

HUD Fraud and the OIG

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Special Agent in Charge
Office of Inspector General



Introduction

- Geographic Area
- State of New York
- Offices In New York City and Buffalo

Authority

The Inspector General Act of 1978, as amended, 5 United States Code (U.S.C.) App. 3, provides for the statutory establishment of the HUD Office of Inspector General.

Our Mission

- Prevent and Detect Waste, Fraud, and Abuse
- Promote Integrity, Efficiency, and Effectiveness in HUD Programs and Operations
- Seek Administrative Sanctions, Civil, and/or Criminal Prosecution

Introduction to OIG

The OIG is Comprised of Two Sections:

- Office of Audit
 - ◆ Internal reviews of HUD Programs
 - ◆ External audits and reviews of outside entities and activities
- Office of Investigation
 - ◆ Criminal, Civil, Administrative Actions
 - ◆ Primarily deals with criminal matters

Office of Investigation

- Special Agents Nationwide
- Full Arrest and Subpoena Powers
- Authority is Limited to HUD Nexus

Program Areas

- Single Family Insurance/Federal Housing Administration
- Public Housing
- Community Planning and Development(CPD)
- Multi-Family Housing

Single Family Loan Fraud

- HUD insures loans originated by banks and private lenders
- Owner Occupant FHA insured loan(Fraudulent Origination/Flipping)
- Officer Next Door Program(Not Occupying as Primary Residence)

HUD OIG Initiatives

- Single Family Mortgage Fraud Task forces.
- We participate in multiple Mortgage Task forces state wide
- We partner with the USAO, FBI, Secret Service, State regulatory agencies, IRS and others
- Proactive loom at trends in areas as well as the players committing the fraud.

Public Housing Fraud

- Housing Authorities are funded by federal funds through HUD
- PHA Operating Budget(Embezzlements)
- Construction Contracts(Paying for work not completed/sub-standard work/false certifications)

HUD OIG Initiatives

- Section 8 fraud Initiatives
- We have been working with Housing Authorities, Municipalities and Private owners to identify tenant and landlord fraud
- Review PIC and EIV
- Talk to Employers
- Work and partner with HA to remove them from the program

Section 8 Fraud is a Crime Opportunity.



- No incentive to disclose income
- Sense of “no one is watching.”
- Feeling of “ I will never get caught.”
- Increase the sense of empowerment for the tenant to take risks for financial rewards and that the rewards outweigh the risks.

HUD OIG Initiatives

- Fugitive Felon Program
- Twice a year we match PIC information with NCIC to determine fugitives living in our units
- We work with the agency that has the warrant and determine if they should be arrested
- We work with the HA to have tenant removed if they are harboring the fugitive

HUD OIG Initiatives

Sex Offenders

- We work with PIC information and cross reference it with SO data
- Any lifetime registrants are brought to the attention of the HA
- Anyone using a HA address and not living there are brought to the attention of the Police
- Efforts are made to arrest or remove offenders. Working with the HA

Public Corruption

- Community Planning and Development Investigations
- Public Housing corruption cases
- Employee embezzlements
- Bid rigging schemes

American Reinvestment and Recovery Act

- Capital Improvement funding
- NSP Funding
- ONAP Funding

- Reporting requirements to Congress

Community Planning and Development Fraud

- HUD provides grant money to direct and indirect sources(CDBG & HOME Funds)
- Construction(bid rigging/false change orders/prevaling wages/bribes/kickbacks)
- Grantees and Sub-Grantees(False reporting in how money was spent/false financial condition to obtain grant)

Multi-Family Fraud

- Insured Housing(Ineligible draws/theft of Section 8 funds)
- Equity Skimming(loan in default/owner using funds)
- Nursing Home(Theft of funds)

Investigative Results FY 08

- \$160 Million in Recoveries
- 1,524 Arrests
- 1,180 Indictments
- 968 Convictions
- 1,009 Administrative Actions

PIH Investigative Results FY 08

- \$52 Million in Recoveries
- 1,071 Arrests
- 780 Indictments
- 680 Convictions
- 722 Administrative Actions

Potential Program Fraud

- Person Knew Actions were Wrong
- Person Failed to Take Action
- Person Willfully Violated the Law
- Person Falsified, Forged, or Altered Documents
- Person Knew and Omitted Facts
- Person Admitted Illegal Actions or Omissions to Others

Prevention of Potential Fraud

- Training for Your Employees
 - ◆ Initial Training for New Employees
 - ◆ Annual Refresher Training
 - ★ Seek HUD Program Staff Assistance at No Cost to Your Agency
- Written Fraud Prevention Plan
 - ◆ Annual Fraud Prevention Plan
 - ◆ Defines Potential Fraud for Employees

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Prevention of Potential Fraud

- Written Fraud Prevention Plan (cont'd)
 - ◆ Guides and Advises Employees on How and to Whom to Report Fraud
- Provides public information / training defining fraud, reporting fraud, and penalty for committing fraud.
- Agent's Note: HA Employees need to be empowered!!!

What can we do for you?

- Search tenant rolls for targets
- Obtain Mortgage/Loan files
- IG Subpoena's for bank records, State income tax
- Interview suspects
- Liaison with Federal, Local and State police and Prosecutors
- Obtain documents through OIG subpoena.

What to Refer to the OIG

- Waste: Individuals, Groups, or Businesses Spending Taxpayers' Monies in a Manner which Does Not Further HUD Goals
- Fraud: Individuals, Groups, or Businesses Embezzling Taxpayers' Monies from HUD

What to Refer to the OIG

- Abuse: HUD Officials or HUD-Funded Local Officials whose Actions Exceed the Authority Granted to Them by HUD Policies and Regulations
- Serious Mismanagement: Significant Failure by a HUD Program Office or a Program Office Entity due to Managerial Incompetence or Inattention

When to Refer to the OIG

- Evidence of Potential Program Fraud Should Be Referred with Supporting Information to HUD
OIG

Referrals to the OIG

- Referrals to the OIG Should Contain:
 - ◆ Letter or Report Stating What Occurred
 - ◆ Initial Application or Contract
 - ◆ Annual Certification and Recertification
 - ◆ Lease Agreements and Lease Addendums
 - ◆ Housing Assistance Payment Agreements

Referrals to the OIG

- Referrals to the OIG Should Contain:
 - ◆ Documents Showing Verification of Income, Assets, or Household Composition
 - ◆ Any Signed Statements or Interviews
 - ◆ All Correspondence
 - ◆ Loss Calculation Documents

Upon Referral to the OIG

- The OIG May Do the Following:
 - ◆ Notify You of Receipt of a Written Referral
 - ◆ Notify You of Decision to Investigate
 - ◆ Refer You to Appropriate Source
 - ◆ Seek Your Assistance for Prosecution
 - ◆ Seek other Civil or Administrative options
 - ◆ PFCRA, Suspension, Debarment Civil Prosecution.

Partnerships to Prevent Potential Fraud

- Partnerships Between OIG and PHAs
 - ◆ OIG Provides Investigative Resources to Fight Fraud at No Cost to PHAs
 - ◆ OIG Presents Fraud Awareness Information at No Cost to PHAs
 - ◆ OIG Assists PHAs to Comply with and to Maintain HUD Programs



CALL

E-MAIL

WRITE

FAX



KNOW ABOUT
**FRAUD OR
WASTE**
IN HUD-FUNDED
PROGRAMS OR OPERATIONS?

THE OIG HOTLINE TOLL-FREE
AT
1-800-347-3735
(10:00 AM TO 4:30 PM EST)

OR

HOTLINE@HUDOIG.GOV

OR

HUD OIG HOTLINE (GFI)
451 SEVENTH STREET, SW
WASHINGTON, DC 20410

OR

(202) 708-4829

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

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