/2008	01/22/2009	08/31/2010
2009-NY-0001	HUD Did Not Adequately Monitor Its Performance-Based Contract Administrator, New York State Housing Trust Fund Corporation	10/16/2008	03/06/2009	Note 2
2009-CH-1001	New Phoenix Assistance Center Substantially Failed to Manage Its Supportive Housing Program Grant, Chicago, IL	10/24/2008	02/20/2009	Note 2
2009-BO-1002	Orchard Court Multifamily Project Was Not Properly Managed in Accordance with HUD Regulations, Bath, ME	11/06/2008	01/16/2009	02/25/2011
2009-FO-0002	Audit of the FHA's Financial Statements for Fiscal Years 2008 and 2007	11/07/2008	03/13/2009	08/31/2010
2009-KC-1001	CitiMortgage Did Not Follow HUD Requirements When Underwriting 20 Loans and Performing Its Quality Control Program, St. Louis, MO	11/13/2008	03/13/2009	Note 2
2009-FO-0003	Additional Details to Supplement Our Report on HUD's Fiscal Years 2008 and 2007 Financial Statements	11/14/2008	03/19/2009	12/31/2011
2009-DP-0001	Review of Single-Family Partial Claims Collection Process	11/20/2008	01/26/2009	Note 2
2009-FW-1002	The Owner of Ebony Lake Healthcare Center Violated Its Regulatory Agreement with HUD, Brownsville, TX	11/25/2008	03/25/2009	04/15/2010

Report number	Report title	Issue date	Decision date	Final action
2009-NY-1002	The New York City Housing Authority Had Administration Weaknesses in Its Capital Fund Program, New York, NY	11/25/2008	04/09/2009	04/09/2010
2009-NY-1003	Lower Manhattan Development Corporation CDBG Disaster Recovery Assistance Funds, New York, NY	12/04/2008	05/06/2009	01/12/2011
2009-KC-1003	CTX Mortgage Did Not Follow HUD's Requirements When Underwriting 12 FHA Loans and Developing Its Quality Control Plan, Overland Park, KS	12/17/2008	04/16/2009	Note 2
2009-BO-1004	The City of Hartford Did Not Always Comply with Its Annual Contributions Contracts and HUD Regulations in Administering Its Housing Choice Voucher Program, Hartford, CT	01/05/2009	04/29/2009	04/09/2010
2009-DP-0003	Review of the Centralized HUD Account Management Process	01/09/2009	04/30/2009	04/29/2010
2009-CH-1002	The Indianapolis Housing Agency Failed to Operate Its Housing Choice Voucher Program According to HUD's and Its Requirements, Indianapolis, IN	01/23/2009	05/08/2009	05/22/2010
2009-NY-1006	The City of Rome Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Rome, NY	01/26/2009	05/27/2009	05/31/2010
2009-CH-1003	The Portage Metropolitan Housing Authority Improperly Operated Its Section 8 Housing Choice Voucher Program, Ravenna, OH	01/28/2009	06/08/2009	04/27/2010
2009-AO-0002	HUD's Receivership Did Not Ensure That the Housing Authority of New Orleans Properly Accounted for Its Fungibility Funding, Monitored and Paid Two of Its Contractors, and Paid Its Accounts Payable Disbursements	01/29/2009	08/21/2009	08/21/2010
2009-SE-0002	NAHASDA Program Income from 1937 Act Properties	02/06/2009	09/29/2009	09/28/2010

Report number	Report title	Issue date	Decision date	Final action
2009-FW-1005	Allied Home Mortgage Capital Corporation Did Not Fully Follow HUD's Branch Office Requirements, Houston, TX	02/10/2009	06/10/2009	10/18/2010
2009-DE-1001	The Adams County Office of Community and Development Did Not Comply with HOME Investment Partnerships Program Regulations, Denver, CO	02/11/2009	04/29/2009	04/29/2010
2009-NY-1008	The City of Newburgh Did Not Always Administer Its CDBG Program in Accordance with HUD Requirements, Newburgh, NY	02/24/2009	06/11/2009	06/11/2010
2009-KC-1005	The East St. Louis Housing Authority's Section 8 Voucher Program Units Did Not Always Meet HUD's Housing Quality Standards, East St. Louis, IL	03/02/2009	06/25/2009	06/25/2010
2009-FW-1007	The Owners of Stonebrook Apartments Phase I and Phase II Violated Their Regulatory Agreements with HUD, Baytown, TX	03/25/2009	06/12/2009	06/09/2010
2009-AT-1004	The City of Durham Did Not Adequately Administer Its CDBG Program, Durham, NC	03/31/2009	06/09/2009	04/30/2010

Significant audit reports issued within the past 12 months
that were described in previous semiannual reports
on which final action had not been completed
as of March 31, 2010

Report number	Report title	Issue date	Decision date	Final action
2009-AO-0003	HUD Could Not Demonstrate That Its Receivership Improved the Housing Authority of New Orleans' Performance	04/08/2009	08/21/2009	11/30/2010
2009-BO-1006	Quincy Housing Authority Housing Choice Voucher Program Needs to Improve Controls over Its Interprogram Fund Transactions, Procurement, and Travel, Quincy, MA	04/09/2009	07/30/2009	08/01/2010
2009-SE-1002	The John C. Cannon Retirement and Assisted Living Residence Violated Its Regulatory Agreement, Seattle, WA	04/15/2009	08/13/2009	08/13/2010
2009-FO-0005	Mortgage-Backed Securities Program Document Review	04/30/2009	10/05/2009	Note 2
2009-AO-1001	State of Louisiana, Road Home Program, Did Not Ensure That Road Home Employees Were Eligible to Receive Additional Compensation Grants, Baton Rouge, LA	05/05/2009	09/16/2009	04/30/2010
2009-AO-1002	State of Louisiana, Road Home Program, Did Not Ensure That Multiple Disbursements to a Single Damaged Residence Address Were Eligible, Baton Rouge, LA	05/05/2009	09/16/2009	04/30/2010
2009-CH-1008	The City of East Cleveland Did Not Adequately Manage Its HOME Investment Partnerships and CDBG Programs, East Cleveland, OH	05/11/2009	09/08/2009	09/08/2011
2009-NY-1010	The Union County Consortium Had Administrative Weaknesses in Its CDBG Program, Elizabeth, NJ	05/15/2009	08/24/2009	05/31/2010
2009-CH-1009	The Chicago Housing Authority Needs to Improve Its Controls over Its Section 8 Housing Assistance Payments, Chicago, IL	05/19/2009	09/15/2009	05/15/2010

Report number	Report title	Issue date	Decision date	Final action
2009-CH-1010	The Cincinnati Metropolitan Housing Authority Needs to Improve Its Controls over Section 8 Housing Assistance Payments, Cincinnati, OH	05/19/2009	09/11/2009	06/30/2010
2009-NY-1012	The City of Rome Did Not Administer Its Economic Development Activity in Accordance with HUD Requirements, Rome, NY	05/20/2009	09/23/2009	09/30/2010
2009-FW-0801	Tenant Confirmation for Disaster Housing Assistance Program for March and April 2009	05/28/2009	09/25/2009	10/01/2011
2009-DP-0004	FY 2008 Review of Information Systems Controls in Support of the Financial Statements Audit	05/29/2009	09/25/2009	10/31/2010
2009-AT-1007	The Chattanooga Housing Authority Mismanaged Its Finances, Chattanooga, TN	06/11/2009	09/04/2009	12/31/2020
2009-DP-0005	Review of Implementation of Security Controls over HUD's Business Partners	06/11/2009	11/17/2009	12/31/2014
2009-AT-1008	Miami-Dade County Did Not Properly Administer Its CDBG Program, Miami, FL	06/19/2009	09/25/2009	05/17/2010
2009-PH-0801	Corrective Action Verification Review, Upfront Grant for Ridgecrest Heights Apartments, CEMI-Ridgecrest, Inc., Washington, DC, Audit Memorandum 98-AO-219-1804	06/19/2009	07/09/2009	07/09/2010
2009-FW-0001	HUD's Disaster Recovery Grant Reporting System Can Collect the Basic Information Needed to Monitor the Neighborhood Stabilization Program	06/25/2009	10/23/2009	03/25/2011
2009-FW-1010	Harry Mortgage Company Overstated the Financial Wherewithal of the Owner and General Contractor and Overestimated the Qualifications of the General Contractor When Underwriting the Cypress Ridge Apartments' \$5.87 Million Loan under the Multifamily Accelerated Processing Program, Oklahoma City, OK	06/26/2009	10/19/2009	10/16/2010

Report number	Report title	Issue date	Decision date	Final action
2009-LA-1011	City of Los Angeles Housing Department Did Not Ensure That the Buckingham Place Project Met HOME Program Requirements, Los Angeles, CA	07/01/2009	10/21/2009	09/01/2011
2009-FW-1012	Financial Freedom Senior Funding Corporation Did Not Fully Follow HUD's Reverse Mortgage Requirements for Loans in the San Antonio, Texas Area, Irvine, CA	07/14/2009	11/20/2009	07/14/2010
2009-AT-1009	The Housing Authority of the City of Newnan Inappropriately Encumbered Assets and Advanced Funds to Support Its Nonprofit Organization, Newnan, GA	07/20/2009	11/16/2009	06/30/2011
2009-KC-1008	Grace Hill Used Neighborhood Initiative Grant Funds to Pay Unsupported Payroll Expenses and Duplicated Computer Support Costs, St. Louis, MO	07/24/2009	10/13/2009	09/01/2010
2009-NY-0802	Significant Flaws Identified at the Lackawanna Municipal Housing Authority may affect its Capacity to Administer American Recovery and Reinvestment Act Funds	07/24/2009	09/29/2009	04/30/2010
2009-CH-1801	The City of Cincinnati Lacked Sufficient Capacity to Effectively and Efficiently Administer Its Neighborhood Stabilization Program, Cincinnati, OH	07/29/2009	11/24/2009	04/30/2010
2009-FW-1014	Cypress Ridge Apartments Owner's Agent Received and Paid More Than \$742,000 Contrary to HUD and Regulatory Requirements, Oklahoma City, OK	07/30/2009	10/30/2009	09/30/2010
2009-PH-1011	The Wilmington Housing Authority Did Not Ensure That Its Section 8 Housing Choice Voucher Program Units Met Housing Quality Standards, Wilmington, DE	07/30/2009	10/01/2009	04/30/2010
2009-CH-1011	The Housing Authority of the City of Terre Haute Failed to Follow Federal Requirements and Its Employment Contract Regarding Nonprofit Development Activities, Terre Haute, IN	07/31/2009	11/24/2009	01/01/2030

Report number	Report title	Issue date	Decision date	Final action
2009-NY-1014	The Lackawanna Municipal Housing Authority Needs to Improve Controls and Operational Procedures regarding Its Capital Fund Program, Lackawanna, NY	07/31/2009	11/06/2009	07/31/2010
2009-BO-1010	The City of New London Housing Authority Lacks the Capacity to Properly Administer its Capital Fund Program and Recovery Act Funds, New London, CT	08/07/2009	12/04/2009	12/01/2010
2009-CH-1012	The Lake Metropolitan Housing Authority Needs to Improve Its Controls over Housing Assistance and Utility Allowance Payments, Painesville, OH	08/14/2009	11/24/2009	05/31/2010
2009-KC-0001	HUD Subsidized an Estimated 2,094 to 3,046 Households That Included Lifetime Registered Sex Offenders	08/14/2009	12/12/2009	Note 3
2009-FW-1015	The Housing Authority of Travis County Could Not Adequately Account For or Support Its Use of Federal Program Funds, Austin, TX	08/17/2009	12/03/2009	10/15/2010
2009-FW-1801	Travis County Housing Authority Lacks Capacity to Administer American Recovery and Reinvestment Act of 2009 Public Housing Capital Funds, Austin, TX	08/17/2009	10/27/2009	10/15/2010
2009-AT-1011	The City of Miami Did Not Properly Administer Its CDBG Program, Miami, FL	08/18/2009	12/15/2009	06/30/2010
2009-BO-1011	The City of Boston's Department of Neighborhood Development in Boston, MA, Did Not Administer Its HOME Program in Compliance with HUD Requirements	08/19/2009	01/20/2010	Note 3
2009-CH-0002	The Office of Affordable Housing Programs' Oversight of HOME Investment Partnerships Program Income Was Inadequate	08/28/2009	12/26/2009	03/31/2011
2009-LA-1018	DHI Mortgage Company, LTD's Scottsdale and Tucson, AZ, Branches Did Not Always Follow FHA-Insured Loan Underwriting and Quality Control Requirements	09/10/2009	01/08/2010	09/10/2010

Report number	Report title	Issue date	Decision date	Final action
2009-LA-1019	The Owner of Park Lee Apartments Violated Its Regulatory Agreement with HUD, Phoenix, AZ	09/15/2009	01/13/2010	07/13/2011
2009-CH-1013	The Housing Authority of the City of Milwaukee Did Not Adequately Maintain a Separate Identity for Commingled Funds, Milwaukee, WI	09/17/2009	01/14/2010	01/07/2011
2009-CH-1802	Cook County Needs to Improve Its Capacity to Effectively and Efficiently Administer Its Neighborhood Stabilization Program, Chicago, IL	09/17/2009	01/15/2010	10/31/2010
2009-DE-1005	Adams County Did Not Have Adequate Controls over Its Block Grant Funds, Westminster, CO	09/17/2009	01/15/2010	01/07/2011
2009-SE-1803	Capacity Review of the Warm Springs Housing Authority, Warm Springs, OR	09/21/2009	01/13/2010	05/17/2010
2009-AO-1003	Louisiana Land Trust, As the State of Louisiana's Subrecipient, Did Not Always Ensure That Properties Were Properly Maintained, Baton Rouge, LA	09/23/2009	01/26/2010	04/30/2010
2009-BO-1802	The City of Boston's Department of Neighborhood Development Can Develop the Capacity to Administer Its Housing and Economic Recovery Act and American Recovery and Reinvestment Act Programs, Boston, MA	09/23/2009	12/17/2009	05/14/2010
2009-DE-1801	Adams County, Colorado Had Weaknesses That Could Significantly Affect Its Capacity to Administer Its Recovery Act Funding, Commerce City, CO	09/24/2009	01/14/2010	01/11/2011
2009-LA-1020	The Housing Authority of the City of Richmond Did Not Follow Procurement Requirements and Had Internal Control Weaknesses, Richmond, CA	09/24/2009	12/29/2009	12/29/2010
2009-AT-1012	The Municipality of Río Grande Needs to Improve Administration of Its CDBG Program and Its Recovery Act Funds, Rio Grande, PR	09/25/2009	01/22/2010	01/27/2011

Report number	Report title	Issue date	Decision date	Final action
2009-CH-1015	The Public Housing Agency of the City of Saint Paul Needs to Improve Its Administration of Its Section 8 Project-Based Voucher Program, Saint Paul, MN	09/25/2009	02/24/2010	10/01/2010
2009-AT-0001	HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds	09/28/2009	03/03/2010	Note 3
2009-AT-1013	The City of Atlanta Entered Incorrect Commitments into HUD's Integrated Disbursement and Information System for its HOME Program, Atlanta, GA	09/28/2009	11/05/2009	03/25/2011
2009-AT-1014	The Housing Authority of the City of Winston-Salem Needs to Improve Financial Controls, Winston-Salem, NC	09/29/2009	12/01/2009	12/01/2010
2009-CH-1017	The Housing Authority of the City of Terre Haute Failed to Follow Federal Requirements Regarding Its Turnkey III Homeownership Program Units' Sales proceeds, Terre Haute, IN	09/29/2009	01/22/2010	12/30/2010
2009-CH-1018	The Chicago Housing Authority Needs to Improve Its Controls over the Enforcement of Housing Quality Standards, Chicago, IL	09/29/2009	01/25/2010	06/30/2010
2009-DP-0006	Review of HUD's Web Application Systems	09/29/2009	12/17/2009	09/30/2011
2009-AT-1015	The Puerto Rico Public Housing Administration Mismanaged Its Capital Fund Financing Program and Inappropriately Obligated \$32 Million in Recovery Act Funds, San Juan, PR	09/30/2009	01/27/2010	04/15/2011
2009-CH-0003	HUD's Oversight of FHA Lenders Underwriting of Home Equity Conversion Mortgages Was Generally Adequate	09/30/2009	03/02/2010	09/30/2010
2009-CH-1019	The Michigan State Housing Development Authority Failed to Operate Its Section 8 Project-Based Voucher Program According to HUD's and Its Requirements, Lansing, MI	09/30/2009	01/27/2010	02/01/2012

Report number	Report title	Issue date	Decision date	Final action
2009-CH-1020	The City of Flint Lacked Adequate Controls over Its Commitment and Disbursement of HOME Investment Partnerships Program Funds, Flint, MI	09/30/2009	01/27/2010	10/01/2010
2009-DP-0007	Review of Selected Controls within the Disaster Recovery Grant Reporting System	09/30/2009	03/26/2010	08/01/2010
2009-DP-0008	Review of Recovery Act Management and Reporting System	09/30/2009	01/12/2010	08/31/2010
2009-FW-1016	The Texas Department of Housing and Community Affairs' Disaster Recovery Action Plan Needs Improvement, Austin, TX	09/30/2009	01/26/2010	Note 2
2009-SE-0004	Controls over FHA's Single-Family Lender Approval Process Need Improvement	09/30/2009	01/27/2010	09/30/2010

Audits Excluded:

77 audits under repayment plans

28 audits under debt claims collection processing, formal judicial review, investigation, or legislative solution

Notes:

1 Management did not meet the target date. Target date is over 1 year old.

2 Management did not meet the target date. Target date is under 1 year old.

3 No management decision

Table C

Inspector General-issued reports with questioned and unsupported costs at March 31, 2010
(thousands)

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
A1 For which no management decision had been made by the commencement of the reporting period	41	150,459	78,177
A2 For which litigation, legislation, or investigation was pending at the commencement of the reporting period	6	7,520	4,727
A3 For which additional costs were added to reports in beginning inventory	-	2,962	129
A4 For which costs were added to noncost reports	0	0	0
B1 Which were issued during the reporting period	29	42,307	37,550
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	76	203,248	120,583
C For which a management decision was made during the reporting period	56 ¹	152,264	77,975
(1) Dollar value of disallowed costs:			
- Due HUD	15 ²	7,727	2,313
- Due program participants	44	135,404	69,003
(2) Dollar value of costs not disallowed	9 ³	9,133	6,659
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	5	7,247	4,599
E For which no management decision had been made by the end of the reporting period	15 <30> ⁴	43,737 <26,705> ⁴	38,009 <23,604> ⁴

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

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

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

⁴ The figures in brackets represent data at the recommendation level as compared to the report level.
See explanations of tables C and D.

Table D

Inspector General-issued reports with recommendations
that funds be put to better use at March 31, 2010
(thousands)

Audit reports	Number of audit reports	Questioned costs
A1 For which no management decision had been made by the commencement of the reporting period	26	302,776
A2 For which litigation, legislation, or investigation was pending at the commencement of the reporting period	1	2,957
A3 For which additional costs were added to reports in beginning inventory	-	10
A4 For which costs were added to noncost reports	0	0
B1 Which were issued during the reporting period	34	588,118
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	61	893,861
C For which a management decision was made during the reporting period	43 ¹	272,270
(1) Dollar value of disallowed costs:		
- Due HUD	8 ²	47,994
- Due program participants	35	222,821
(2) Dollar value of costs not disallowed	2 ³	1,455
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	1	2,957
E For which no management decision had been made by the end of the reporting period	17 <23> ⁴	618,634 <102,095> ⁴

¹ 28 audit reports also contain recommendations with questioned costs.

² 1 audit report also contains recommendations with funds due program participants.

³ 1 audit report also contains recommendations with funds agreed to by management.

⁴ The figures in brackets represent data at the recommendation level as compared to the report level. See explanations of tables C and D.

Explanations of Tables C and D

The Inspector General Act Amendments of 1988 require Inspectors General and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level rather than at the individual audit “recommendation” level results in misleading reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the “report” based rather than the “recommendation” based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management’s decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not recognize 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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