

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
 OFFICE *of* INSPECTOR GENERAL  
**QUARTERLY RECAP**

## A Message from the Inspector General



I am pleased to share the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General's (OIG) Quarterly Recap. In addition to our regular updates, we hope you will use this newsletter as a resource to read about our most recent work on a quarterly basis. You will find updates about HUD OIG's recently issued reports, newly announced work, featured highlights from the IG, press releases from recent investigations, and more.

We appreciate your readership as we continue to prioritize positive outcomes for HUD by doing the right work at the right time. If you have questions or want to learn more about our oversight work, contact us at [oigmediarelations@hudoug.gov](mailto:oigmediarelations@hudoug.gov).

*Rae Oliver Davis*

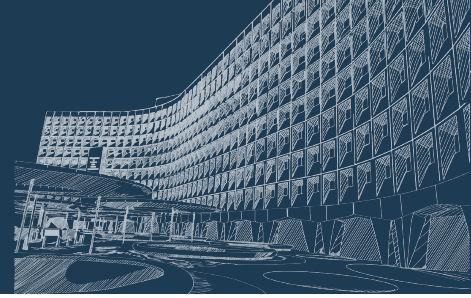
Rae Oliver Davis | INSPECTOR GENERAL

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**INSPECTOR GENERAL**  
 UNITED STATES DEPARTMENT OF  
 HOUSING AND URBAN DEVELOPMENT



## HUD Inspector General **IN THE NEWS**



### [U.S. Attorney Ryan K. Buchanan and HUD Inspector General Rae Oliver Davis Host a Safe Housing Summit Focused on Health and Safety in HUD-Assisted Housing](#)

On December 14, 2023, U.S. Attorney Ryan K. Buchanan and the U.S. Department of Housing and Urban Development's Inspector General Rae Oliver Davis hosted a Safe Housing Summit to promote health and safety for tenants living in HUD-assisted housing.

"Everyone deserves to live in a healthy and safe environment without fear of being exposed to

environmental hazards or being sexually harassed or assaulted by their housing provider," said Housing and Urban Development's Inspector General Oliver Davis. "We are working closely with the U.S. Attorney's Office to spread the word about ways to help victims who currently are experiencing such violations of their rights or who have been impacted in the past. Outreach summits like the one we cohosted are an important way to increase awareness, share information, and build strong partnerships in the community to help call out and eliminate these problems together."

### **Federal News Network: HUD has work to do, to stop duplication of benefits**

On November 9, 2023, Deputy Inspector General Stephen Begg discussed with Federal News Network's *Federal Drive with Tom Temin*, the complexity of HUD's efforts to prevent duplication of benefits in its disaster recovery and programs and the challenges HUD's disaster recovery grantees face.

- [Read the full interview >](#)





# HUD OIG Spotlight

## [Top Management Challenges Facing the U.S. Department of Housing and Urban Development in FY 2024](#)

HUD OIG issued its annual Top Management Challenges report for fiscal year 2024. The report highlights the most serious management and performance challenges facing the Department, progress made since last year, and steps HUD can take to meet those challenges. This year’s report highlights the progress HUD made over the past year in addressing its top challenges as well as new and emerging developments in challenges we identified in previous years. Several noteworthy updates include how HUD must address a major gap in protections for employees of contractors who blow the whistle on wrongdoing; HUD’s inability to estimate or address improper payments in its largest rental assistance programs; and HUD’s limited progress in assessing and mitigating fraud risk across its programs. The report also discusses HUD’s longstanding challenges with overseeing unit conditions in HUD-assisted housing, with a significant emphasis on HUD’s ability to ensure that housing providers make critical repairs to address emergency health and safety deficiencies and lead hazards.

- [Read the press release >](#)

## [Semiannual Report to Congress for the period April 1, 2023, through September 30, 2023](#)

HUD OIG issued its Semiannual Report to Congress, which highlights its oversight and investigative work, and community outreach efforts for the previous six months. During this semiannual period, HUD OIG audits found more than \$32 million in funds that could be put to better use and more than \$4 million in questioned costs and recovered more than \$38 million in collections. In addition, OIG investigations resulted in 49 criminal convictions, 13 civil actions, and 6 Government-wide suspension and debarment actions, as well as more than \$36.5 million in restitution and judgments, with more than \$9.8 million in total recoveries and receivables going to HUD programs. Further, HUD OIG has continued its outreach efforts with its law enforcement partners and United States Attorneys’ Offices across the nation to find new ways to engage through listening sessions and community events with stakeholders to deliver meaningful changes for the families that rely on HUD programs.

Check out HUD OIG’s [Fiscal Year 2023 Overview](#).

OFFICE OF INSPECTOR GENERAL | U.S. Department of Housing and Urban Development

## Fiscal Year 2023 Overview



### FY 2023 Highlights



**\$4,887,886**  
QUESTIONED COSTS



**\$982,230,279**  
RECOMMENDED FUNDS PUT TO BETTER USE



**\$86,769,532**  
COLLECTIONS FROM AUDITS



**\$14,630,606**  
TOTAL RECOVERIES-RECEIVABLES TO HUD PROGRAMS



**\$133,441,326**  
TOTAL RESTITUTION AND JUDGMENTS



## Recently Issued Oversight Work

### [The Puerto Rico Department of Housing Should Enhance Its Fraud Risk Management Practices](#)

HUD OIG conducted an audit of the Puerto Rico Department of Housing's (PRDOH) fraud risk management practices to assess the maturity of its antifraud efforts for preventing, detecting, and responding to fraud when administering programs funded by HUD grants addressing the 2017 disasters. This audit determined that PRDOH's fraud risk management processes to mitigate fraud risks either did not exist or were reactionary, which resulted in the lowest desired maturity goal state-- Ad Hoc-- for organizations' antifraud initiatives. Because PRDOH does not proactively manage fraud risk and its fraud risk management program is at the lowest state of maturity, it may have missed opportunities to strengthen controls and eliminate fraud vulnerabilities, leaving more than \$20 billion in HUD disaster recovery and mitigation funds at increased risk of fraud. Implementing best practices and maturing PRDOH's fraud risk management program will improve HUD and Puerto Rico's ability to prevent and detect fraud and effectively utilize federal funds to support long-term disaster recovery and mitigation needs. HUD OIG made several recommendations, including that HUD instruct PRDOH to implement a process to regularly conduct fraud risk assessments and determine a fraud risk profile. HUD OIG also recommended that HUD assess whether other CDBG-DR/MIT grantees have mature fraud risk management programs and to work with grantees to take further steps to mitigate fraud risks.

- [Read the press release >](#)

### [Audit of HUD's Fiscal Years 2023 and 2022 Financial Statements](#)

HUD OIG contracted with CliftonLarsonAllen LLP (CLA) to audit the financial statements of HUD as of and for the fiscal years ended September 30, 2023, and 2022, and report on HUD's internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, among other matters. In its audit of HUD, CLA reported that: (1) the financial statements as of and for the fiscal years ended September 30, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) no material weakness for fiscal year 2023 in internal control over financial reporting, based on the limited procedures performed; (3) one significant deficiency for fiscal year 2023 in internal control over financial reporting, based on the limited procedures performed; and (4) one reportable matter for fiscal year 2023 of noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

### **Audit of Government National Mortgage Association’s Fiscal Years 2023 and 2022 Financial Statements**

HUD OIG contracted with CliftonLarsonAllen LLP (CLA) to audit the financial statements of Ginnie Mae as of and for the fiscal years ended September 30, 2023, and 2022, and report on Ginnie Mae’s internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, among other matters. In its audit of Ginnie Mae, CLA reported that: (1) Ginnie Mae’s financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) No material weaknesses for fiscal year 2022 in internal control over financial reporting, based on limited procedures performed; and (3) No reportable noncompliance issues for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

### **Audit of FHA’s Fiscal Years 2023 and 2022 Financial Statements**

HUD OIG contracted with CliftonLarsonAllen LLP (CLA) to audit the financial statements of FHA as of and for the fiscal years ended September 30, 2023, and 2022, and report on FHA’s internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, among other matters. In its audit of FHA, CLA reported that: (1) The financial statements as of and for the fiscal years ended September 30, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) No material weakness for fiscal year 2023 in internal control over financial reporting, based on the limited procedures performed; (3) One significant deficiency for fiscal year 2023 in internal control over financial reporting, based on the limited procedures performed; and (4) No reportable matters for fiscal year 2023 of noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

### **Carbon Monoxide in HUD-Assisted Housing**

HUD OIG conducted an evaluation to assess HUD’s plans and progress in ensuring all public housing authority (PHA) owners of certain HUD-assisted housing comply with the Consolidated Appropriations Act of 2021 (the Act) requirements and its progress in developing guidance to PHAs to educate residents on the health hazards of carbon monoxide in accordance with the Act. HUD program offices issued departmental notices to inform PHAs and owners of the Act’s requirements and planned to incorporate carbon monoxide detector requirements into HUD’s revised physical inspection processes (National Standards for the Physical Inspection of Real Estate) to ensure that PHAs and owners complied with the Act. In addition to previous guidance and training material, HUD provided PHAs with guidance in a Joint Notice, which provided educational material and initial information and guidance for PHAs, owners, and managers to educate residents on health hazards, including carbon monoxide. All 15 PHAs interviewed expected to have carbon monoxide detectors installed by the statutory deadline of December 27, 2022.



### [Preventing Duplication of Benefits When Using Community Development Block Grant Disaster Recovery and Mitigation Funds](#)

HUD OIG conducted an audit examining HUD's efforts to prevent duplication of benefits in its CDBG-DR/ MIT programs to determine HUD's process for assessing the adequacy of grantee procedures to prevent a duplication of benefits before and after grant execution. This audit determined that HUD certified grantees' high-level processes for preventing duplication of benefits before grant execution and allowed grantees to develop more detailed procedures for individual grant activities later. However, HUD did not review grantees' more detailed procedures before grantees began spending funds on program activities and HUD's adequacy criteria did not include all statutory requirements. Because HUD certified procedures that did not meet requirements and did not review detailed activity-level procedures before grantees began spending funds, it risked grantees' failing to prevent duplication of benefits. HUD OIG recommended that the Director of the Office of Disaster Recovery review grantees' activity-level procedures for adequacy before grantees process applications for assistance to prevent any duplication of benefits and ensure that all applicable requirements for preventing any duplication of benefits are included in the adequacy criteria, grantee certifications, and HUD review checklists supporting the certification.

- [Read the press release >](#)

## Recently Announced Work

### [HUD's Office of Multifamily Housing Monitoring of Civil Rights Compliance](#)

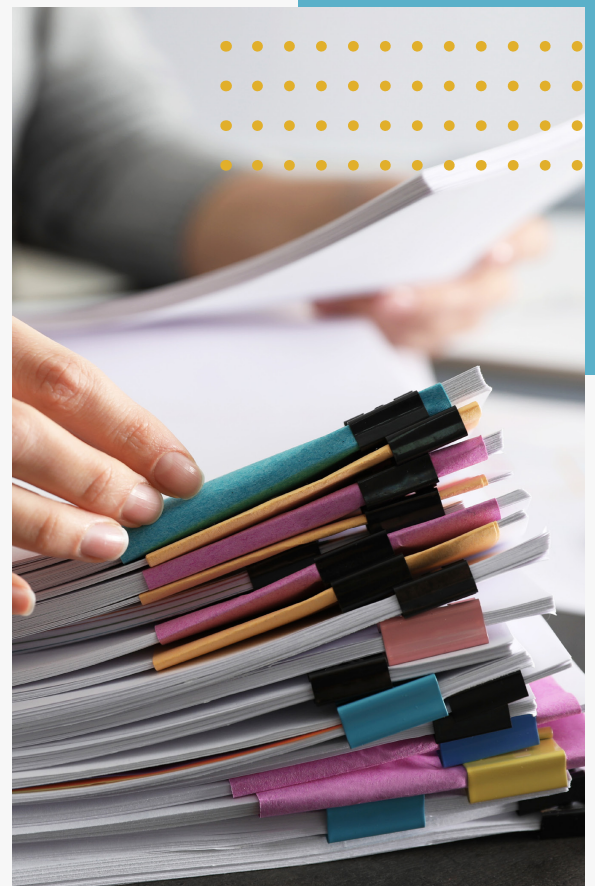
HUD OIG is conducting an audit of HUD's Office of Multifamily Housing's monitoring of civil rights compliance to assess the extent to which the office monitors civil rights compliance in its program activities.

### [Assessing the completeness of HUD's subaward data on USAspending.gov](#)

HUD OIG is conducting an audit of HUD's subaward data reported in USAspending.gov to determine if prime grant recipients who receive HUD funding reported all the Federal Funding Accountability and Transparency Act requirements for their subawards, including the amounts and descriptions of the products or services provided on USAspending.gov.

### [HUD's Compliance with the Payment Integrity Information Act for Fiscal Year 2023](#)

HUD OIG is conducting an audit of HUD's compliance with the Payment Integrity Information Act of 2019 (PIIA), which requires HUD to estimate and take steps to redress improper payments. The FY 2023 audit will assess whether HUD has met all PIIA and OMB requirements to improve payment integrity, as well as HUD's efforts to prevent and reduce improper payments.





## HUD OIG Office of Investigation Highlights

### FHA Single Family Loan Origination

**On November 28, Edmundo De La Torre (Edmundo)**, a former Sales Manager at WestWind Homes, Laredo, Texas, was sentenced 36 months confinement, ordered to pay over \$1,170,000 in restitution, and 36 months of supervised release following confinement for his role in a complex mortgage fraud scheme. From August 2017 through September 2019, Edmundo devised a scheme to defraud HUD backed mortgages by falsifying loan applications for mortgage loans insured by the FHA while working as a salesman for a Laredo area homebuilder. Edmundo used his position to gain direct access to customer files, which he then altered, and fabricated bank statements and other documents to enable the loans to be approved by the lender. De La Torre then submitted these fake and forged documents to a Laredo area bank on behalf of the potential homebuyers. He admitted he was receiving a commission for each sale and personally profiting over \$200,000 from the scheme. In addition, more than three dozen known loans in this scheme ultimately defaulted or had to be restructured, costing HUD roughly \$971,310 at the time of his plea in April.

- [Read the press release >](#)

**On November 17, Stephen Laverne Crabtree**, one of 16 co-conspirators in a complex multi-layered mortgage fraud scheme involving credit repair, mortgage fraud, bank fraud, and Small Business Administration fraud, was sentenced to 17 months (time served) for his role in the scheme. Stephen was recruited as a client in the scheme. Clients had their credit histories “cleaned” under false pretenses, so they could fraudulently obtain FHA, Fannie Mae, Freddie Mac, and other unsecured personal loans from various mortgage companies, banks, and the Small Business Administration. After clients received mortgage or personal loans, co-conspirators collected a percentage of the clients’ loan proceeds, and enriched themselves by submitting falsified payoff statements to lenders and creditors.

## Lead Based Paint

**On November 13, Angel Dalfin**, former principal of Williamsville Property Holdings, was sentenced to 5 years of probation, 8 months home detention, and 600 hours of community service with Habitat for Humanity during the first 3 years of his probation period for his role in making false statements. He was also ordered to pay \$115,000 in restitution to the buyers of the properties (\$5,000 per property) and charged a special assessment fee of \$100. Between December 2015 and May 2018, Dalfin and Williamsville Properties were aware of lead-based paint and lead-based paint hazards at a Wick Street residence in Buffalo that housed a Section 8 family. In April 2018 and June 2020, Dalfin and Williamsville Properties rented the property to lessees and furnished a lead disclosure form to those tenants which falsely affirmed that he “had no knowledge of lead-based paint and/or lead-based paint hazards in the housing.” Dalfin later sold properties he knew to have lead-based paint hazards and failed to properly disclose the violations during his real estate transactions.

- [Read the press release >](#)

## Public Corruption

**On November 6, Savannah Sandoval**, was sentenced to 24 months in prison, followed by 36 months supervised release, and ordered to pay restitution in the amount of \$667,043 for his role in embezzlement and theft. Between August 2017 and May 2022, Sandoval, the former Comptroller and Executive Director of the Yavapai-Apache Nation Housing Department, embezzled \$670,908 from the Yavapai-Apache Nation, including over \$133,000 of HUD Indian Housing Block Grant Funds. As Comptroller and Executive Director, Sandoval was the supervisor of the accounting department and oversaw day-to-day activities and financial transactions. As such, she had access to housing department credit cards and knowledge of its vendor accounts. In 2022, it was discovered that there had been hundreds of thousands of dollars in fraudulent purchases via Tribal credit cards. On at least 184 occasions funds were fraudulently transferred by Sandoval into her personal accounts.

- [Read the press release >](#)

## Section 8

**On September 29, David Krmpotich**, former Housing Choice Voucher Program (HCVP/Section 8) landlord, agreed to pay \$90,458 to settle allegations that he violated the False Claims Act by charging a low-income tenant more than the amount permitted under the property owner’s agreement with the government under the HCVP. Krmpotich was permitted to charge rent in an amount agreed upon by himself, the tenant, and the housing agency administering the rent subsidy program under the HCVP. According to the program rules and the parties’ lease, the tenant was required to pay Krmpotich rent equal to a portion of the tenant’s income, and HUD was required to pay the balance of the agreed total rent. Krmpotich was prohibited from charging the tenant more than the tenant’s allocation of the total rent amount; however, Krmpotich demanded that the tenant pay an additional \$125 to \$185 per month in unlawful and undisclosed supplemental rent payments.

- [Read the press release >](#)





## Real Estate Fraud

**On September 20, Jeremy Ace Woods** was sentenced to 204 months in prison and ordered to pay \$798,021.10 in restitution for his role in travel and wire fraud. Between September 2021 and February 2022, Woods, who owned and operated Ace's Remediation and Lawn Service LLC and Vaughn's Property Management LLC, used his companies to obtain access to HUD foreclosed properties in Kansas and Missouri under the guise of completing maintenance tasks as a 2nd tier sub-contractor of the HUD approved general services manager. While the

homes were under his control, Jeremy falsely advertised the homes for sale to individuals by word of mouth and created contracts for deeds to show he was the reported owner. Based on these assertions, individuals provided Woods with down payments for the homes that he did not own and did not have the authority to sell. Woods fraudulently sold 12 homes he did not own, extracting large down payments and monthly installment payments from unsuspecting buyers, from September 2021 to February 2022. The scheme involved total payments made, or intended, of over \$1 million. In addition to the real estate scheme, Woods enlisted people to rent heavy equipment on his behalf using their names and personal information. Rather than return the equipment to the rental companies, he advertised and sold the equipment to additional individuals on social media sites.

- [Read the press release >](#)

## Pandemic Fraud

**On October 23, Destiny Swanson** was sentenced to 51 months incarceration, 3 years supervised release, and ordered to pay \$543,305 in restitution for her role in conspiracy to commit mail fraud, wire fraud, unauthorized use of an access device, and aggravated identity theft. From approximately March 2020, through December 2020, Swanson conspired with others, including CMHA tenants and program participants to use the names and social security numbers of approximately 70 individuals to file 180 Pandemic Unemployment Assistance and several Economic Injury Disaster Loan applications, with a loss of approximately \$767,074. The overpayment by CMHA due to unreported income, assets, and employment was approximately \$37,754.

## Romance Scams

**On September 13, Charles Obije**, a coordinator for the Continuum of Care for St. Louis County, Minnesota, was sentenced to 14 months in prison, 36 months of supervision, and ordered to pay restitution in the amount of \$356,671 for his role in conspiracy to commit international money laundering. According to court documents, beginning in 2016 through 2019, Obije, used fictitious identities to contact victims throughout the United States, including Minnesota, via email, social media, and online dating applications. Obije pursued these romantic relationships online with the intent of using the relationships to defraud his victims. Obije accepted substantial funds from at least three older women who were duped into believing they were in a longstanding online relationship with a man, despite never meeting him in person. The women were convinced to make numerous wire transfers — sometimes taking loans or second mortgages — to help the fictitious man with a variety of contrived expenses. Obije provided domestic bank accounts for the wire transfers, which he then sent the bulk of the stolen funds to his father and brother in his home country of Nigeria.

- [Read the press release >](#)





## HUD OIG Fraud Bulletins

### Avoiding Disaster Benefits Fraud

HUD's OIG monitors the use of HUD's disaster funding to ensure its funds are only used for permitted purposes. It is critical that applicants fill out all paperwork and answer all questions truthfully when applying for disaster benefits. A duplication of benefits (also known as "double dipping") occurs when a beneficiary receives disaster assistance from multiple sources for the same purpose, and the total assistance received for that purpose exceeds the total need.

## Contact Us

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Learn more about HUD OIG and subscribe to our [mailing list](#) to receive updates about our upcoming, ongoing, and recently published oversight work.

Report fraud schemes involving public housing or other HUD-funded programs or benefits, by contacting the HUD OIG Hotline at 1-800-347-3735 or visit, <https://www.hudoig.gov/hotline>.

