



OFFICE of  
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT

Vol 2. Issue 3.

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, this newsletter provides updates about HUD OIG's recently issued reports, newly announced work, featured highlights from the Inspector General, 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@hudoig.gov](mailto:oigmediarelations@hudoig.gov).

*Rae Oliver Davis*

Rae Oliver Davis | INSPECTOR GENERAL

### IN THIS ISSUE

- PG 2 HUD Inspector General in the News
- PG 3 HUD OIG Spotlight
- PG 3 HUD OIG's Office of Investigation Highlights
- PG 7 HUD OIG's Recently Issued Oversight Work
- PG 9 HUD OIG's Recently Announced Work



# HUD Inspector General **IN THE NEWS**

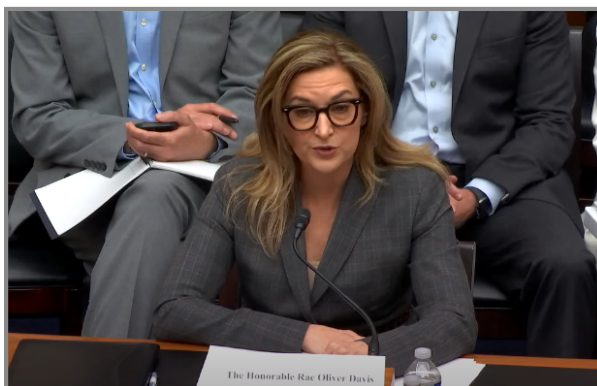
During the month of April, HUD OIG cohosted a series of community outreach events with U.S. Attorney's Offices (USAO) across the country to raise awareness about the Inspector General's priority initiatives to eliminate environmental hazards and combat sexual misconduct in HUD-assisted housing.

On April 4, 2024, HUD OIG partnered with the [U.S. Attorney Offices for the Northern, Middle and Western Districts of North Carolina](#), to conduct its first-ever virtual community outreach event, followed by three in-person community engagements with the [U.S. Attorney's Office for the Southern District of Indiana](#) in Indianapolis, Indiana on April 19, 2024, the [U.S. Attorney's Office for the District of Nevada](#) in Las Vegas, Nevada on April 24, 2024, and the [U.S. Attorney's Office for the District of Maryland](#) in Baltimore, Maryland on April 30, 2024.

## **[U.S. Attorney and HUD Inspector General Host Safe Housing Summit in D.C.](#)**

On June 25, 2024, U.S. Attorney Matthew M. Graves and Inspector General Rae Oliver Davis cohosted a community engagement focused on promoting the health, safety, and civil liberty of tenants living in HUD-assisted housing with members of the Anacostia Coordinating Council. The discussion focused on eliminating environmental hazards and combatting sexual misconduct in HUD-assisted housing. The U.S. Department of Justice's Civil Rights Division and Office of Environmental Justice also presented on related topics, including the development of a Department-wide environmental justice strategic plan.

These community events amplify HUD OIG's partnership with U.S. Attorney's Offices to promote the health and safety of tenants residing in HUD-assisted housing by investigating and prosecuting landlords and other housing providers who violate civil rights and environmental protection laws.



## **Housing Oversight: Testimony of the HUD and FHFA Inspectors General**

On June 26, 2024, Inspector General Rae Oliver Davis provided testimony before the U.S. House of Representatives, Subcommittee on Housing and Insurance for a hearing titled, "Housing Oversight: Testimony of the HUD and FHFA Inspectors General."

The testimony focused on HUD OIG's important initiatives to protect the health and safety of low-income and vulnerable populations living in HUD-

assisted housing, including its increased oversight of public housing authorities and landlords' compliance with environmental safety laws and regulations. The testimony also highlighted HUD's key management challenges, which are the focus of HUD OIG's oversight and investigative work.

- [Read the full testimony >](#)



## HUD OIG Spotlight

### HUD OIG Audit Finds HUD Did Not Comply with Improper Payment Law

HUD OIG issued its audit report assessing whether HUD met the requirements of the Payment Integrity Information Act of 2019 for fiscal year 2023 (FY23) to prevent and reduce improper and unknown payments. The audit follows [HUD OIG's Management Alert: Action is Needed from HUD Leadership to Resolve Systemic Challenges with Improper Payments](#) issued January 23, 2024, urging HUD leadership to take immediate action to resolve systemic challenges with improper payments. HUD's leadership responded to the management alert with a joint commitment to work towards a plan to overcome these challenges. However, HUD did not provide details about the steps it would take to meet its goal of producing an estimate for the PBRA program in 2024, or when it will be able to produce an estimate for the PIH-TBRA program.



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### SEMIANNUAL REPORT TO CONGRESS

For the Period October 1, 2023, to March 31, 2024



### Semiannual Report to Congress for the period October 1, 2023, through March 31, 2024

The Inspector General Act of 1978 requires the Inspector General to prepare semiannual reports summarizing the activities of the Office of Inspector General for the preceding six-month period. On May 31, 2024, HUD OIG issued its Semiannual Report to Congress for the period October 1, 2023, through March 31, 2024. During this reporting period, HUD OIG audits found more than \$14 million in funds that could be put to better use and more than \$500,000 in questioned costs and recovered more than \$8 million in collections. In addition, HUD OIG investigations resulted in 61 criminal convictions, 16 civil actions, and 79 government-wide suspension and debarment actions, as well as more than \$17.6 million in restitution and judgments, with more than \$4.6 million in total recoveries and receivables going to HUD programs.

- [Read the report >](#)

# HUD OIG's Office of Investigation Highlights

## Mortgage Fraud

**On March 25, 2024**, a defendant, the owner of a foreclosure rescue business and landlord, plead guilty and was sentenced to 10 years of deferred probation and ordered to pay cumulative restitution of more than \$96,000 to victims and the FHA for his role in committing two counts of theft of property. From January 2013 through October 2018, the defendant promised foreclosure assistance to homeowners that were delinquent on their FHA insured and conventional mortgages. He offered to take over their mortgage payments if the homeowners moved out of their homes and paid a foreclosure assistance fee. The defendant subsequently rented out the properties and never made the mortgage payments to the lenders. Additionally, the defendant delayed the foreclosures of the homes by providing fraudulent information on behalf of the homeowners, in false attempts to short sell the homes or modify the mortgage loans so he could maintain control of the homes.

**On March 12, 2024**, a business owner, was sentenced to 18 months in prison, and ordered to pay a \$15,000 fine for his role in committing wire fraud and was further ordered on May 8, to pay restitution in the amount of \$750,000. The defendant, who owned and managed Business Development Concepts, LLC, was entrusted by the Northeast Ohio Neighborhood Health Services (NEON), a non-profit corporation, to manage the development of a HUD subsidized community development project called the New East Side Market. The defendant concealed invoices and stole funds that were intended to pay project contractors to support his extravagant lifestyle, which included gambling at casinos, making purchases at Louis Vuitton, and indulging in spa services in New York City and taking a luxury cruise out of Miami.

**On April 1, 2024**, a real estate agent and former public notary, was sentenced to 36 months of supervised release and ordered to pay a special assessment fine of \$100 for his role in committing bank fraud. From 2015 to 2019, the defendant and two co-conspirators used false documents, fictional companies, and fictional individuals to obtain mortgage loans for borrowers who were not qualified to receive loans. The scheme resulted in the origination of at least 35 mortgages, 13 of which were FHA loans totaling more than \$13 million in principal.





## Public Corruption

**On March 3, 2024**, a Housing Choice Voucher Program coordinator for the Chatham County Housing Authority (CCHA) was sentenced to 4 years of probation and ordered to repay restitution in the amount of \$210,136 for her role in conspiracy to commit wire fraud. Between approximately January 2016 and approximately April 2020, the defendant and others conspired to cause contract payments of more than \$200,000 to friends and relatives of CCHA's executive director. The scheme was carried out through fraudulent bids and contracts, payments for work not conducted, use of identities of individuals without their knowledge, and cash kickbacks to the executive director.

- [Read the press release >](#)

**On March 11, 2024**, a defendant was sentenced to 10 years of incarceration, 3 years of supervised release, and ordered to pay restitution in the amount of \$576,040 for his role in conspiracy to commit honest services wire fraud and Federal program bribery. From August 2011 to February 2013, the defendant used his position with the public housing authority (PHA) to orchestrate a bid-rigging and kickback scheme. He relied on bribes, threats, and intimidation to pressure other PHA officials into supporting his fraudulent schemes. The defendant also fraudulently induced PHA officials to declare several projects as emergencies to bypass the process by which the PHA obtained HUD funding. As part of the scheme, the defendant and his coconspirators submitted grossly inflated bids to the PHA for repair projects at properties throughout the PHA. The work was then subcontracted out at a fraction of the amount paid by the PHA for minor work, and in many cases, substandard repairs. The defendant also demanded and received several cash payments from his coconspirators.

- [Read the press release >](#)

**On March 22, 2024**, a defendant was sentenced to 60 months in prison, 3 years of supervised release and ordered to pay restitution in the amount of \$3.25 million for her role in committing wire fraud and tax evasion. From 2012-2021, the defendant falsely represented herself as a certified public accountant (CPA), claiming to provide accounting and financial services to non-profit organizations throughout New Jersey, including private schools and religious institutions. While employed as a bookkeeper for a multifamily property, the defendant stole from her clients using various methods, including collecting fees for services that she did not perform and transferring client funds to herself without authorization. The defendant also collected funds from clients by falsely claiming that she would use the funds to pay their taxes, when instead she kept the money. To conceal her fraud, the defendant told victims that she had filed and paid their taxes, and she falsified receipts to make it appear to the victims that their taxes had been paid. The defendant defrauded more than 100 victims, resulting in financial losses totaling more than \$1.5 million.

- [Read the press release >](#)





**On April 3, 2024**, a former human resources and finance specialist for the Milledgeville Housing Authority, was sentenced to 41 months in prison, 3 years of supervised release, ordered to pay a mandatory assessment of \$100 and restitution in the amount of \$575,014 for her role in committing theft or bribery concerning programs receiving Federal funds. Between January 1, 2021, and August 18, 2022, while employed at the Milledgeville Housing Authority, the defendant fraudulently entered information into the housing authority's payroll system, overcharging multiple payroll categories such as overtime, vacation, and sick leave, resulting in payroll deposits she was not entitled to. The defendant's fraudulent activity resulted in over \$633,000.00 of fraudulent payroll payments deposited into her bank accounts.

**On April 12, 2024**, the president of Fivestar Pest Control, Inc., was sentenced to 3 years of probation for his role in theft or bribery concerning programs receiving Federal funds. American Management and Administration Corporation (AMAC) was a management agent of the Puerto Rico Public Housing Authority. The defendant, co-defendants, and AMAC disbursed money from the housing authority's operational funds to issue payments to Fivestar. The defendants issued multiple checks in the name of the defendant from Fivestar totaling over \$363,937 for services the defendant did not render. The sentencing included a restitution order in the amount of \$363,937 to be paid jointly and severally with AMAC.

**On May 14, 2024**, a former housing program manager and director for the Chester Housing Authority (CHA), and former CHA contractor was sentenced on bribery and fraud charges related to two schemes. From 2014 through 2022, the housing manager solicited payments from the CHA contractor in the form of kickbacks in exchange for contract work at the housing authority. The housing manager increased the contractor's invoices by the kickback amount causing CHA to fund the kickback— receiving approximately \$34,000 from the scheme. In 2019, the housing manager and CHA director began using a shell contracting company to obtain CHA contracts. Although the contracting company did some work, the conspirators used the company to falsely invoice the CHA for work that was never done in the amount of \$544,967.

- [Read the press release >](#)

**On May 16, 2024**, a former executive director for the Housing Authority of South Bend (HASB) was sentenced to 108 months in prison, 2 years of supervised release, and ordered to pay restitution to the HASB in the amount of \$3,236,949 for her role in conspiracy to commit bank fraud, wire fraud, and theft of Federal program money. Between 2015 and 2019 the defendant engaged in a kickback scheme with multiple contractors and co-conspirators that involved the issuance of HASB payment checks to four outside contractors for contracting work that had not actually occurred. These contractors would then deposit the HASB payment checks, withdraw a portion of each check in cash, and hand-deliver the cash back to co-conspirators at the HASB's main office. The contractors would then negotiate the checks and split the proceeds with the defendant.

- [Read the press release >](#)

## HUD OIG's Recently Issued Oversight Work

### [HUD Can Improve Its Loan Purchaser Qualification Vetting to Better Achieve Its Mission Objectives](#)

HUD OIG conducted an audit of the Federal Housing Administration (FHA), Office of Asset Sales' HUD-Held Vacant Loan Sales (HVLS) program to assess the extent to which HUD achieved its mission objectives for a 2022 vacant loan sale. HUD OIG identified deficiencies in 52 of 53 HUD-approved applications within the reviewed vacant loan sale. These deficiencies occurred in transactions for all seven purchasers that purchased loans in the sales. As a result, HUD risks not achieving its mission objectives to promote sales first to mission-driven entities or to encourage mission outcomes by allowing purchasers that submitted deficient applications to purchase distressed FHA loans. HUD OIG made three recommendations to help HUD protect the FHA insurance fund from the risks identified.

### [Servicers Followed the COVID-19 Foreclosure Moratorium Requirements but Could Have Better Communicated the Requirements to Borrowers](#)

HUD OIG conducted an audit of the Federal Housing Administration (FHA), Office of Single Family Housing's moratorium on foreclosures during the COVID-19 pandemic to determine whether Servicers followed the requirements of the moratorium. The review also focused on whether delinquent borrowers were notified that as a condition of the moratorium, foreclosures would be paused if the borrower remained in the home. HUD OIG found that while Servicers followed the COVID-19 pandemic foreclosure moratorium requirements, they could have communicated the requirements more effectively to delinquent borrowers who were subject to foreclosure proceedings. Because HUD did not require Servicers to





notify borrowers directly about the foreclosure moratorium and explain that occupancy would pause the foreclosure process, borrowers may not have realized they were protected from foreclosure by remaining in their homes. As a result, Servicers missed an opportunity to inform as many as 25 of 88 borrowers in this sample who vacated their homes. HUD OIG made three recommendations to assist HUD in protecting the FHA fund and borrowers from foreclosure.

#### **HUD Did Not Comply With the Payment Integrity Information Act of 2019**

HUD OIG conducted an audit of HUD's compliance with the Payment Integrity Information Act (PIIA) of 2019 to assess whether HUD met the requirements of the PIIA for FY23 to prevent and reduce improper and unknown payments. HUD OIG found that for the seventh consecutive year, HUD is unable to estimate improper payments for FY23 for two of its largest rental assistance programs, the Office of Public and Indian Housing's Tenant Based Rental Assistance (PIH-TBRA) program and the Office of Multifamily Housing's Project-Based Rental Assistance (PBRA) program. The last time HUD was able to make a compliant estimate was in 2016 when it estimated \$1.7 billion in improper payments. Since then, payments for the PIH-TBRA and PBRA programs have grown from \$30.7 billion per year in 2016 to \$45.3 billion in FY23, which makes up 67.5% of HUD's total FY23 expenditures. The lack of proper planning and coordination from leadership in HUD's program and support offices has prevented HUD from addressing the root causes behind the failure to comply with improper payment laws. HUD OIG did not make any new recommendations in this report because three recommendations from prior reports remain open and will help to address the current year's findings.

#### **HUD Developed and Implemented a Plan To Address Executive Order 13988**

HUD OIG conducted an audit of HUD's Office of Fair Housing and Equal Opportunity's implementation of Executive Order 13988 (Preventing and Combating Discrimination on the Basis of Gender Identity or Sexual Orientation) to determine whether HUD had established and implemented a plan to prevent and combat discrimination based on gender identity and sexual orientation. HUD OIG found that HUD developed a proposed plan of action and submitted its plan to the White House Domestic Policy Council within 100 days of the Executive Order, which satisfied the requirement. Further, HUD regional offices and Fair Housing Assistance Program agencies identified and made notification to nearly all complainants who alleged gender identity or sexual orientation discrimination in accordance with its plan. HUD also committed to the Equal Access Rule, which requires HUD grantees to ensure equal access for transgender and gender-nonconforming people to CPD programs and shelters. As a result, HUD had reasonable



assurance that its regional offices and FHAP agencies were properly identifying and addressing allegations of gender identity and sexual orientation discrimination in HUD programs and HUD-assisted housing shelters. HUD OIG did not make any recommendations in this report.

## HUD OIG's Recently Announced Work

### [South Carolina CDBG-DR Mapping of Buyout and Rehabilitation Program](#)

HUD OIG is conducting an audit of the State of South Carolina to determine whether the State has strategically planned and implemented its buyout and rehabilitation programs to maximize the resiliency and mitigate the effect of disasters on impacted communities and whether the programs are assisting qualified beneficiaries. The review will include the \$456 million provided under six grants awarded between 2016 and 2021.

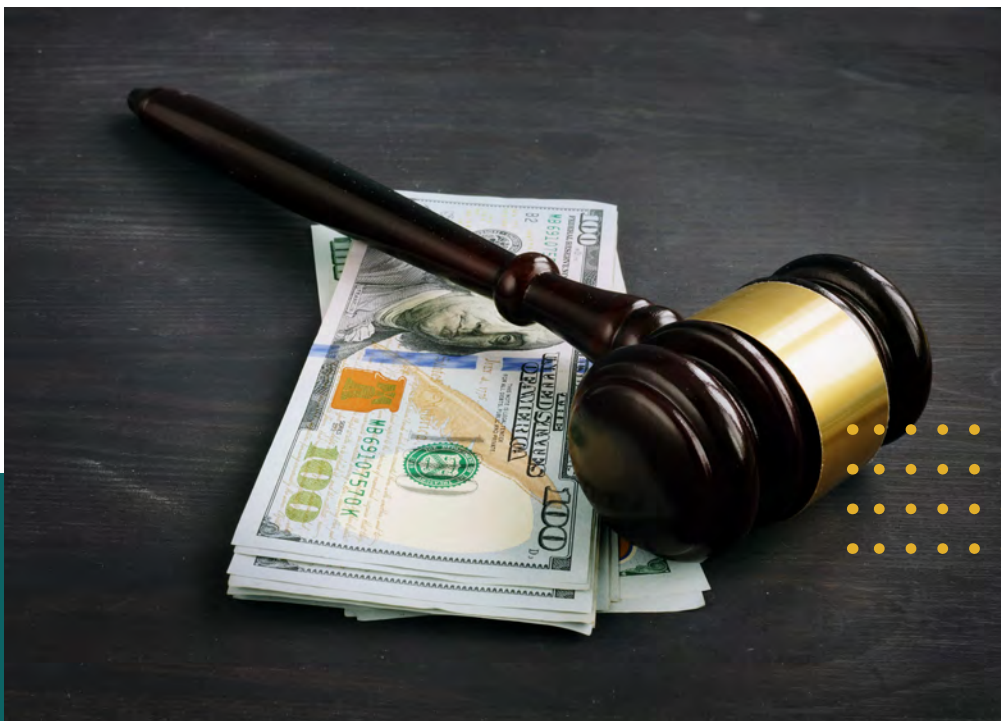
### [Assessment of PHAs' Compliance with MTW Statutory Requirements](#)

HUD OIG is conducting an audit of HUD's Moving to Work (MTW) Demonstration program to assess public housing agencies' (PHA) compliance with the statutory requirements of establishing a reasonable rent policy, serving substantially the same number of eligible low-income families that would have been served absent the MTW demonstration, and maintaining a comparable mix of households by family size. The review will focus on MTW PHA's flexibilities (programmatic and funding) to meet the MTW's statutory requirements and achieve statutory objectives for the period of January 1, 2020, through December 31, 2023.

### [Assessment of HUD's Implementation and Tracking of the President's National Drug Control Strategy](#)

HUD has administered more than \$3.2 billion in Recovery Housing Program (RHP) and Continuum of Care (CoC) Program funding as part of the agency's efforts in reducing the number of overdose deaths in the United States. The White House's Office of National Drug Control Policy (ONDCP) has directed HUD OIG to conduct an audit of HUD's implementation and tracking of the President's National Drug Control Strategy. The audit will obtain the FY 2023 performance data for the RHP and CoC Programs to determine whether these data measures accurately represent the program performance and determine whether the programs experienced challenges in implementing the performance measures and achieving the performance targets

to meet ONDCP's goal to reduce the number of overdose deaths.





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