



U.S. Department of Housing and Urban Development
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October 3, 2011

2012-FW-1801

MEMORANDUM FOR: Dane M. Narode
Associate General Counsel, Program Enforcement, CACC

FROM: *//signed//*
Gerald R. Kirkland
Regional Inspector General for Audit, 6AGA

SUBJECT: Actions Under Program Fraud Civil Remedies Act
Former Plano Housing Authority Employee, Plano, TX

INTRODUCTION

While conducting a series of audits at another housing authority, we became aware of allegations against an employee when she worked at the Plano Housing Authority. The allegations related to the employee's involvement with the Authority's Housing Choice Voucher (HCV) program, both as an employee and recipient. During her employment, the employee participated in the Authority's HCV homeownership program.¹ On June 25, 2010, we recommended that your office take administrative action against the employee under the Program Fraud Civil Remedies Act for making potentially false statements and false claims for personal enrichment. On August 22, 2011, your office officially settled the matter for \$13,160.

METHODOLOGY AND SCOPE

To refute or verify the allegations, we performed the following work:

- Subpoenaed and analyzed the employee's personnel and HCV records from the Authority;
- Reviewed the Collin County clerk's real estate records to determine sales of the property;
- Subpoenaed and interviewed a purchaser of the property; and
- Attempted to obtain City of Plano information regarding its downpayment assistance program. The City had not retained the information.

¹ Under the HCV program (formerly referred to as the Section 8 program), the U. S. Department of Housing and Urban Development (HUD) pays rental subsidies so eligible families can afford decent, safe, and sanitary housing. HUD provides housing assistance and administrative fees to housing agencies to administer the program. HUD allowed the Authority to exercise a homeownership option through its HCV program to assist families residing in a home purchased and owned by one or more members of the family.

BACKGROUND

The employee began receiving assistance from the Authority through its HCV program in September 1997.² In March 2000, the Authority hired this person as an inspector. During her employment at the Authority, the employee held various positions in the Authority's HCV program including homeownership manager. On October 31, 2003, the employee purchased a house through the homeownership program from the Authority's executive director³ for \$117,000. Under the HCV homeownership program, the Authority reviewed eligibility and determined subsidy amounts annually. On February 1, 2004, the Authority began making monthly homeownership assistance payments directly to the employee for the purpose of defraying her homeowner expenses. On October 5, 2006, the Authority placed the employee on administrative leave pending an investigation. The following day, the employee resigned and notified the Authority of her termination, prompting an increase in her homeownership assistance payments. The employee started working in the HCV department of another housing authority in January 2007.

RESULTS OF REVIEW

As the Authority's HCV homeownership manager, the employee was responsible for overseeing its homeownership program; thus, the employee was aware of or should have been aware of program requirements. The review found that the employee improperly received housing assistance payments after she sold her U.S. Department of Housing and Urban Development (HUD)-subsidized property. On August 31, 2006, the employee "granted, sold, and conveyed" title and interest in the property for \$10 "cash and other good and valuable consideration." However, she failed to notify or obtain the approval of the Authority regarding the sale of the property as required. HUD prohibited assignment or transference of the property.⁴ Further, when the employee sold the property, she was required to inform the Authority so that her subsidy payments would stop.⁵ On the contrary, because the Authority did not know that the employee was no longer a homeowner, it continued to send monthly checks, which the employee accepted. As a direct result of the employee's failure to report the sale of the property, which no longer qualified her for the Authority's HCV homeownership program, the employee inappropriately received seven HUD-subsidized housing assistance payments from September 2006 through March 2007 totaling \$6,660. As previously stated, the employment termination occurred in October 2006. This employment change, which the employee reported immediately, increased her monthly subsidy from \$300 to \$1,212. After being scheduled in March 2007 for the required annual recertification, which is meant to assess factors that affect eligibility for the program, the employee terminated her participation in the program.

Based upon the above results, we worked with your office to pursue the matter under the Program Fraud Civil Remedies Act and agree with the settlement reached. The settlement amount of \$13,160 was derived from the \$6,660 in improper payments after the employee sold the house plus \$6,500, the penalty for a violation under the Program Fraud Civil Remedies Act.

² The employee had been participating in the Mesquite Housing Authority's HCV program and transferred her eligibility to the Authority.

³ The Authority's records showed no evidence of consideration of potential conflicts of interest, either on the part of the employee, who was participating in a program she managed, or on the part of the executive director, who sold property in a program administered by the Authority.

⁴ 24 CFR (*Code of Federal Regulations*) 982.551(h)(7)

⁵ 24 CFR 982.633(b)(4)(ii)(B), 24 CFR 982.551(b), and 24 CFR 982.551(i)

RECOMMENDATION

We recommend that HUD's Associate General Counsel for Program Enforcement

- 1A. Post the \$13,160 settlement to HUD's Audit Resolution and Corrective Actions Tracking System.