



# **Fraud in HUD-Funded Disaster Recovery Gulf Coast Programs**

## **CDBG Compliance Training – Grantees**

**April 23-24, 2008**

**New Orleans, LA.\***

# HUD OIG Presentation

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# HUD Programs Disrupted in 2005

- **Single Family:** \$23B mortgage balance (over 328,000 insured mortgages)
- **Multifamily:** \$3B balance (116,000 units, 859 insured properties)
- **Public & Indian Housing:** Over 120,000 families in 6,202 units damaged, destroyed in 60 PHAs. HANO had 7,379 public units with 5,146 occupied and evacuated. Eight (8) PHAs in LA and MS sustained major damage of \$144M.
- **CDBG:** \$850M in grants FY05/06



# HUD OIG Response

- HUD's Office of Inspector General established three new offices in response to the congressional appropriations to HUD of \$20 billion dollars for compensation and rehabilitation of the Gulf Coast States:
  - Gulf Coast Region
    - Office of Investigation, New Orleans
    - Office of Audit, New Orleans
  - Disaster Relief Oversight Division
    - Office of Investigation, HQ
  - Disaster Oversight & Liaison Division
    - Office of Audit, HQ



# Disaster Relief Oversight Division

(Investigation)

- Liaison with HUD Program offices
- Liaison with State agencies
- Liaison with law enforcement agencies
- Outreach and fraud awareness training related to disaster recovery
- Fraud Alerts
- Assist the Gulf Coast Region
- Monitor and coordinate investigations nationwide



# Disaster Oversight & Liaison Division (Audit)

- Liaison with HUD Program offices
- Liaison with State agencies
- Liaison with audit enforcement agencies
- Outreach and fraud awareness training related to disaster recovery
- Fraud Alerts
- Assist the Gulf Coast Region
- Monitor and coordinate audits nationwide



# Gulf Coast Region-Investigations

- The Gulf Coast Region is the primary investigative office to handle fraud, waste, and mismanagement of HUD's Disaster funds in the affected Gulf States.
- Located in:
  - New Orleans, LA
  - Hattiesburg, MS
  - Arlington, TX
  - Baton Rouge, LA
  - Jackson, MS
  - Houston, TX



# Gulf Coast Region-Audit

- The Gulf Coast Region is the primary audit office to handle fraud, waste, and mismanagement of HUD's disaster funds in the affected Gulf States.
- Located in:
  - New Orleans, LA
  - Jackson, MS



# Disaster Community Development Block Grant

- \$20 Billion to five Gulf Coast States  
(until expended)

– Alabama	\$	95,613,574
– Florida	\$	182,970,518
– Louisiana	\$	13,410,000,000
– Mississippi	\$	5,481,221,059
– Texas	\$	503,194,849





# Eligible Uses for Supplemental CDBG Funds for Disaster Recovery

- Unmet Housing Needs
- Infrastructure Restoration
- Public Service
- Public Facilities
- Business Needs in Distressed Areas



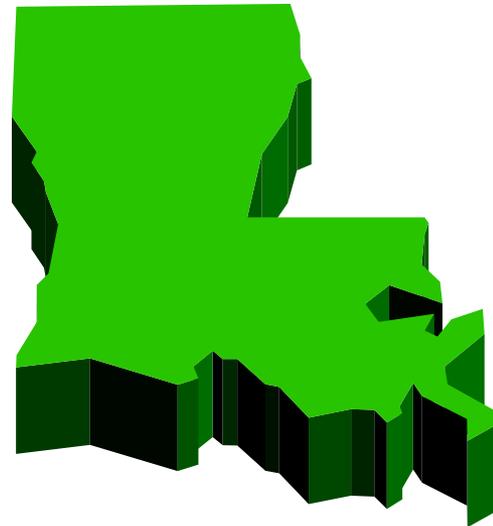
# Status of CDBG Disaster Funds (April 2008)

States	Allocations	Disbursements	Balance
<b>Alabama</b>			
1st & 2nd Supplemental Total	95,613,574	16,920,445	78,693,129
<b>Florida</b>			
1st & 2nd Supplemental Total	182,970,518	5,249,718	177,720,800
<b>Louisiana</b>			
1st, 2nd & 3rd Supplemental Total	13,410,000,000	7,106,085,784	6,303,914,216
<b>Mississippi</b>			
1st & 2nd Supplemental Total	5,481,221,059	2,005,808,477	3,475,412,582
<b>Texas</b>			
1st & 2nd Supplemental Total	503,194,849	21,707,968	481,486,881
<b>Totals</b>	19,673,000,000	9,155,772,392	10,517,227,608



# Louisiana's Allocation of Funds (\$13,410,000)

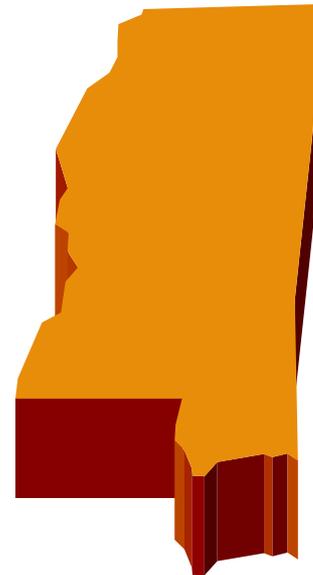
- State and Local Government Infrastructure
- Economic Development
- Housing
- Planning
- Administration
- Technical Assistance





# Mississippi's Allocation of Funds (\$5,481,221,059)

- Homeownership Assistance Program (HAP)
- Public Housing Program
- Regional Infrastructure Program
- Ratepayer and Wind Pool Mitigation
- Economic Development Program





# Investigative Challenges

- 5 States
  - 14 Federal Judicial Districts
  - 2 Federal Appellate Circuits
  - 112 Counties/Parishes District Attorneys
- 7 States Agencies Administering Funds
  - 12 Action Plans
  - Over 30 Modifications, Amendments, etc.
  - Over 70 HUD Departmental Waivers of Prior CBDG Rules



# Hurricane Katrina Fraud Task Force



- Established at LSU by Attorney General
- USAO, FBI, HUD, DHS, SSA, SBA, DOL, USPS, and other OIGs
- USA David Dugas leads HKFTF
- Deconfliction
- Sharing of information and joint cases
- Intelligence
- Receive, process, and refer Hurricane Hotline complaints



# Investigative Issues

- Monitoring and policing of over \$100 billion of Federal funds to States
  - 13 main Federal departments/agencies
  - Action Plans and multiple waivers

## *What's Needed from HUD & States?*

- Subject matter experts
- Cooperation, communication
- Information sharing
- Monitoring reports



# Expectations of Grantees

- Manage & monitor regular allocation of CDBG funds
- Manage & monitor disaster allocation
- Monitoring reports to HUD CDBG
- Efficient and diligent fraud prevention programs
- Report fraud to HUD OIG and assist law enforcement with investigations



# Potential Contract Fraud Violations

- Bid Rigging
- “No Show” Jobs
- Double Billing
- False Invoices
- Prevailing Wage Fraud
- Theft/Embezzlement
- Environmental Crimes
- Public Corruption





# Potential Grant Fraud Violations

- False Statements
- Insurance Fraud
- Theft/Embezzlement
- Wire Fraud
- Theft or Bribery  
Involving a Federal  
Program
- False Claims
- Mail Fraud
- Tax Evasion
- Public Corruption



# OIG Performance Measures

## Targeting Underperforming Grantees/Subs

- Investigative priorities: Hurricane Fraud
- Public corruption within the administration of State/local CPD programs, and/or fraud by grantees, subgrantees, or contractors
- Identify deficiencies found by HUD CPD, OIG Audit, GAO, Audited financial statement, or other proactive ways.
- 9 or more new initiatives by HUD OIG
- Supports OIG strategic plan and effects HUD program delivery

# OIG Audit Findings:

- Improper use of funds
- Lack of capacity (internal controls)
- CPD requirements not followed
- Lack of policy direction or management
- Goals or national objectives not met
- Lack of monitoring reviews by HUD
- Lack of State audits
- Past 2.5 years, OIG issued 35 reports on CDBG with \$100M questioned costs and funds put to better use.
- OIG investigations also indicted 159, convicted 80, administrative actions 143, civil actions of 5, 39 personnel actions, and \$120M in recoveries.

# IG Message

- Experience with aftermath of 9-11
- People who get Federal aid are the ones who are justly entitled to it
- 4 strategic areas to support HUD:
  - Oversight of HUD programs
  - Fraud prevention
  - Fraud awareness
  - Enforcement of the law: “zero tolerance”

## 3 Cycles of Fraud:

- Immediate financial assistance
- Mid-term grants and loan programs to assist individuals in recovering and long-term funding
- Contract fraud and public corruption related to long-term building



KNOW ABOUT  
**FRAUD OR  
WASTE**  
IN HUD-FUNDED  
PROGRAMS OR OPERATIONS?

**CALL**

THE OIG HOTLINE TOLL-FREE  
AT  
1-800-347-3735  
(10:00 AM TO 4:30 PM EST)

*OR*

**E-MAIL**

HOTLINE@HUDOIG.GOV

*OR*

**WRITE**

HUD OIG HOTLINE (GFI)  
451 SEVENTH STREET, SW  
WASHINGTON, DC 20410

*OR*

**FAX**

(202) 708-4829



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

July 2004

# Internet Web Sites

- General Information: go to [www.hudoig.gov](http://www.hudoig.gov)
- Hurricane Katrina Fraud Task Force:  
[http://www.usdoj.gov/katrina/Katrina\\_Fraud/](http://www.usdoj.gov/katrina/Katrina_Fraud/)
- Office of the Inspector General Locations:  
[www.hud.gov/offices/oig/](http://www.hud.gov/offices/oig/)
- Semi-annual Reports to the Congress:  
[www.hud.gov/offices/oig/reports/congress.cfm](http://www.hud.gov/offices/oig/reports/congress.cfm)

Thank you

