



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

September 19, 2016

MEMORANDUM NO:
2016-CF-1807

Memorandum

TO: Dane M. Narode
Associate General Counsel, Office of Program Enforcement, CACC

//signed//

FROM: Christeen Thomas
Director, Joint Civil Fraud Division, GAW

SUBJECT: Final Civil Action: The Alphabet Group, LLC, Marks Group, LLC, and
Imagineers, Inc., Settled Allegations Related to Section 8 Rent Certifications

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), assisted the U.S. Attorney's Office for the District of Connecticut in the civil investigation of The Alphabet Group, LLC, Marks Group, LLC, and Imagineers, Inc. Alphabet and Marks are owners of residential housing in Hartford, CT, and Imagineers administers the Section 8 program for the City of Hartford Housing Authority.

The investigation began due to a qui tam filing¹ in the U.S. District Court for the District of Connecticut.

BACKGROUND

HUD's Section 8 Housing Choice Voucher program provides rental subsidies through tenant-based vouchers for housing units chosen by tenants in the private market. These vouchers are administered locally through public housing agencies (PHA). To participate in the program, property owners enter into housing assistance payments contracts with the PHAs, which

¹ The False Claims Act allows private persons to file suit for violations of the False Claims Act on behalf of the Government. A suit filed by an individual on behalf of the Government is known as a "qui tam" action, and the person bringing the action is known as a "relator." If the Government prevails in a qui tam action, the court may award the relator a share of the False Claims Act award based on the contributions the relator made to the investigation.

authorize rental subsidies to property owners on behalf of low-income tenants. By accepting each monthly housing assistance payment from the PHA, the owner certifies that the rent to the owner is not more than rents charged by the owner for comparable unassisted units in the premises. Additionally, the PHA may not approve a tenant's lease unless it determines that the rent to owner is a reasonable rent in accordance with 24 CFR (Code of Federal Regulations) 982.507.

On May 17, 2012, the relator filed a qui tam action in the U.S. District Court for the District of Connecticut against Alphabet, Marks, Imagineers, and others.² The relator alleged that Alphabet and Marks violated the False Claims Act by charging higher rents for tenants who received Section 8 rental assistance than for tenants in comparable unassisted units in the same premises. The relator also alleged that Imagineers, which administered the City of Hartford's Section 8 program, improperly approved the relator's housing assistance payments contract because the monthly rent under the contract was more than the rent charged by Alphabet for comparable unassisted units in the same premises.

RESULTS OF INVESTIGATION

In August 2015, the United States Attorney's Office for the District of Connecticut declined to intervene (join) in the qui tam suit brought by the relator. However, the parties reached settlement agreements to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation.

On December 23, 2015, Imagineers reached a settlement with the Government and the relator for \$30,000. Of that amount, \$3,500 was paid to the United States, and the balance will be paid to the relator and the relator's attorneys.

Imagineers admitted no fault in the action but acknowledged and agreed as follows: "The Section 8 voucher program provides that public housing agencies and their contractors (collectively, PHAs), including Imagineers, may not approve a lease until the PHA determines that the initial rent to owner is a reasonable rent. A reasonable rent is determined by comparison with rents for other comparable unassisted units in the local market and the owner's premises."

In a separate settlement, on February 19, 2016, Alphabet and Marks agreed to pay \$4,000, of which \$700 was paid to the United States and the balance will be paid to the to the relator and the relator's attorneys.

Alphabet and Marks admitted no fault in the action but acknowledged and agreed that by accepting each monthly housing assistance payment under the HUD Section 8 program, an owner certifies that the rent to owner is not more than rent charged by the owner for comparable unassisted units in the premises.

² The other defendants included the City of Hartford and an agent of Alphabet.

RECOMMENDATIONS

We recommend that HUD's Office of General Counsel, Office of Program Enforcement,

- 1A. Acknowledge that \$3,500 of the \$30,000 in the attached settlement agreement with Imagineers, Inc. represents an amount due HUD.

- 1B. Acknowledge that \$700 of the \$4,000 in the attached settlement agreement with The Alphabet Group, LLC, and Marks Group, LLC represents an amount due HUD.

As of the date of this memorandum, the settlement amounts due HUD had been paid in full. Therefore, no further action is required by the Office of General Counsel. At issuance of this memorandum, HUD OIG will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with the supporting payment information to show that final action was completed.