



# OIG Fraud Bulletin

January 19, 2023

## PUBLIC CORRUPTION

Public corruption occurs when a public official misuses their position for personal benefit. It is against the law for Federal, state, or local Government employees to ask for or receive anything of value (gifts) in exchange for an official act or engage in undisclosed self-dealing.

Public corruption can take many forms, such as when an official improperly steers contracts or grants to a preferred vendor in return for gifts or when an official (or family member) has an ownership interest with the preferred vendor. Public corruption may also occur when a public official embezzles money from the Government or when they seek or accept bribes in return for taking an official action.

While most public servants are honest, even a small amount of public corruption carried out by a dishonest few can have a devastating effect on the public's trust in Government operations and negatively impact the quality of services and goods provided to the public.

Indicators of potential public corruption include irregular contracting activity, such as improper use of no-bid or sole-source contracts, excessive or illogical use of "consultants," a public official living beyond their means, or a Government agency's poor or insufficient financial controls, such as a lack of segregation of duties.

The following HUD OIG investigations demonstrate the negative impact of criminal behavior by public officials:

- An employee of a land bank authority in Illinois formed a property maintenance company and directed an associate to pose as its owner. The public official caused the land bank authority to contract with their own maintenance company, paying more than \$1 million for property maintenance services, even though land bank authority employees were prohibited from having a financial interest in property maintenance companies contracting with the agency.
- An employee of a public housing authority in West Virginia accepted rental payments from tenants and deposited the rental payments into her own bank account, instead of the



public housing authority's bank account.

- A city official in New Jersey sought and received financial bribes (cash and jewelry) from two individuals in return for favorably reviewing their businesses' applications to become land redevelopment vendors in the city.
- A city employee in Ohio accepted bribes in exchange for advising other city officials to work with a specific contractor.
- A mayor in Texas used his official position to sell property to the city at an inflated rate. He also used his official position to influence the city into entering a contract with his daughter and approved the city funds to pay for the contract, which resulted in his daughter receiving significant sums. The mayor and his daughter also conspired to get a local economic development corporation to give loans to the daughter for a construction project.

Report suspected public corruption involving public housing authorities, or HUD-funded programs, by contacting the HUD OIG Hotline at 1-800-347-3735 or visit us at <https://www.hudoig.gov/hotline>.

Report other forms of suspected public corruption to your local police department, or regional FBI office.

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