



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

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**SEMIANNUAL REPORT TO CONGRESS**

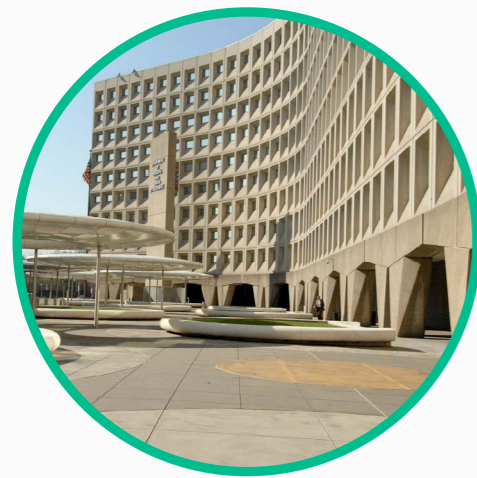
For the period April 1, 2021, to September 30, 2021

★★ OFFICE *of* ★★  
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT



# TABLE OF CONTENTS



**HIGHLIGHTS**  
**PAGE 3**



**LEADERSHIP  
MESSAGE**  
**Page 4**



**SNAPSHOT**  
**Page 7**



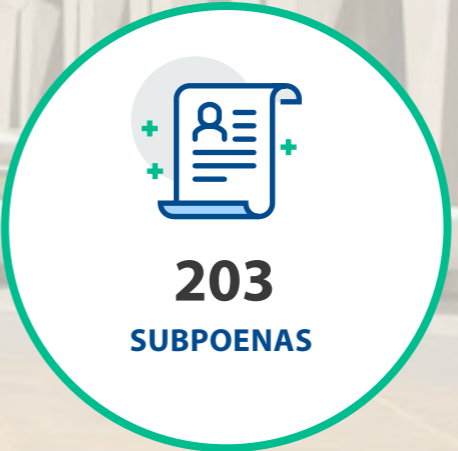
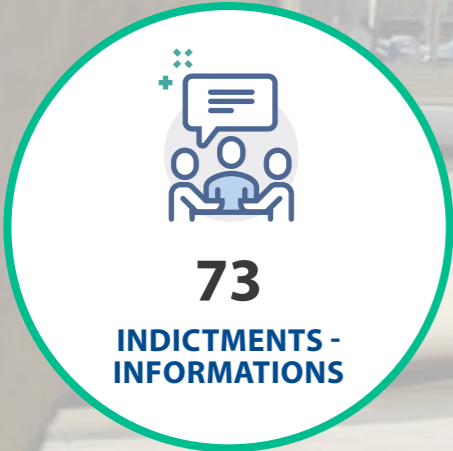
**PROGRAM  
AREAS**  
**Page 18**



**ADDITIONAL  
REPORTS**  
**Page 40**

# HIGHLIGHTS

FOR THE PERIOD APRIL 1, 2021, TO SEPTEMBER 30, 2021



# A MESSAGE FROM THE INSPECTOR GENERAL

I am proud to submit the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress, which covers the period April 1 – September 30, 2021.



As I complete my third year as Inspector General, I am more impressed than ever by the oversight we do here at HUD OIG and by the dedication of our cross-cutting team of engaged professionals. Together, we have developed and implemented collaborative processes to help us focus on performing timely and quality oversight that improves HUD's program delivery. Our team works closely to support HUD's core mission, and together with our colleagues at HUD, our goal is to make HUD's programs and the administration of those programs the strongest and most efficient that they can be.

We strive to make a difference and ensure that our work has maximum positive impact. There are so many people who

need us to get this right because safe, affordable, clean housing, available to all eligible individuals, is critical. As we engage in strategic planning for the next 4 years, we are committed to protecting the interests of our stakeholders – HUD, Congress, and the public.

I am also a member of the Pandemic Response Accountability Committee, with whom my office collaborates to protect pandemic relief funds governmentwide. Given the influx of Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARP) funds intended to assist individuals impacted by the pandemic in a timely manner, our oversight is imperative.

I want to take this opportunity to welcome the new leadership team at HUD, under the direction of Secretary Marcia L. Fudge, and recognize HUD's career public servants, who work hard each day to efficiently administer HUD's programs and deliver critical housing to those in need. With an annual budget

of nearly \$50 billion – plus more than \$10 billion in ARP funds in 2021, more than \$12 billion in CARES Act funds from 2020, and almost \$39 billion in disaster recovery funds from prior years to be spent – we understand that the challenges of administering these funds are significant. As we conduct our oversight, we strive to recognize the progress that has been made by HUD as well as the challenges that are ahead, particularly with the influx of pandemic relief funds.

Internally, we collaborate to develop ideas for how we can maximize our impact and do what we were created to do: perform timely impactful oversight to help HUD meet its critical mission of providing housing assistance to those in need. This includes identifying instances of fraud, waste, abuse, and mismanagement and providing recommendations that help HUD, its grantees, and subgrantees get assistance out as quickly as possible to address housing needs when they arise.



Inspector General  
**Rae Oliver Davis**



# A MESSAGE FROM THE INSPECTOR GENERAL

It also includes ensuring proper stewardship of HUD funds and keeping them out of the hands of the fraudsters who seek to divert these funds for other purposes. We have invested in growing our Office of Information Technology to enhance our use of data, incorporating it throughout every component of our organization, so that we can make risk-based decisions for all of our oversight. We have also incorporated agile work into our portfolio to provide timely information to HUD and our stakeholders.

Toward these ends, our audit and evaluation teams have focused on areas we have identified as priorities, such as ensuring that housing is habitable and hazard free; promoting integrity and efficiency in HUD operations; improving accountability and effectiveness in disaster response and recovery; managing risk in grant programs; and identifying, preventing, and investigating fraud against HUD programs. For example,

during this reporting period, we conducted an evaluation and recommended the issuance of a departmentwide policy aimed at protecting residents in HUD-assisted housing from the hazardous health effects of radon exposure. We also conducted an audit focused on the underutilization of HUD's Housing Choice Voucher Program, making recommendations to help HUD maximize the number of eligible families who benefit from that program. This is especially important now that ARP has provided an additional \$5 billion to HUD to fund 70,000 more vouchers for individuals and families who are experiencing homelessness or are at risk of homelessness.

We have looked at challenges in administering disaster relief programs, which need to get funds out promptly to those impacted by emergencies. During this semiannual period, we issued two audit reports focusing on the untimely administration of disaster recovery funds related to Hurricane Harvey, both identifying


concerns related to compliance with procurement controls, the maintenance of adequate documentation, and subrecipient oversight. As we have done previously, we continue to recommend that HUD's Community Development Block Grant Disaster and Mitigation programs be codified, which we believe is critical in helping HUD to administer disaster relief funds in a timely manner moving forward.

We also continue to perform work to help HUD address its top management challenges, to include ongoing staffing challenges at HUD, which impact the efficient operations of all of its programs. During this semiannual period, we conducted an evaluation of HUD's hiring process, identifying challenges and impediments to bringing qualified individuals on board in a timely manner. HUD accepted all 11 recommendations and is in the process implementing process improvement plans.



Inspector General  
**Rae Oliver Davis**

# A MESSAGE FROM THE INSPECTOR GENERAL



We take an agencywide approach to preventing and pursuing fraud. The efforts of our Office of Investigation have resulted in several indictments and convictions related to fraud across multiple HUD programs. For example, during this semiannual period alone, a former executive director of a public housing agency pleaded guilty to embezzling more than \$500,000; a former manager of three housing complexes catering to elderly and disabled citizens pleaded guilty to diverting more than \$400,000 for personal expenses; and a former administrator and owner of an Alzheimer's assisted living facility was sentenced to almost 4 years in prison and ordered to pay \$2 million in restitution for equity skimming for taking money from his business to pay for personal expenses, rather than using it to repay a HUD-insured loan, as mandated. Our cases have also resulted in civil settlements

involving allegations of false claims, to include a duplicate billing scheme by an individual who charged HUD and a local funding program for the same expenses, and a landlord who improperly used HUD funding for a relative's housing for 10 years and provided associated false certifications to HUD. Beyond investigations, our audit team is conducting substantial work related to identifying risks and improper payments, making recommendations to protect HUD's programs.

In closing, I would like to thank Congress for its continued support of our oversight efforts, which is so important to our ability to be impactful, as well as the many community stakeholders who partner with us to protect HUD's programs and help ensure that eligible individuals have safe and affordable housing without hazards. In addition, I want to recognize the commitment of our entire

HUD OIG team, who work above and beyond to protect taxpayer funds and the individuals who need HUD's assistance in meeting their critical housing needs. I am honored to lead this team, to enhance our oversight capabilities and maximize impact, and to continue to help effect positive change for HUD programs and those served by them.



Inspector General  
**Rae Oliver Davis**

# SNAPSHOT

## Spotlight

Our fiscal year 2021 performance has helped us deliver for the U.S. Department of Housing and Urban Development (HUD), Congress, and our other stakeholders, including HUD communities nationwide. Our work has helped the Department achieve its mission to create strong, sustainable, inclusive communities and quality, affordable homes for all. Our scale, reach, and activities range from efforts to identify and mitigate health risks to residents living in HUD-funded properties to providing oversight of relief efforts provided by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as well as providing oversight to more than 300 of HUD's programs and operations. This section draws attention to our reports and performance since April 1, 2021.

[VIEW SPOTLIGHT](#)



# SNAPSHOT



***Specifically, while HUD's voucher utilization rate had decreased, it estimated that as of November 2020, more than 62 percent of public housing agencies in the Program had leasing potential and that leasing potential could increase in 2021.***

## **HUD Remains Challenged To Serve the Maximum Number of Eligible Families Due to Decreasing Utilization in the Housing Choice Voucher Program**

HUD's Office of Inspector General (OIG) audited HUD's oversight of voucher utilization and reallocation in the Housing Choice Voucher Program based on the OIG report on HUD's top management challenges for fiscal year 2020 and HUD's strategic goals and objectives reported in its 2018-2022 strategic plan.

In addition, while responding to a congressional inquiry from Senator Chuck Grassley's office, regarding portability in the Program (audit report number 2020-CH-0006, issued September 9, 2020), OIG identified that as of September 2019, HUD had more than 300,000 unused vouchers that could potentially be used to house families in need of affordable housing. The audit objective was to assess HUD's oversight of voucher utilization and reallocation in the Housing Choice Voucher Program. HUD remains challenged to ensure that the maximum number of eligible families benefits from its Housing Choice Voucher Program.

Specifically, while HUD's voucher utilization rate had decreased, it estimated that as of November 2020, more than 62 percent of public housing agencies in the Program had leasing potential and that leasing potential could increase in 2021.





# SNAPSHOT



*Specifically, while HUD's voucher utilization rate had decreased, it estimated that as of November 2020, more than 62 percent of public housing agencies in the Program had leasing potential and that leasing potential could increase in 2021.*

## **HUD Remains Challenged To Serve the Maximum Number of Eligible Families Due to Decreasing Utilization in the Housing Choice Voucher Program (Continued)**

In addition, HUD had not exercised its regulatory authority to reallocate housing choice vouchers and associated funding when public housing agencies underutilized their vouchers. HUD remains challenged with voucher utilization because some public housing agencies continue to encounter difficulties that are not within their control to overcome and which negatively impact the agencies' ability to increase leasing in their service areas.

In addition, HUD believed that it could not implement its reallocation regulation because of legislative changes dating back to 2003. As a result, nearly 81,000 available housing choice vouchers could potentially be used to provide additional subsidized housing for eligible families. Further, more than 191,000 authorized vouchers were unused and unfunded, meaning that more than 191,000 additional low- to moderate-income families could possibly benefit from subsidized housing by using these vouchers. However, HUD would need an additional appropriation of nearly \$1.8 billion to fund these vouchers.

OIG recommended that HUD's Office of Field Operations establish and implement a plan to assist public housing agencies in optimizing leasing potential to maximize the number of assisted families and prevent additional vouchers from becoming unfunded. OIG also recommended that HUD's Office of Public Housing and Voucher Programs establish and implement a plan for the unused and unfunded vouchers to mitigate or prevent additional vouchers from becoming unused and unfunded. **(Agencywide, Audit Report: 2021-CH-0001)**



# SNAPSHOT



*On average, it took 2.5 days to resolve the life-threatening health and safety issues reviewed, including 3 days to resolve a gas leak issue.*

## HUD's Office of Multifamily Housing Programs' Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner

OIG audited HUD's Office of Multifamily Housing Programs' health and safety complaint process. OIG conducted this audit due to a July 2019 explosion that occurred at the Calloway Cove Apartments, a Multifamily Housing property in Jacksonville, FL, which resulted in a fire that injured several people. HUD's Real Estate Assessment Center had identified life-threatening health and safety deficiencies at the property for several years, and there had been separate concerns related to health and safety issues at this complex, which appear to have gone unaddressed and may have led to the fire. The audit objective was to determine whether HUD ensured that health and safety complaints associated with Multifamily Housing-Section 8-assisted housing were resolved in a timely manner. HUD's complaint process did not ensure that health and safety complaints were resolved in a timely manner.

On average, it took 2.5 days to resolve the life-threatening health and safety issues reviewed, including 3 days to resolve a gas leak issue. It took an average of 17 days to resolve the non-life-threatening health and safety issues, including 175 days to resolve an infestation problem. For the purpose of this audit, OIG determined reasonable benchmark resolution times to be 24 hours for resolving life-threatening health and safety issues and 72 hours for non-life-threatening health and safety issues. This condition occurred because HUD did not have a standardized, effective process for monitoring, tracking, and resolving complaints in a timely manner. As a result, Multifamily Housing tenants were, in some instances, faced with unhealthy and dangerous living environments for extended periods.



# SNAPSHOT



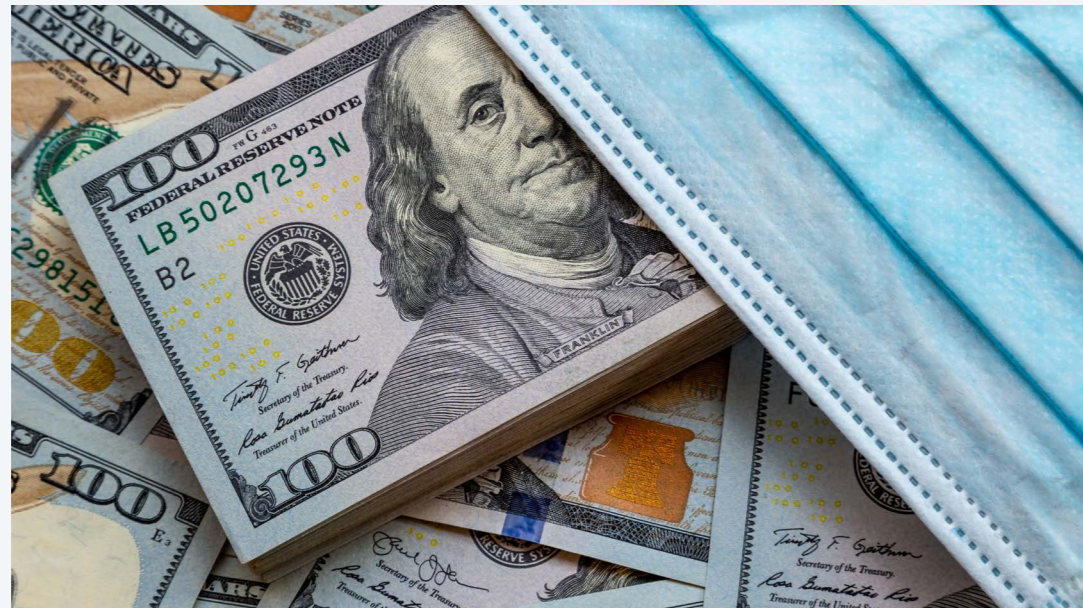
*On average, it took 2.5 days to resolve the life-threatening health and safety issues reviewed, including 3 days to resolve a gas leak issue.*

## HUD's Office of Multifamily Housing Programs' Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner *(Continued)*

OIG recommended that the Deputy Assistant Secretary for Multifamily Housing Programs (1) develop a comprehensive process to ensure that complaints received by the Multifamily Housing Clearinghouse are resolved in a timely manner; (2) develop agencywide policies and procedures for the intake, monitoring, and tracking of health and safety complaints; (3) develop an automated real-time system for receiving, tracking, and resolving health and safety issues; and (4) revise the annual contributions contract to more clearly define contractor and property management responsibilities and deadlines for resolving health and safety issues. **(Agencywide, Audit Report: 2021-KC-0004)**



# SNAPSHOT



***By leveraging existing reporting mechanisms, HUD has established a process to meet portions of its Pandemic Response Accountability Committee (PRAC) quarterly reporting requirement on behalf of covered recipients.***

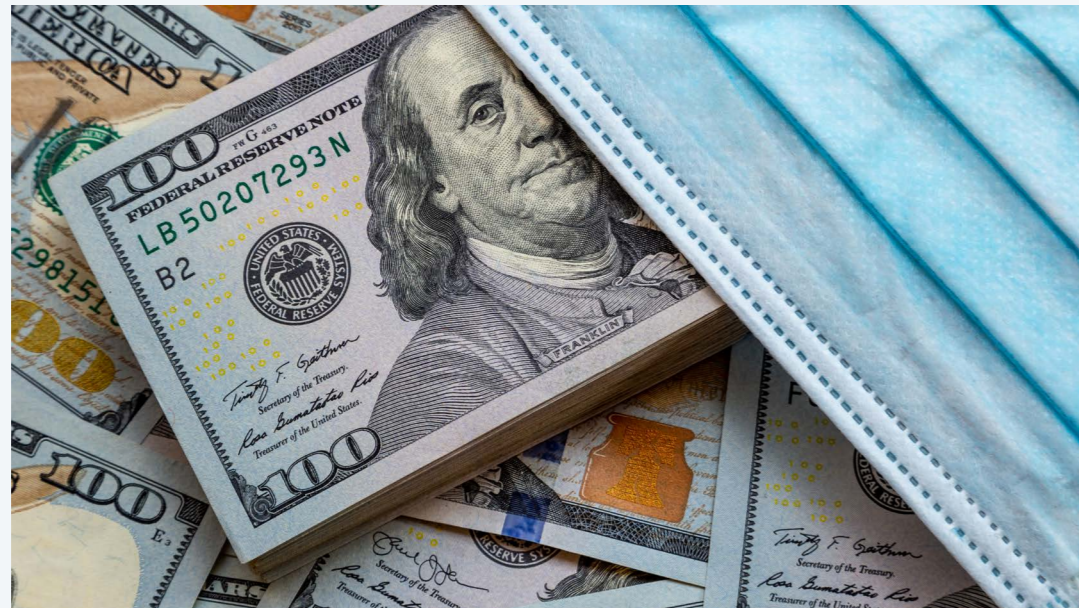
## **HUD's Use of, Accounting for, and Reporting on CARES Act Funding**

As of March 31, 2021, HUD had disbursed \$3.4 billion and obligated \$7.4 billion of its \$12.4 billion in CARES Act funds. Meanwhile, HUD had more than \$1.6 billion in CARES Act funds unobligated. These funds had various expiration dates. For example, HUD had until September 30, 2021, to obligate \$28 million of the remaining management and administration CARES Act funds and until September 30, 2022, to obligate more than \$1.3 billion of the remaining Office of Community Planning and Development CARES Act funds. If HUD is unable to obligate funds properly before its appropriations expire, it may have balances canceled and returned to the General Fund when the expired account(s) closes.

HUD tracks all CARES Act funding in its financial systems using disaster emergency fund codes (DEFC) "N" and "O" assigned by the Office of Management and Budget and the U.S. Department of the Treasury. HUD incorporates these DEFCs into the fund code for each program, which allows HUD to track the status of each program's CARES Act funds. Regarding the CARES Act requirement for preventing duplication of benefits, the Act does not specify a structure for meeting this requirement. According to HUD, it passed on the responsibility to prevent the duplication of benefits to Community Development Block Grant-CARES Act grantees.



# SNAPSHOT



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*By leveraging existing reporting mechanisms, HUD has established a process to meet portions of its Pandemic Response Accountability Committee (PRAC) quarterly reporting requirement on behalf of covered recipients.*

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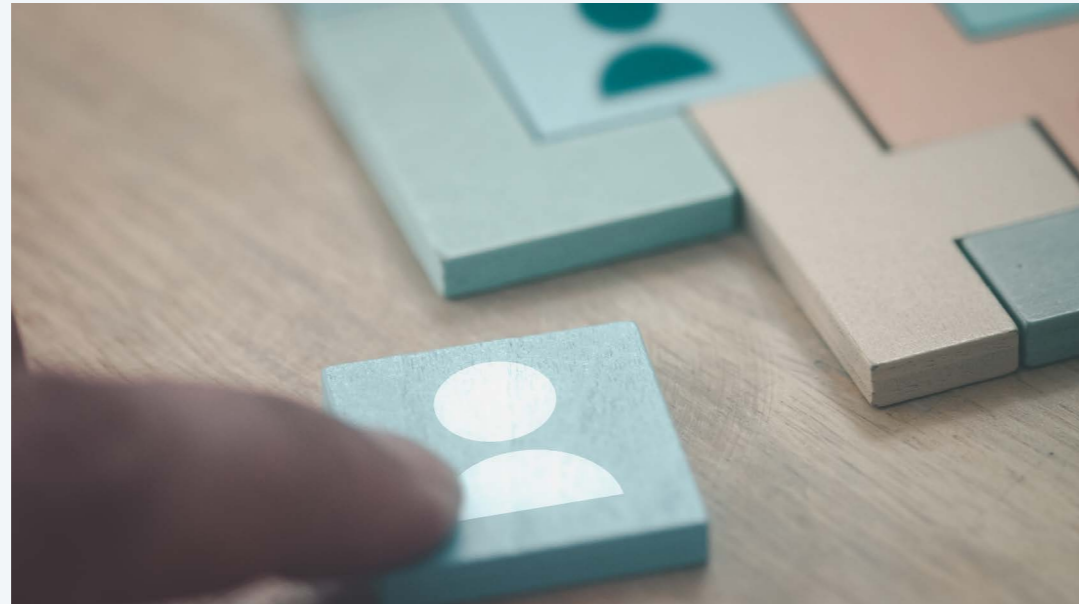
## **HUD's Use of, Accounting for, and Reporting on CARES Act Funding (Continued)**

HUD's reporting process generally supports CARES Act reporting requirements, which are outlined in Section 15011 of the CARES Act. By leveraging existing reporting mechanisms, HUD has established a process to meet portions of its Pandemic Response Accountability Committee (PRAC) quarterly reporting requirement on behalf of covered recipients.

However, HUD's process does not support reporting quarterly on the estimated number of jobs created or retained or on subrecipient data as required for covered recipients in the CARES Act. Further, unclear reporting requirements and the required reporting schedule pose challenges to HUD's quarterly reporting to the PRAC. As of March 31, 2021, OIG had undertaken 26 reviews related to the CARES Act, of which 1 report offers a recommendation on CARES Act-related accounting. OIG has published two other reports highlighting the need for customer service-related improvements. OIG has several ongoing reviews and continues to perform oversight work related to the CARES Act. **(Agencywide, Evaluation Report: 2021-OE-0006)**



# SNAPSHOT



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*Hiring process owners, including program office hiring managers and administrative staff, received limited and inconsistent training on the hiring process and were not aware of the roles or responsibilities in the hiring process.*

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## Opportunities Exist To Improve the U.S. Department of Housing and Urban Development's Hiring Process

While some of HUD's efforts to improve its hiring and human capital functions and reduce its average time-to-hire have been successful, HUD's hiring process overall was not efficient. HUD's Office of the Chief Human Capital Officer (OCHCO), which is responsible for developing and implementing policies and procedures associated with human capital management, set a goal to reduce the average time-to-hire but did not meet this goal. OCHCO must implement efforts to improve HUD's hiring and human capital functions and increase hiring efficiency as defined in its own human capital operating plans.

Hiring process owners, including program office hiring managers and administrative staff, received limited and inconsistent training on the hiring process and were not aware of the roles or responsibilities in the hiring process. The unclear roles and responsibilities, along with the inconsistent training, impacted HUD's ability to hire efficiently. Additionally, OCHCO had inconsistent and unreliable hiring data due to the manual nature of its data entry process and the lack of interaction among the various data-tracking tools. As a result, OCHCO may not fully understand how well HUD's hiring process is operating or where its shortcomings exist. The unreliable hiring data impede OCHCO's and the program offices' ability to properly identify when to take actions for improvement.

OIG offered 11 recommendations to improve HUD's hiring process. Six of the recommendations are aimed at process reform, and five recommendations are designed to support data improvement. The status of each recommendation is unresolved-open. **(Agencywide, Evaluation Report: 2020-OE-0002)**



# SNAPSHOT

## Making an Impact

OIG's oversight work results in recommendations to encourage improvements in the conduct of government programs and operations. This section highlights connections between OIG's work and positive impact for HUD's programs, operations, mission, and beneficiaries. While there are many factors that may cause programmatic change, OIG's reviews and other work often play a role. This section draws attention to recommendations closed during this semiannual reporting period that have made a positive impact on HUD's mission and operations.

[VIEW MAKING AN IMPACT](#)



# SNAPSHOT



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*Four recommendations established foundational requirements for improving HUD's identification and protection of personally identifiable information within its environment.*

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## **Office of Administration - Privacy Data and Records Management**

The Office of Administration closed 10 recommendations associated with OIG evaluations of HUD's privacy and records programs. Five of these recommendations enabled HUD to address critical program leadership and governance issues and prioritize remediation of longstanding agency privacy and records management risks. Four recommendations established foundational requirements for improving HUD's identification and protection of personally identifiable information within its environment. Three of the ten recommendations had been open for more than 5 years, reflecting HUD's increased focus on improving its privacy and records programs. HUD's efforts to close OIG recommendations have positively impacted HUD's progress in improving its Privacy and Records Management programs.





# SNAPSHOT



***OCIO has resolved seven IT recommendations that directly contributed to improvements in the Information Security Continuous Monitoring FISMA domain, which is now assessed at the consistently implemented maturity level.***

## **Office of the Chief Information Officer - Modernizing Technology and the Management and Oversight of Information Technology**

During this semiannual reporting period, HUD closed 37 recommendations associated with OIG Federal Information Security Modernization Act of 2014 (FISMA) evaluations and financial statement application audits. The Office of the Chief Information Officer (OCIO) made a concerted effort to resolve recommendations that impacted both cybersecurity and financial internal controls. A portion of the closures addressed HUD weaknesses that had existed for up to 5 years. OIG recommendations addressed a wide array of criteria measures for the eight FISMA domains and the Federal Information System Controls Audit Manual, but all impacted HUD's overall improvements in information technology (IT), cybersecurity, and financial reporting.

OCIO has resolved seven IT recommendations that directly contributed to improvements in the Information Security Continuous Monitoring FISMA domain, which is now assessed at the consistently implemented maturity level. Overall, since 2013, OIG has made 220 FISMA-related recommendations, OCIO has closed 159 of that subgroup, and those changes continue to enhance HUD's security posture. HUD now has five of the eight FISMA domains at the consistently implemented maturity level. Further, during this semiannual reporting period, OCIO has resolved 15 recommendations associated with general and application controls audit work in support of the annual financial statements audits, which shows that HUD is making a concerted effort toward improving its financial management systems.



# HOUSING

The Office of Housing plays a vital role for the Nation's home buyers, homeowners, renters, and communities through its nationally administered programs. It includes the Offices of Single Family Housing and Multifamily Housing Programs and the Federal Housing Administration (FHA), the largest mortgage insurer in the world. FHA single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing that enables individuals and families to purchase, rehabilitate, or construct homes.

The Office of Multifamily Housing's mortgage insurance programs facilitate the construction, substantial rehabilitation, purchase, and refinancing of multifamily properties. The office also administers subsidized housing programs that provide rental assistance to low-income families, the elderly, and those with disabilities, as well as the preservation of assisted affordable housing. The Office of Healthcare Programs administers FHA's mortgage insurance programs that help finance the construction, renovation, acquisition, or refinancing of healthcare facilities -- including hospitals, nursing homes, and assisted living facilities.



## AUDIT

**3**

**KEY PROGRAM RESULTS**

## INVESTIGATION

**\$8,358,509**

**INVESTIGATIVE RECOVERIES**

**26**

**CONVICTIONS-PLEAS-  
PRETRIAL DIVERSIONS**

**6**

**ADMINISTRATIVE -  
CIVIL ACTIONS**

# HOUSING

## OFFICE OF AUDIT

### Promoting a Homeless Waitlist Preference at Multifamily-Assisted Rental Unit Properties

HUD's Office of Inspector General (OIG) provided HUD's Office of Housing with an informative memorandum on promoting a homeless waitlist preference at Multifamily Housing rental assistance properties. OIG found that homeless move-in rates were significantly higher at properties that had waitlist preferences for previously homeless applicants. HUD should revisit the promotion and marketing of its homeless waitlist preference and consider partnering with a homeless service provider. Additionally, HUD can take this opportunity to make changes to the program and adopt additional incentives to increase the likelihood of owner and agent participation. Lastly, HUD should consider updating its public website to make it more likely that someone with limited resources and knowledge of its site can successfully identify Multifamily Housing rental assistance properties in his or her area.

**Agencywide, Audit Memorandum: 2021-KC-0802**



# HOUSING

## OFFICE OF AUDIT

### HUD's Office of Multifamily Housing Programs' Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner

OIG audited HUD's Office of Multifamily Housing Programs' health and safety complaint process to determine whether HUD ensured that health and safety complaints associated with Multifamily Section 8-assisted housing were resolved in a timely manner. OIG found that HUD's complaint process did not ensure that health and safety complaints were resolved in a timely manner because HUD did not have a standardized, effective process for monitoring, tracking, and resolving complaints in a timely manner. OIG made four recommendations to HUD focused on developing policies and processes to improve the intake, tracking, and resolution of complaints, as well as revising the annual contributions contract to clearly define contractor and property management responsibilities for resolving health and safety issues.

**Agencywide, Audit Report: 2021-KC-0004**



# HOUSING

## OFFICE OF AUDIT

### **COVID-19 Forbearance Data in HUD's Single Family Default Monitoring System Generally Agreed With Information Maintained by Loan Servicers**

OIG audited the lender reporting of COVID-19 forbearances for FHA-insured loans in the Single Family Default Monitoring System (SFDMS). OIG compared default reporting data from SFDMS to loan data provided by five sampled servicing lenders that serviced a third of the FHA single-family portfolio. The audit objective was to determine whether COVID-19 forbearance data available in SFDMS were consistent with the information maintained by loan servicers. OIG found that COVID-19 forbearance data available in SFDMS were generally consistent with the information maintained by the loan servicers reviewed and that key metrics showed that servicers generally complied with HUD's forbearance reporting requirements. OIG made no recommendations.

**Agencywide, Audit Report: 2021-KC-0005**





# HOUSING

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## OFFICE OF INVESTIGATION

### **HUD-Approved Direct Endorsement Lender Agrees To Pay \$2 Million**

DHI Mortgage Company, LTD, a HUD-approved direct endorsement lender, entered into an indemnification agreement with HUD and agreed to pay \$2 million to HUD to indemnify HUD from its losses in connection with violations of FHA underwriting guidelines by DHI during the origination of 31 FHA-insured mortgages. The agreement does not constitute an admission of liability or fault on the part of the parties. **Washington, DC**



# HOUSING

## OFFICE OF INVESTIGATION

### **Father and Son Collectively Sentenced to 58 Months Incarceration**

Dr. Rafael Otero, former majority owner of the Magnolia Alzheimer's Assisted Living facility, and Antonio Otero, facility administrator for Magnolia, were collectively sentenced in U.S. District Court to 58 months incarceration and 4 years supervised release. Magnolia was financed with an FHA Section 232-insured loan, which provided a favorable interest rate and did not require the owners of Magnolia to take personal responsibility for the loan when it went into default. HUD suffered the financial loss when Magnolia defaulted on the loan and the property went into foreclosure. Magnolia agreed to be bound by a regulatory agreement with HUD that prohibited the owners from receiving money from Magnolia unless the loan was being paid and Magnolia had surplus cash. Instead of paying the loan and in violation of the regulatory agreement, the Oteros took hundreds of thousands of dollars from Magnolia. Antonio was sentenced in connection with his earlier guilty plea to equity skimming and was ordered to pay \$2 million in restitution to HUD. Rafael was sentenced in connection with his earlier guilty plea to fraud against HUD and was ordered to pay jointly and severally with Antonio more than \$3.6 million in restitution to HUD. **Texarkana, TX**



# HOUSING

## OFFICE OF INVESTIGATION

### Landlord Enters Into \$805,000 Settlement Agreement With HUD

Eugene Rosen, owner of Ellsworth Partners, LLC, the owner of Ellsworth Commons, a mixed-use residential and commercial property, entered into a settlement agreement and agreed to pay \$805,000 to HUD to resolve allegations that he made improper payments to his family trusts while disregarding his obligation to make payments on Ellsworth Commons' FHA-insured mortgage. Rosen also submitted a false statement to FHA related to those payments, which violated the civil equity skimming statute and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. In 2010, Ellsworth Partners obtained an FHA-insured mortgage to finance the construction of Ellsworth Commons. FHA agreed that if Ellsworth Partners defaulted on the mortgage, FHA would pay the outstanding balance to the lender.







# HOUSING

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## OFFICE OF INVESTIGATION

### **Landlord Enters Into \$805,000 Settlement Agreement With HUD (Continued)**

In exchange, Ellsworth Partners agreed to use project revenue only for FHA-authorized purposes. However, for more than 2 years, Ellsworth Partners stopped paying its mortgage but continued to transfer money to family trusts, causing the mortgage to go into default. To prevent foreclosure, FHA agreed to pay down a substantial portion of the mortgage after Rosen certified that, while the mortgage was in default, Ellsworth Partners paid to its lender all net cash remaining after project expenses had been paid, which was untrue. HUD OIG, HUD's Office of General Counsel, and HUD's Departmental Enforcement Center conducted this investigation. **Malta, NY**



# PUBLIC AND INDIAN HOUSING

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 3,100 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. Some of the highlights from this semiannual period are noted in this chapter.



## AUDIT

**2**  
KEY PROGRAM RESULTS

**\$24,250**  
RECOMMENDED FUNDS PUT TO BETTER USE

**\$44,256**  
RECOMMENDED QUESTIONED COSTS

## INVESTIGATION

**\$6,934,938**  
INVESTIGATIVE RECOVERIES

**21**  
CONVICTIONS-PLEAS-PRETRIAL DIVERSIONS

**13**  
ADMINISTRATIVE - CIVIL ACTIONS

# PUBLIC AND INDIAN HOUSING

## OFFICE OF AUDIT

### HUD Remains Challenged To Serve the Maximum Number of Eligible Families Due to Decreasing Utilization in the Housing Choice Voucher Program

HUD's Office of Inspector General (OIG) conducted an audit to assess HUD's oversight of voucher utilization and reallocation in the Housing Choice Voucher Program. OIG found that while HUD's voucher utilization rate had decreased, it is estimated that as of November 2020, more than 62 percent of PHAs in the Program had leasing potential, which could increase in 2021. OIG recommended that HUD establish and implement a plan to assist PHAs in optimizing their leasing potential to maximize the number of families assisted and to prevent additional vouchers from being unfunded. OIG also recommended that HUD establish and implement a plan for the unused and unfunded vouchers to mitigate the situation or prevent additional vouchers from becoming unused and unfunded.

**Agencywide, Audit Report: 2021-CH-0001**





# PUBLIC AND INDIAN HOUSING

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## OFFICE OF AUDIT

### **The Bay City Housing Authority, Bay City, TX, Did Not Follow Requirements for Its Legal Services, Contract, Administrative Costs, and Board Meetings**

Based on a complaint and a request from the Office of Public and Indian Housing (PIH), OIG audited the Bay City Housing Authority, Bay City, TX. OIG audit objectives were to determine whether the Authority (1) followed Federal and its own procurement requirements for the board's legal services, (2) paid its administrative costs in accordance with Federal requirements, and (3) conducted its board meetings in accordance with the State of Texas' requirements. OIG found that the Authority improperly procured its legal services contract, paid ineligible and unsupported administrative costs, and did not follow Texas' Open Meetings Act or its own bylaws when conducting board meetings.



# PUBLIC AND INDIAN HOUSING

## OFFICE OF AUDIT

### The Bay City Housing Authority, Bay City, TX, Did Not Follow Requirements for Its Legal Services, Contract, Administrative Costs, and Board Meetings *(Continued)*

OIG recommended that the Director of the Houston Office of Public Housing require the Authority to (1) recover the remaining \$5,000 in ineligible legal service costs paid and ensure that additional invoiced legal service costs totaling \$24,250 are not paid; (2) support or repay questioned costs totaling \$39,256; (3) update its bylaws, policies, and procedures to reflect current Federal and State of Texas requirements; and (4) take action to address invalid or undocumented board decisions.

Bay City, TX, Audit Report: 2021-FW-1003







# PUBLIC AND INDIAN HOUSING

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## OFFICE OF INVESTIGATION

### **Former Public Housing Agency Executive Director Sentenced to 46 Months Incarceration**

Monica Moneymaker, former executive director of a PHA, was sentenced in U.S. District Court in connection with her earlier guilty plea to conspiracy to embezzle from a federally funded program. For more than 3 years, Moneymaker embezzled the PHA's collected cash receipts from tenant rental payments. Moneymaker was sentenced to 46 months incarceration and 1 year supervised release and ordered to pay \$562,138 in restitution to HUD. **Amarillo, TX**





# PUBLIC AND INDIAN HOUSING

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## OFFICE OF INVESTIGATION

### **Former Public Housing Agency Finance Officer Ordered To Pay Nearly \$5.3 Million in Restitution**

Cova Campbell, a former finance officer for a PHA, was sentenced in U.S. District Court in connection with her earlier guilty plea to wire fraud. Campbell was sentenced to 51 months incarceration and 3 years supervised release and ordered to pay nearly \$5.3 million in restitution, of which more than \$4.2 million will be paid to the PHA. For more than 3 years, Campbell used a variety of schemes to embezzle \$6.9 million in public money. Campbell diverted PHA funds in connection with the purchase of land and prepared and submitted false invoices to the PHA by making them appear as if the purchases were from an outside vendor. HUD OIG, the Federal Bureau of Investigation (FBI), the U.S. Attorney's Office, and the Washington State Auditor's Office conducted this investigation. **Tacoma, WA**






# PUBLIC AND INDIAN HOUSING


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## OFFICE OF INVESTIGATION

### **Businessman Sentenced to 14 Months in Prison for Paying Bribes to Former HUD and District of Columbia Employees**



Charles Thomas, owner of a Maryland-based company that provided information technology services to Federal agencies and educational services to public school children in the Washington, DC, area; Kevin Jones and LaFonda Lewis, former HUD employees; and Shauntell Harley, a former employee of the District of Columbia Office of the State Superintendent of Education (OSSE), were collectively sentenced in U.S. District Court to 92 months and 1 day incarceration and 8 years supervised release and ordered to pay \$747,667 in restitution, of which \$668,310 is to be paid to the OSSE and \$79,357 to the U.S. Department of the Treasury. For almost 5 years, Thomas provided Jones and Lewis with merchandise and cash payments valued at more than \$70,000 in exchange for nonpublic information about HUD-funded contracts. Additionally, for more than a year, Thomas made more than \$50,000 in cash payments to Harley in exchange for receiving the information needed to create fraudulent invoices for services that his company did not provide. HUD OIG, the FBI, and the District of Columbia OIG conducted this investigation. **Washington, DC**





## AUDIT

3

KEY PROGRAM RESULTS

\$1,260,680

RECOMMENDED QUESTIONED COSTS

\$9,736,636

RECOMMENDED FUNDS PUT TO BETTER USE

## INVESTIGATION

\$2,517,362

INVESTIGATIVE RECOVERIES

7

CONVICTIONS-PLEAS-  
PRETRIAL DIVERSIONS

4

ADMINISTRATIVE -  
CIVIL ACTIONS

# COMMUNITY PLANNING AND DEVELOPMENT

The Office of Community Planning and Development (CPD) works in conjunction with all levels of government and the private sector 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. Some of the highlights from this semiannual period are outlined in this chapter. Additionally, in response to disasters, Congress may appropriate additional funding to Community Development Block Grant Disaster Recovery (CDBG-DR) grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year 2001, the U.S. Department of Housing and Urban Development (HUD) has allocated \$89.8 billion in CDBG-DR and CDBG Mitigation grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$89.8 billion in disaster allocations nationwide, nearly \$84.8 billion has been obligated, and more than \$46.7 billion has been disbursed as of the end of the period.

# COMMUNITY PLANNING AND DEVELOPMENT

## OFFICE OF AUDIT

### **Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program**

HUD's Office of Inspector General (OIG) audited the Harris County Hurricane Harvey CDBG-DR program to assess its efficiency and effectiveness and whether the program was assisting disaster participants in a timely manner; specifically, to examine the status of its HUD-approved activities and challenges, if any, in implementing the activities. OIG found that Harris County had not efficiently or effectively operated its Hurricane Harvey CDBG-DR program. Specifically, 3 years after Hurricane Harvey, Harris County had assisted only 112 of 4,513 planned program participants and had spent less than 1 percent of its grant funds. Harris County's challenges included an inability to effectively assist applicants and inefficiencies in its reimbursement program.



# COMMUNITY PLANNING AND DEVELOPMENT

## OFFICE OF AUDIT

### Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program *(Continued)*

OIG recommended that HUD require the Texas General Land Office to (1) provide its plan to continuously monitor Harris County's pace and performance in its remaining program and take appropriate action to ensure that program goals are met; (2) set performance and financial milestones for all programs and activities funded under Harris County's subrecipient agreement; (3) monitor Harris County's capacity to manage its funds and address duplicative, inefficient, and cost-prohibitive processes or positions; and (4) review Harris County's priorities for providing assistance to program participants.

Houston, TX, Audit Report: 2021-FW-1001



# COMMUNITY PLANNING AND DEVELOPMENT

## OFFICE OF AUDIT

### **The City of Houston's Housing and Community Development Department, Houston, TX, Did Not Always Ensure That Its Program Followed Procurement Requirements**

OIG audited the City of Houston's CDBG-DR 2015 program, which made the Consolidated Appropriations Acts of 2016 and 2017 funds available for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization. OIG's objective was to determine whether the City ensured that it maintained adequate supporting documentation for disbursements and its program complied with procurement requirements. OIG found that the City generally ensured that it maintained adequate supporting documentation for disbursements; however, it did not always ensure that its program complied with the necessary HUD procurement requirements, did not maintain the necessary documentation to support costs, and did not have adequate contract provisions.



# COMMUNITY PLANNING AND DEVELOPMENT

## OFFICE OF AUDIT

### **The City of Houston's Housing and Community Development Department, Houston, TX, Did Not Always Ensure That Its Program Followed Procurement Requirements (Continued)**

OIG recommended that HUD require the City to (1) support that it awarded contracts without restriction and in a manner advantageous to it and HUD or put the more than \$9.7 million in contract awards to better use, (2) support or repay more than \$1.2 million in contract disbursements, and (3) develop and implement written procedures and take actions to better ensure that it and its subrecipients meet all program procurement requirements.

**Houston, TX, Audit Report: 2021-FW-1002**



# COMMUNITY PLANNING AND DEVELOPMENT

## OFFICE OF AUDIT

### HUD's Major Program Offices Can Improve Their Preparedness To Respond to Upcoming Natural Disasters

OIG audited HUD's disaster preparedness from 2005 to 2018 to determine whether HUD's Offices of Multifamily Housing Programs, Single Family Housing, Community Planning and Development, Native American Programs, and Public Housing can improve their preparedness to respond to upcoming natural disasters. OIG found that each program office reviewed had weaknesses in its written policies and supervisory controls. The Offices of Multifamily and Single Family had control weaknesses in their postdisaster information-gathering activities. The Offices of Community Planning and Development and Native American Programs had weaknesses in their controls to ensure that all affected grantees and housing entities were contacted following a disaster. The Office of Public Housing did not track its outreach to public housing agencies (PHA). OIG made five recommendations, one for each program office, related to effective policies, procedures, and supervisory controls, including controls for contacting grantees and tracking outreach to PHAs.

**Agencywide, Audit Report: 2021-KC-0003**



# COMMUNITY PLANNING AND DEVELOPMENT

## OFFICE OF INVESTIGATION



### 11 Demolition Contractors and Government Officials Sentenced in Bribery Scheme

Demolition contractors Joseph Tucceri, Gwen Tucceri, Consuelo Brown, Paul Eadah, Martin Fano, Eric Whitherspoon, and Gani Xhoka, along with Ken Tyson, Vanessa Veals, Rufus Taylor, and Gary Norton, government officials for local municipalities, were collectively sentenced in U.S. District Court to 6 years incarceration, 11 years probation, and 7 years supervised release and ordered to pay \$44,000 in fines. For more than 6 years, the conspirators devised and participated in a scheme to defraud local municipalities, which were recipients of more than \$19 million in HUD-funded CDBG grants. The conspirators paid cash bribes and things of value to Taylor in exchange for expedited service and favorable treatment for work performed on demolition contracts. HUD OIG; the Internal Revenue Service, Criminal Investigation; and the Federal Bureau of Investigation conducted this investigation. **Cleveland, OH**

# OTHER SIGNIFICANT AUDITS AND EVALUATIONS

## OFFICE OF AUDIT

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) more significant reports are highlighted in this chapter.

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

OIG audited HUD's fiscal year 2020 compliance with the Payment Integrity Information Act of 2019 (PIIA) and the Office of Management and Budget guidance on improper payments reduction requirements. HUD did not fully comply with PIIA reporting and improper payments reduction requirements for fiscal year 2020. Of the six requirements, HUD did not comply with one requirement, and one requirement was not applicable. As a result, HUD's programs were vulnerable to the adverse effects of improper payments, and HUD will likely continue to miss opportunities to prevent, identify, reduce, and recover improper payments unless it fully complies with PIIA reporting and reduction requirements. However, OIG recognized that HUD was making progress in being fully compliant with PIIA and acknowledged its plan to execute a comprehensive sampling and estimation methodology in the coming year. OIG recommended that HUD use a comprehensive sampling and estimation methodology for all reported programs and disclose in its reporting any limitations imposed or encountered.

**Agencywide, Audit Report: 2021-AT-0002**



# OTHER SIGNIFICANT AUDITS AND EVALUATIONS

## OFFICE OF AUDIT

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) more significant reports are highlighted in this chapter.

### Limited Review of HUD's Office of Chief Procurement Officer Pandemic-Related Procurement Accommodations and Challenges

OIG conducted a limited review of HUD's Office of the Chief Procurement Officer's (OCPO) administration of five procurement activities under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act and related Office of Management and Budget memorandums gave HUD flexibility in modifying existing contracts and required rapid delivery of CARES Act funds. The audit's objective was to determine what HUD had done to accommodate contractors' pandemic-related issues while ensuring that HUD met its business objectives, as well as determining what challenges HUD encountered in procuring and administering its contracts during the pandemic. Based on a limited review of five COVID-19-related contract transactions and OIG's understanding of the prepandemic controls and policies that HUD had in place, OIG found that HUD was adequately prepared before the pandemic to accommodate contractors' pandemic-related issues while ensuring that HUD met its business objectives. Because HUD was adequately prepared, it did not encounter any substantial challenges in procuring and administering its contracts. OIG did not make any recommendations to HUD.

**Agencywide, Audit Memorandum: 2021-FW-0801**





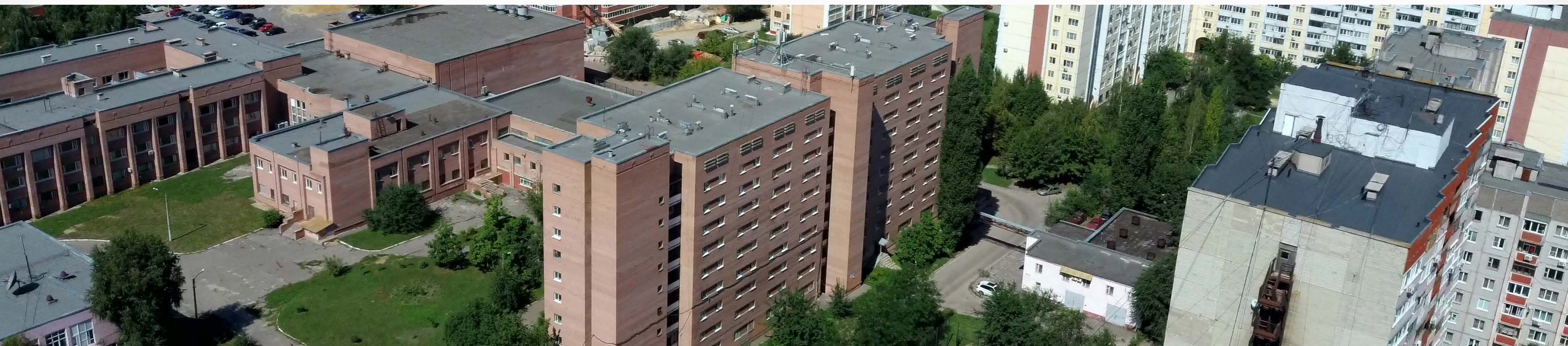
# OTHER SIGNIFICANT AUDITS AND EVALUATIONS

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## OFFICE OF EVALUATION

### HUD Program Offices' Policies and Approaches for Radon

HUD does not have a departmentwide policy for dealing with radon contamination but, rather, relies on each program office to develop radon policies that align with HUD's environmental regulations.   **OIG reviewed three program offices, the Offices of Multifamily Housing Programs, Public and Indian Housing, and Community Planning and Development, which were found to not have consistent radon policies. Without a departmentwide radon policy, each program office has independently developed a radon policy or approach with varying degrees of testing and mitigation requirements. This approach does not align with HUD's environmental regulations or support industry standards, which state that radon testing should occur every 2 years after a mitigation system is installed. Given that environmental reviews generally occur only for specific funding or approval actions and exposure to radon shows no immediate health effects or other warning signs, HUD cannot ensure that residents in HUD-assisted housing receive consistent and sufficient protection from the hazardous health effects of radon exposure.**





# OTHER SIGNIFICANT AUDITS AND EVALUATIONS

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## OFFICE OF EVALUATION

### **HUD Program Offices' Policies and Approaches for Radon (Continued)**

OIG has made seven recommendations to help HUD better protect residents from hazardous health risks of indoor radon exposure, to include that HUD develop and issue a departmentwide policy that notes that radon is a radioactive substance, ensures that radon testing and mitigation are consistent and sufficient for all HUD programs, and aligns with HUD's environmental regulations. The Office of Environment and Energy indicated it aimed to publish the department wide policy in the fourth quarter of FY 21. The recommendation remains open. **Agencywide, Evaluation Report: 2020-OE-0003**





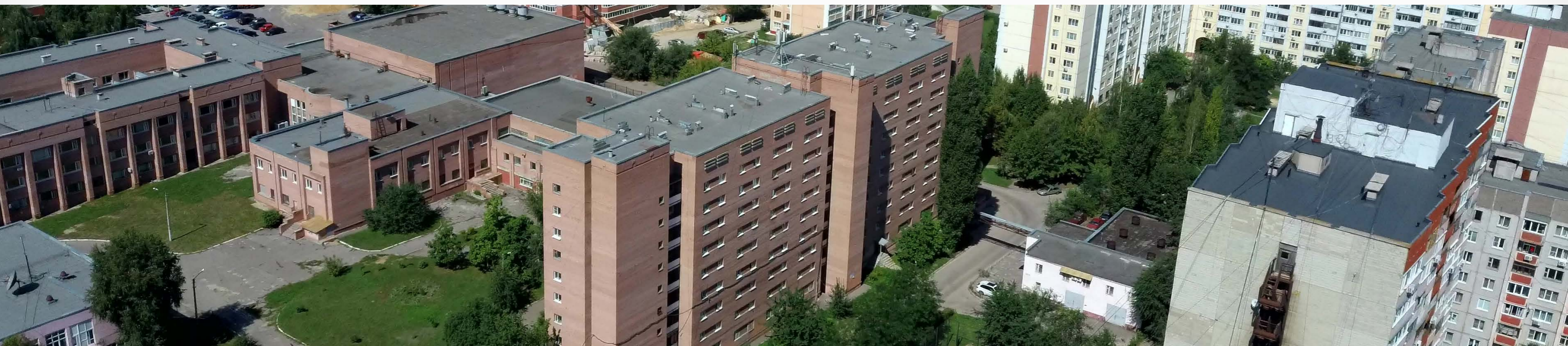


# OTHER SIGNIFICANT AUDITS AND EVALUATIONS

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## OFFICE OF EVALUATION

### HUD's Use of, Accounting for, and Reporting on CARES Act Funding

As of March 31, 2021, HUD had disbursed \$3.4 billion and obligated \$7.4 billion of its \$12.4 billion in CARES Act funds. Meanwhile, HUD has more than \$1.6 billion in CARES Act funds unobligated. These funds have various expiration dates, and if HUD is unable to obligate funds properly before its appropriations expire, it may have balances canceled and returned to the General Fund when the expired accounts close. HUD's reporting process generally supports CARES Act reporting requirements by leveraging existing reporting mechanisms, which meet portions of its Pandemic Response Accountability Committee (PRAC) quarterly reporting requirement on behalf of covered recipients. However, HUD's process does not support quarterly reporting on the estimated number of jobs created or retained or on subrecipient data, as required for covered recipients in the CARES Act. Additionally, unclear reporting requirements and the required reporting schedule pose challenges to HUD's quarterly reporting to the PRAC. **Agencywide, Evaluation Report: 2021-OE-0006**







# OTHER SIGNIFICANT AUDITS AND EVALUATIONS

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## OFFICE OF EVALUATION

### 2021 Persistent IT Challenges and Issues Facing HUD

OIG conducted a topic brief that highlights key challenges HUD faces managing and improving its IT program. The brief is not based on new work, but is a summary of 83 reports and 788 recommendations from past HUD OIG and GAO reports. It discusses the present IT environment at HUD, previously identified and new IT-related challenges, and HUD's efforts and progress in addressing these challenges. Based on our analysis of open IT recommendations, we concluded that HUD's IT program, including its modernization efforts, have improved. Additionally, HUD's Office of the Chief Information Officer (OCIO) made notable progress. Nonetheless, OCIO will require continued support and resources to implement IT plans and projects to overcome identified challenges. **Agencywide, Evaluation Topic Brief: 2021-OE-0004**






# OTHER SIGNIFICANT AUDITS AND EVALUATIONS


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## OFFICE OF EVALUATION

### HUD IT Modernization Roadmap Evaluation Report



OIG reviewed HUD's information technology (IT) modernization roadmap to (1) determine the extent to which HUD has developed an IT modernization roadmap and to report on its current and future state, (2) gain an understanding of HUD's IT modernization strategy and priorities, and (3) assess the effectiveness of the roadmap and strategy. OIG found that a significant number of HUD's mission-essential applications have not been modernized, which presents multiple sources of risk. These applications are hosted on legacy information systems and mainframe platforms, which are operationally inefficient, increasingly difficult to secure, and costly to maintain. As a result, hundreds of millions of dollars in potential savings from modernization have not been realized, and security risks have remained. This evaluation report contains two recommendations and five opportunities for improvement to assist in continued successes for future modernization efforts.



**Agencywide, Evaluation Report: 2021-OE-0003**





# OTHER SIGNIFICANT AUDITS AND EVALUATIONS

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## OFFICE OF EVALUATION

### **Opportunities Exist To Improve the U.S. Department of Housing and Urban Development's Hiring Process**

While some of HUD's efforts to improve its hiring and human capital functions and reduce its average time-to-hire have been successful, HUD's hiring process overall was not efficient. HUD's Office of the Chief Human Capital Officer (OCHCO), which is responsible for developing and implementing policies and procedures associated with human capital management, has not met its goal to reduce the average time-to-hire. Hiring process owners, including program office hiring managers and administrative staff, received limited and inconsistent training and were not aware of their roles or responsibilities in the hiring process, which has impacted HUD's ability to hire efficiently. Additionally, OCHCO had inconsistent and unreliable hiring data due to the manual nature of the data input and the lack of interaction among the various data-tracking tools.





# OTHER SIGNIFICANT AUDITS AND EVALUATIONS

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## OFFICE OF EVALUATION

### **Opportunities Exist To Improve the U.S. Department of Housing and Urban Development's Hiring Process (Continued)**

The unreliable hiring data impede OCHCO's and the program offices' ability to properly identify when to take actions for improvement. OIG has 11 recommendations to improve HUD's hiring process. Six of the recommendations are aimed at process reform, and five recommendations are designed to support data improvement. In response to the report, OCHCO accepted all eleven recommendations and offered a number of promising initiatives and updates. The status of each recommendation is unresolved-open. **Agencywide, Evaluation Report: 2020-OE-0002**





# OFFICE OF INSPECTOR GENERAL

## U.S. Department of Housing and Urban Development

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For the period April 1, 2021, to  
September 30, 2021

Read the full report at [www.hudoig.gov](http://www.hudoig.gov)

