



**U.S. Department of Housing and Urban Development**  
**Office of Inspector General**  
Office of Audit - Civil Fraud Division  
451 7<sup>th</sup> Street, SW  
Washington, DC 20410

**MEMORANDUM NO.**  
**2012-CF-1804**

March 30, 2012

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

FROM: Kim Randall, Director, Civil Fraud Division, GA

SUBJECT: Final Civil Action – Diverting Operating funds for Personal Use

Debra Waterman, former Executive Director  
Superior Housing Authority, Superior, Wisconsin

### **INTRODUCTION**

Debra Waterman, the former Executive Director for the Superior Housing Authority was previously convicted and sentenced in February 2010 for her role in embezzling and diverting Housing Authority operating funds for her personal benefit, through the use of a Housing Authority credit card. At that time, she was sentenced to \$10,000 restitution, 90 days incarceration, and one year probation. Following the completion of the criminal case, OIG's Civil Fraud Division provided additional assistance to the City Attorney of Superior, Wisconsin, to pursue a civil action against Ms. Waterman to recover the misspent housing funds.

### **METHODOLOGY AND SCOPE**

We reviewed the Housing Authority's credit card purchases for the period July 2002 through September 2008. We analyzed the credit card expenditures to determine whether the items charged to the credit card by Ms. Waterman, and paid for with Housing Authority funds, were for her personal use.

## **BACKGROUND**

The Superior Housing Authority provides low income housing. Its principal office address is 1219 North 8<sup>th</sup> Street, Superior, Wisconsin. The Housing Authority owns 464 units and manages an additional 67 privately-owned units. It also manages a housing voucher program that provides rent subsidies for up to 170 families. Ms. Waterman was hired by the Superior Housing Authority on December 7, 1992. From November 2001 to December 2002, Ms. Waterman served as the Interim Executive Director, and became Executive Director on or about January 1, 2003. She resigned in September 2008.

On July 24, 2002, the Board for the Superior Housing Authority passed a resolution authorizing the use of a Visa credit card by Ms. Waterman for expenses related to travel, business meals, and other appropriate business expenses incurred for only Superior Housing Authority business.

## **RESULTS**

We identified approximately \$100,000 of unsupported and/or unallowable expenditures made by Ms. Waterman. Based on Ms. Waterman's criminal conviction, the Superior Housing Authority filed a complaint against Ms. Waterman in an attempt to recover the misappropriated funds. The complaint was filed on May 5, 2010, in the Douglas County Circuit Court, in the State of Wisconsin. The complaint demanded judgment:

- against Ms. Waterman for the misappropriation and/or theft of funds by the improper use of the Superior Housing Authority credit card;
- for a determination of any subrogated rights that another defendant, American Family Mutual Insurance Company, had that arose out of its policy of insurance and any payment it made for losses incurred by the misappropriation of funds and/or theft by the defendant Ms. Waterman;
- for an order of the Court to allow the Housing Authority to hold funds in its possession owed to Ms. Waterman arising out of employment; and
- for attorneys fees, costs and disbursements, and for such other relief as the Court deemed appropriate.

On October 13, 2011, in the Douglas County Circuit Court, in the State of Wisconsin, Circuit Court Judge, Kelly J. Thimm entered a judgment in favor of the Superior Housing Authority (plaintiff). The judgment awarded \$23,294.97 in favor of the Housing Authority and \$50,000 in favor of American Family Mutual Insurance (subrogated party). The Housing Authority was allowed to retain sufficient funds initially owed to Ms. Waterman to satisfy the \$23,294.97 judgment. The insurance company paid \$50,000 to the Housing Authority for Ms. Waterman's fraudulent actions. Therefore, the Housing Authority realized a recovery of \$73,294.97.

## **RECOMMENDATION**

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

- 1A. Agree to allow HUD OIG to post the \$73,294.97 recovery by the Superior Housing Authority to HUD's Audit Resolution and Corrective Actions Tracking System.