



# Fraud Bulletin

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

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## Red Flags of Employee Misconduct

While U.S. Department of Housing and Urban Development (HUD) employees strive to be honest and ethical, the Office of Inspector General (OIG) remains concerned about employee misconduct cases. Misconduct can be violations of HUD's Standards of Conduct, conflict-of-interest rules, the Hatch Act, discrimination and harassment laws, or criminal laws. The purpose of this bulletin is to refresh awareness of prohibited or unlawful behaviors and remind all employees of their reporting responsibilities. If you are unsure of the standards you are expected to meet or have questions, see the Office of General Counsel web page at <http://hudatwork.hud.gov/HUD/gc/po/c/ethics> or send an email to [EthicsLawDivision@hud.gov](mailto:EthicsLawDivision@hud.gov).

Prohibited Personnel Policies are found at <https://www.eeoc.gov/laws/practices/index.cfm>

### Past Violations

The following are some of the violations the OIG has investigated in the past, which problematic behaviors:

- A former employee was convicted of accepting \$38,000 in bribes for favorable approval of a multifamily project.
- A former employee was convicted of diverting more than \$800,000 from the sale of HUD properties to his personal use.
- A former senior advisor harassed an administrative specialist with sexual texts and voicemails and implied promotions in exchange for sexual relations.
- A former employee was convicted of stalking, threatening to kill, and obtaining information from departmental computers regarding potential victims.
- A former employee falsified government pay and time and attendance records which resulted in \$18,861 of losses to the U.S. Government and \$23,000 to the State of Pennsylvania.
- A former employee committed identity theft to create phony HUD pay stubs and identification cards. He used the identities to create credit and to order expensive electronics, which he would sell online from his HUD computer.
- A former employee repeatedly viewed pornography on his HUD computer.
- A former employee forged her former supervisor's signature on a telework agreement and approval form, inappropriately using telework times and days instead of sick leave hours, and did not properly document her telework time through the WebTA system.
- A former employee misused her government purchase card for unauthorized purchases and stole more than \$11,000 worth of federally owned merchandise.

## Why Does This Occur?

**1. Situational pressures.** Employees may be pressured by events such as divorce, drug dependency, expensive habits like gambling, high standards of living, etc. Be alert for any employees displaying signs of giving in to situational pressures. Be aware of unusual indications, such as extravagant lifestyles, expensive vacations, gambling habits, or big homes and cars. People who steal may have sudden mood swings. Financial stresses may also push them to commit thefts, cheat on travel, misuse credit cards, etc.

**2. Opportunity.** When employees know that taking funds can be done and believe they may not get caught, it is easier to give in to the situational pressures. Mitigate the potential for theft or cheating by implementing strong internal controls. When oversight and reconciliations are rubber stamped or ignored, opportunities may tempt some to see what they can get away with.

**3. Personal integrity.** Some individuals don't have a strong sense of personal integrity. Others ignore integrity when they are angered by perceived injustices and want to "get back." Finally, there are some individuals who believe they can outsmart the rules, or seek the excitement of breaking them. While you cannot change a person's character, you can establish expectations by discussing this bulletin with your staff to help set the "tone at the top."

## What Else Can Be Done To Promote Integrity?

- ✔ When hiring, conduct good reference checks and validate key application data with past employers. Rigorous adjudication of background checks on new employees is important. Dig beyond the references the applicant provides by asking the references for additional names of people who worked with the applicant. This added step can reveal undisclosed problems and help you to avoid a bad hire.
- ✔ Ensure that your employees attend ethics training when offered by HUD and sign a Code of Professional Conduct document.
- ✔ Hold violators accountable for misdeeds and follow HUD's table of penalties.
- ✔ Take note if an employee's work production is down. Misconduct can overlap with performance issues so look into the real root cause of poor performance.
- ✔ Heed employees' complaints about someone who is dishonest or unethical.
- ✔ If responsible, thoroughly review financial disclosure reports for possible conflicts of interest.
- ✔ Pay attention when you hear an employee complain about unfair rules or reimbursements.
- ✔ Inform all employees of the serious nature of misconduct and that they have an affirmative obligation to report suspected abuses or crimes.
- ✔ Importantly, refer any suspicions of fraud or situations that you can't handle administratively to the OIG. Contact the HUD OIG hotline at

**Mail:** [hotline@hudoig.gov](mailto:hotline@hudoig.gov) **On line:** <https://www.hudoig.gov/report-fraud>

Employment discrimination or sexual harassment complaints may also be filed with an [Equal Employment Opportunity Counselor](#).