



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

September 13, 2016

MEMORANDUM NO:
2016-FW-1803

Memorandum

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

//signed//

FROM: Tracey Carney, CPA
Acting Regional Inspector General for Audit, 6AGA

SUBJECT: Final Civil Action: The City of Malakoff Housing Authority's Prior Executive Director Improperly Hired and Contracted With Family Members

INTRODUCTION

In accordance with our regional plan and because of weaknesses identified by the U.S. Department of Housing and Urban Development's (HUD) Office of Public Housing, we reviewed the Malakoff Housing Authority, Malakoff, TX. The review was part of a joint initiative between the HUD Office of Inspector General's Office of Audit and Office of Investigation. We completed the review and referred the former executive director's improper use of Authority funds by hiring and contracting with family members to HUD's Office of Program Enforcement for action under the Program Civil Fraud Remedies Act of 1986.

BACKGROUND

The Authority was established in 1961 under the laws of the State of Texas for the purpose of providing quality, affordable housing to low-income families and individuals. The policy-making body of the Authority is its board of commissioners, and the powers of the Authority are vested in its commissioners. It selects and employs the executive director, who is responsible for the day-to-day operations of the Authority. The mayor of Malakoff is responsible for appointing the Authority's five-member board of commissioners. The Authority had 46 units of public housing and received HUD capital funds and operating funds annually.¹ In addition, the

¹ HUD allowed the Authority to use its capital funds for development, financing, modernization, and management improvements for its public housing units. HUD allowed the Authority to use operating funds for the operation and management of its public housing program.

Authority received an American Recovery and Reinvestment Act grant in 2009. The Authority was required to administer its public housing program under its annual contributions contract.²

RESULTS OF REVIEW

On May 21, 2015, the Office of Program Enforcement entered into a settlement agreement with the former executive director under the Program Fraud Civil Remedies Act of 1986. The action centered on improper use of Authority funds to hire and contract with the former executive director's family members. The Authority hired several of the former executive director's family members during her tenure. Additionally, the Authority contracted with immediate family members of the former executive director, including making contract payments to the former executive director. The total amount of inappropriate expenditures was \$249,556. All of the issues violated the conflict-of-interest provision of the annual contributions contract between HUD and the Authority. The former executive director had a strong case for lack of ability to pay. According to her financial disclosures, she had limited income, and no assets were found. To avoid further litigation and seek a satisfactory resolution of the dispute without further expense, the former executive director agreed to pay HUD \$2,000. The former executive director denied liability in agreeing to the settlement.

RECOMMENDATIONS

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

1A. Acknowledge that the attached settlement agreement for \$2,000 represents an amount due HUD.

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

² The annual contributions contract is a contract between HUD and the Authority containing the terms and conditions under which HUD assisted the Authority in providing decent, safe, and sanitary housing for low-income families.