



Ensuring Compliance When Using HUD Funds

Office of Inspector General
U.S. Department of Housing and Urban Development





Objectives

- What is HUD/OIG
- Who do We Investigate
- Types of Investigations
- What is Fraud
- Partnerships
- Food for Thought – Combating Fraud
- Statutes
- Referrals
- Questions





Office of Inspector General (OIG)

- IG Act of 1978
 - Prevention and Detection of Waste, Fraud and Abuse in HUD's programs.
 - Promote efficiency and effectiveness in programs and operations.
- Independent and Objective Reporting to the Secretary of HUD and Congress.
- Two divisions:
 - **Office of Investigation**
 - **Office of Audit**





OIG Office of Investigations

- Statutory Law Enforcement Authority
- Arrest Powers
- Investigative Authority Limited to Nexus With HUD
- Types of Investigations:
 - **Criminal**
 - **Civil**
 - **Administrative**





OIG Office of Audit

- Statutorily established by the IG Act of 1978
- To conduct and supervise independent and objective audits of agency programs and operations
- Referrals are made to the Office of Investigation upon the identification of potential investigative matters.





OIG Office of Audit Focus

- Contributes to Improving HUD's Execution and Accountability of Fiscal Responsibilities
- Contributes to Improving the Integrity of HUD Programs
- Contributes to Resolving significant issues raised or confronted by HUD





Who Do We Investigate?

Anyone involved in HUD and/or
HUD Programs





Types of Investigations

(To Name a Few)

- Loan Origination Fraud
- Equity Skimming
- Property Flipping
- Identity Theft
- Bribery, Kickbacks
- Housing Assistance Fraud





Types of Investigations

(To Name a Few)

- Grant Fraud (Down Payment Assistance, Block Grants, Affordable Housing, Disaster Recovery Assistance, etc.)
- Embezzlement
- Conflict of Interest
- Antitrust Violations
- Corruption in Public Housing Agencies, Local Govt Agencies, Non-Profits, etc.
- Securities Fraud





What is Fraud?

- Fraud = Deliberate deception (by either false statement or omission) perpetrated for unlawful or unfair gain.

Fraud is a crime!





What Is Fraud?

- Fraud schemes come in a variety of forms and may be perpetrated by individuals operating alone or in collusion amongst borrowers, sellers, loan originators, real estate professionals, public officials, agency/non-profit managers and/staff. In a nutshell...ANYONE.
- The commonality among fraud schemes is that each contains some type of material misstatement, misrepresentation, or omission relied upon for a recipient to obtain a “thing of value” (i.e.: money, DPA, Loan, Voucher, etc.).





Common Grant/DPA Fraud Schemes

- Embezzlement
 - Agency management/staff steal grant funds for personal use.
- False Statements/False Claims
 - Agency provided false statements to HUD concealing fraud.
 - Client makes false claims to receive benefits





Common Grant Fraud Schemes

- **Duplication of Benefits**
 - Client receives benefits from more than one agency for same claim/need.
- **Conversion**
 - Agency management/staff converts “things of value” such as car, credit cards, money, etc. to personal use.
- **Bribery/Kickbacks**
 - Exchange of “things of value” in order to gain an illicit advantage





Partnerships to Combat Fraud

- FBI
- FDLE
- IRS
- Other OIGs (SSA, VA, USDA, etc.)
- US Postal Service
- State and Local Agencies





Food For Thought: How To Combat Fraud

- Employees must be well trained in identifying “red flags”.
 - Examples:
 - Transposed Social Security Number
 - Self-Employed with no credit
 - Large earnings with no credit
 - No Credit History
 - Multiple letters of explanation from same creditor
 - Identical letterhead for different creditors
 - Credit report entries not on loan application
 - No down payment prior to loan application
 - Surprise deposit following loan application
 - Account opened shortly before VOD
 - Same bank used for multiple buyers
 - Large deposit following account opening





Food For Thought: Combating Fraud

- Companies should have “Anti-Fraud & Corruption Policy”
- Companies/Agencies/Non-Profits
 - Management should be held responsible for preventing, detecting and reporting fraud, and each member of management should be familiar with the types of signals suggesting possible fraud within his or her scope of responsibilities.
 - Whistle-Blowing Policy which should ensure that complaints are treated with the utmost discretion, professionalism and confidentiality
 - Inform employees of consequences of committing fraud. (e.g. referral to law enforcement, include criminal violation on forms).





Food For Thought: Combating Fraud

“Anti-Fraud & Corruption Policy”, cont.

- Clients
 - Ensure that all questions on applications are completed. If no answer, ensure applicant writes “N/A”
 - Ensure all forms are signed AND dated
 - Include statements regarding consequences of fraud (i.e.: referral for criminal prosecution, include the criminal violation on the form)





Fraud Referrals

- The more information provided (to either HUD/OIG or other investigative agency) the quicker it can be determined if an investigation is warranted.
 - Who, what, when, where, why and how?
 - Exhibits are nice if available (i.e. fraudulent documents)
 - Chronological history of events if feasible (how was the misrepresentation discovered, is there a pattern, has this person or group of persons had previous problems)?
 - Often times, investigators receive incomplete or unexplained allegations and are forced to piece together the puzzles when a little additional information could have solved the issue.





Federal Statutes Related to Fraud

- 18 USC 287 (False Claims)
- 18 USC 371 (Conspiracy)
- 18 USC 641 (Embezzlement)
- 18 USC 666 (Theft/Bribery)
- 18 USC 1001 (False Statements)
- 18 USC 1010 (HUD and FHA Transactions)
- 18 USC 1028 (Fraud and related activity in connection with identification documents and information)





Federal Statutes Related to Fraud

- 18 USC 1341 (Mail Fraud)
- 18 USC 1343 (Wire Fraud)
- 18 USC 1344 (Bank Fraud)
- 18 USC 1516 (Obstruction of Federal Audit)
- 18 USC 1510 (Obstruction of Criminal Investigation)
- 18 USC 1512 (Tampering with a witness, victim or informant)





State Statutes Related To Fraud

- FSS 414.39 (Welfare Fraud)
- FSS 812.014 (Grand Theft)
- FSS 817.034 (Organized Fraud)
- FSS 817.545 (Mortgage fraud)





Federal Codes for Civil Enforcement relating to Mortgage Fraud

- 31 USC S 3729-3731 (False Claims Act)
- 31 USC S 3801-3308 (Program Fraud Civil Remedies Act)
- 12 USC S 1709-2- Equity Skimming





Administrative Enforcement Remedies

- Limited Denial of Participation
- Suspension
- Debarment
- Civil Monetary Penalties
- Program Fraud Civil Remedy Act





Report Waste, Fraud, and Abuse to...

HUD OIG HOTLINE

451 7th Street, SW
Washington, DC 20410

Telephone: 1-800-347-3735

Fax: 202-708-4829

Email: hotline@hudoig.gov





Or you can Report Waste, Fraud, and Abuse to...

Timothy Mowery
Special Agent in Charge
813/228-2026 x2051
tmowery@hudoig.gov

HUD/OIG/Investigations
400 N. Tampa Street, Suite 925
Tampa, FL 33602

SAC Mowery oversees investigations in all of Florida, Puerto Rico, and the Virgin Islands.





**Or you can report Report Waste, Fraud,
and Abuse to...**

Keith Williams

Assistant Special Agent in Charge

813/228-2026 x2053

kwilliams@hudoig.gov

HUD/OIG/Investigations

400 N. Tampa Street, Suite 925

Tampa, FL 33602





Or you can report Report Waste, Fraud, and Abuse to...

Edwin Bonano

Assistant Special Agent in Charge

305/536-3087 x2289

ebonano@hudoig.gov

HUD/OIG/Investigations

909 SE 1st Avenue, Suite 491

Miami, FL 33131





Thank You

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