

TRIPLE THREAT: FRAUD, CORRUPTION & CONFLICTS OF INTEREST

Colin May, Assistant Director, HUD OIG Office of Investigation – Headquarters Operations

Housing & Urban Development Office of Inspector General

- Formed in 1978 as part of the Inspector General Act
- Responsible for audits, evaluations, and investigations of HUD programs, operations, & funding
- Approximately 200 Special Agents (criminal investigators), forensic auditors, and professional staff in the Office of Investigation
- Conduct criminal, civil, and administrative investigations into fraud, waste, abuse, & misconduct



★ ★ OFFICE of ★ ★
INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

HUD OIG's Mission

- Safeguard HUD's programs from fraud, waste, and abuse and identify opportunities for HUD programs to progress and succeed.

HUD funds projects all over the USA

- HUD funding goes to every state and nearly every county, municipality, and Native American tribes (directly or indirectly) in 77 program areas across 7 divisions
 - Community Planning & Development = 17 program areas
 - Federal Housing Administration = 30 program areas
 - Public & Indian Housing = 19 program areas
 - Healthcare has 1 program area
 - 8 temporary program areas
- Does not count CARES Act funds or American Rescue Plan funds

HUD Budget (per HUD)

FY19

\$57.8 billion

FY21

\$56.5 billion

\$59.7 billion

HUD MISSION: Create strong, sustainable, inclusive communities and quality affordable homes for all.



Strengthen and broaden the Federal housing safety net for people in need.



Advance housing equity as a means to improving housing choices and greater economic opportunity.



Increase the production of and access to affordable housing.



Promote climate resiliency, environmental justice, and energy efficiency across the housing sector.



Strengthen HUD's internal institutional capacity to deliver on mission.

SOURCE: HUD CFO Budget Reports https://www.hud.gov/program_offices/cfo/reports/cfreport

NOTE: Some discrepancies may arise with use of varying definitional terms: budget authority, obligated amount, actual vs. enacted, outlays, spend, etc.

Top Federal Accounts for HUD (FY19/20/21)

FY 19 = 66 total accounts
 FY 20 = 67 total accounts
 FY 21 = 68 total accounts

HUD Spending (Account/Program Area)	Sub-agency	FY19 Obligation	FY20 Obligation	FY21 Obligation
Tenant-Based Rental Assistance	PIH	\$22,640,105,955	\$25,165,731,978	\$27,100,622,276
Project-Based Rental Assistance	HP	\$11,961,761,168	\$13,508,629,926	\$13,574,246,740
Community Development Fund	CPD	\$5,022,870,045	\$9,187,537,442	\$30,658,646,315
Public Housing Operating Fund	PIH	\$4,874,160,303	\$4,758,635,448	\$7,150,545,036
Homeless Assistance Grants	CPD	\$2,597,013,390	\$4,231,028,023	\$5,279,485,568
Public Housing Capital Fund	PIH	\$2,725,704,665	\$2,812,848,097	n/a
Mutual Mortgage Insurance	FHA	\$1,380,785,749	\$1,349,593,313	\$3,121,998,052
Native American Programs	PIH	\$663,268,393	\$1,212,682,585	\$989,104,265
Home Investment Partnerships Program	CPD	\$1,516,689,294	\$1,132,825,791	\$6,507,652,287
Guarantees of Mortgage-Backed Securities Loan Guarantees	GNMA	\$3,423,532,327	\$851,778,532	\$2,039,221,148

Source: USA Spending.gov



5 Active Filters:

- TIME PERIOD**
 - FY 2021
 - FY 2020
 - FY 2019
- AWARDING AGENCY**
 - Department of Housing and Urban Development (HUD)
- RECIPIENT LOCATION**
 - COUNTY: Stamford County, IN
- CATEGORIES**
- MAP**
- TIME**
- TABLE**



Submit Search

Keyword

Time Period

Fiscal Year Date Range

All Fiscal Years

FY 2021 FY 2020 FY 2019 FY 2018 FY 2017 FY 2016 FY 2015 FY 2014 FY 2013 FY 2012 FY 2011 FY 2010 FY 2009 FY 2008

Award Type

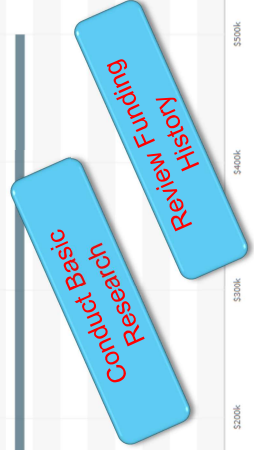
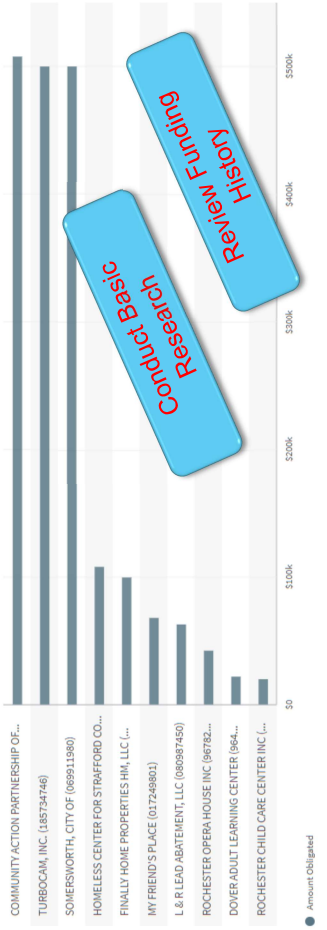
Agency

Awarding Agency

Department of Housing and Urban Development

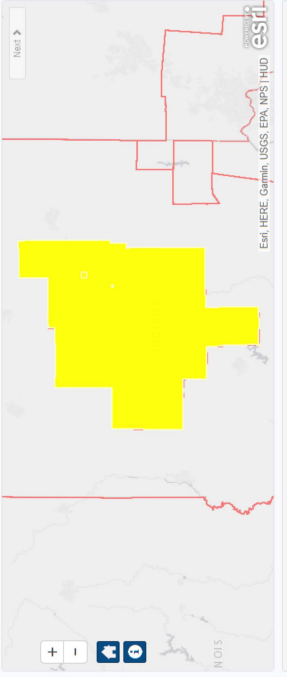
Spending by: Recipient

View a list of the top recipients from highest to lowest. View your results by Parent Recipient or Recipient, and hover over the bars for more detailed information.



GIS Community Assessment Reporting Tool

CPD Grants | Rental Assistance | Mortgage Insurance | Fair Housing | Housing Counseling | Signature | Demographics | Create Map



HOPWA Grantees

Count: 4

Grantee	State	FY20 Grant Award	FY18 Grant Award	Variance
Indianapolis	IN	\$1,595,581	\$1,416,548	11.221%
Indiana	IN	\$1,591,363	\$1,412,803	11.221%
Louisville-CDBG	KY	\$964,278	\$856,081	11.221%
Cincinnati	OH	\$1,141,164	\$1,013,119	11.221%



https://egis.hud.gov/cart/

CPD-Formula Grants

	# of 2020 Grantees	FY20 Grant Award	FY19 Grant Award	Variance
Community Development Block Grants	25	\$69,571,900	\$66,466,609	3%
HOME	14	\$26,330,346	\$24,154,138	8%
Emergency Solutions Grant	7	\$5,840,925	\$5,614,831	4%
Housing Opportunities for Persons w/AIDS	4	\$5,292,886	\$4,698,951	11%

The grantees (CDBG, ESG, HOME and HOPWA) listed in this report may be completely or partially contained by the community you have selected. The funding amounts displayed in the report are for the entire community you have selected. If you are interested in the funding amounts for a specific geographic area, you may need to use the "Geographic Filter" to narrow the results. The funding amounts may exceed the boundaries of the community you selected. If jurisdiction selected is not an Entitlement Community, this jurisdiction is not eligible for funding under the State Fiscal Stabilization Fund. For more information, please contact the Office of Community Planning and Development, Systems Development and Evaluation Division and the Integrated Datawarehouse and Information System (IDIS) Update Frequency: Annual

COC-Competitive Grants

	# of 2020 Grantees	FY20 Grant Award	FY19 Grant Award	Variance
Continuum of Care (inc Shelter + Care)	2	\$26,312,522	\$25,413,103	3%

HOMELESS: (Continuum of Care)

Homeless in Shelters	4,659
Unsheltered Homeless	966
Total Homeless	5,625



CART Advanced Geographic Search

Step 1: Pick the geographic level.

Local Government

Step 2: Pick the state.

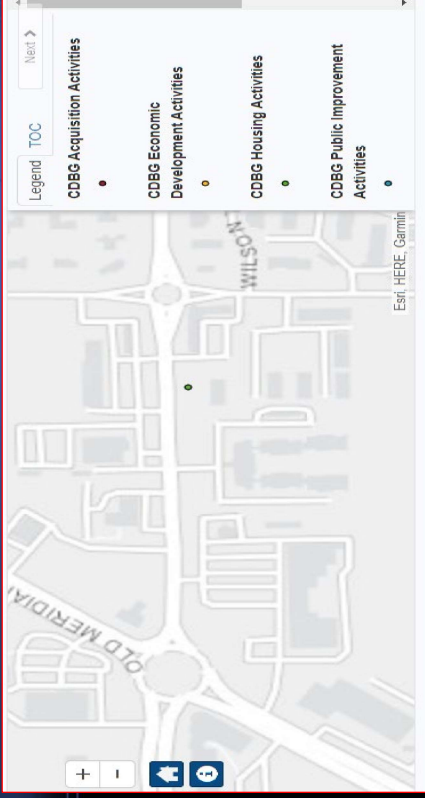
Indiana

Step 3: Pick the geography

Indiana Local Governments (1549)

Carmel city

Close



Details for Disaster Recovery Grants

Count: 4

Disaster Event	Event Date	Grantee Name	Grant Number	Program	Grant Amount
Severe Storms and Flooding	2008-06-05	Indiana - OCRA	B-06-DI-18-0001	DR CDBG	\$372,546.€
Severe Storms and Flooding	2008-09-11	Indiana - OCRA	B-06-DI-18-0001	DR CDBG	\$372,546.€
Severe Storms and Flooding	2008-06-05	Indiana - OCRA	B-06-DF-18-0001	DR CDBG	\$67,012.€
Severe Storms and Flooding	2008-01-06	Indiana - OCRA	B-06-DI-18-0001	DR CDBG	\$372,546.€

CPD: Disaster Recovery Grants

Disaster Recovery Grants

of Grantees

2

Total Grant Amount

\$439,559,437

The number and amount of CDBG grants listed in this report is based on the DRGR grantee jurisdictions that are located either completely or partially within the boundaries of the community you selected. The number and amount of Section 108 Loan Guarantees listed in this report are associated with the entirety of the CDBG grantee jurisdiction, which may extend beyond the boundaries of the community you selected.

Source: Office of Community Planning & Development, Financial Management Division
Updated Frequency: Annual

Source: Disaster Recovery Grant Reporting (DRGR)
Updated Frequency: Annual

Poll Question #1

Does your agency, county, or municipality get HUD funds?

- Yes, for sure
- No
- Maybe
- I can't wait to find out!

Select a View
 Total Obligated
 Total Declarations
 Applicants with Funded Projects

\$81,247,327,669
 Total Obligated

Use quick filters to narrow your search

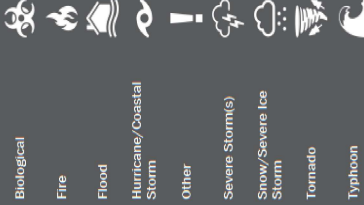
Disaster/State
 All

Declaration Date
 2019 to 2021

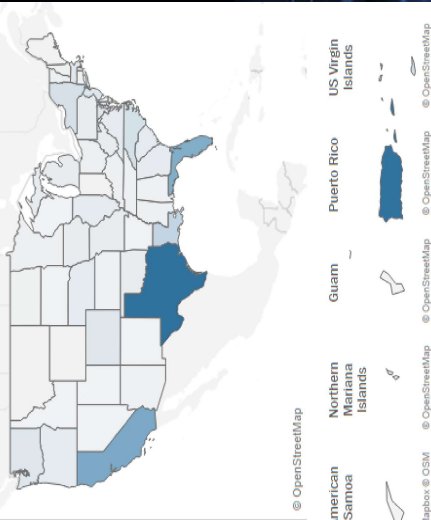
Obligated Date*
 2015 to 2021

*Public Assistance
 Grant funding
 became available

Click on Incident Type icon to filter



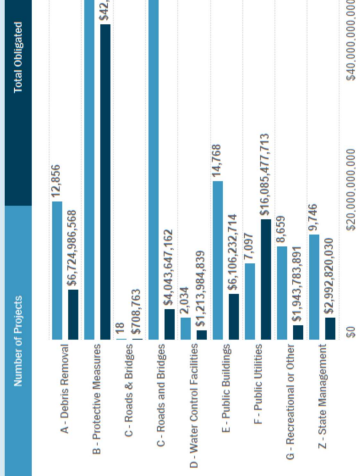
<https://www.fema.gov/data-visualization/public-assistance-program-summary-obligations>



Total Obligated

Disaster Number	State Code	Year of Declaration Date	Incident Type	Total Obligated
4339	PR	2017	Hurricane	\$25,156,545,190
4485	TX	2020	Biological	\$11,384,665,021
4482	CA	2020	Biological	\$3,265,577,799
4340	VI	2017	Hurricane	\$3,192,030,098
4332	TX	2017	Hurricane	\$2,823,832,165
4337	FL	2017	Hurricane	\$2,409,561,153
4486	FL	2020	Biological	\$1,986,795,369
4399	FL	2018	Hurricane	\$1,872,501,192

Obligations and project totals for selected state or territory



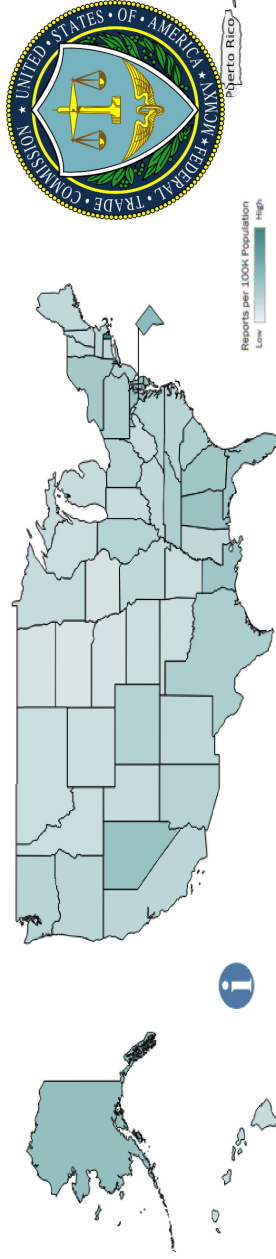
FTC CONSUMER SENTINEL NETWORK

All Fraud and Other Reports
 Year: 2021, Quarter: 2

ftc.gov/exploredata

Published July 28, 2021
 (Data as of June 30, 2021)

Quarter
 2



Top 10 Fraud Report Categories

- Imposter Scams
- Online Shopping and Negative Reviews
- Prizes, Sweepstakes and Lotteries
- Business and Job Opportunities
- Internet Services
- Telephone and Mobile Services
- Investment Related
- Health Care
- Travel, Vacations and Timeshare Plans
- Foreign Money Offers and Fake Check Scams

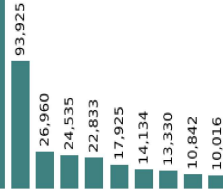
State population estimates are based on U.S. Census population estimates for 2019. State level data excludes state-specific data contributor reports. Certain Fraud categories are comprised of subcategories that fall in both Fraud and Other report types. The Fraud rankings exclude subcategories that are not fraud.

FEDERAL TRADE COMMISSION · ftc.gov/exploredata

Fraud Facts

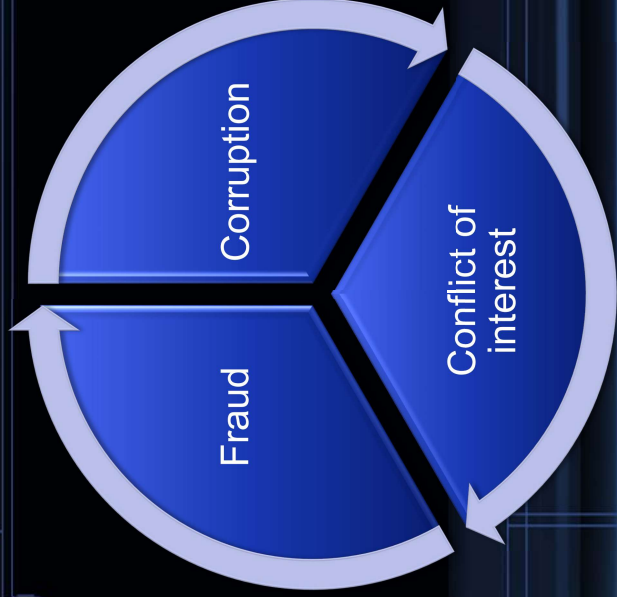
- 667,507 # of Fraud Reports
- \$1,102.8M Total \$ Loss
- \$500 Median \$ Loss

244,708



The Triple Threat to Federal Programs

- Fraud = theft, embezzlement, diversion of funds or property
- Corruption = bribery, kickbacks, extortion, and misuse of official position
- Conflict of interest = incompatible multiple personal interests



FRAUD

Knowing misrepresentation

Concealment of a *material* fact

Induce victim to act

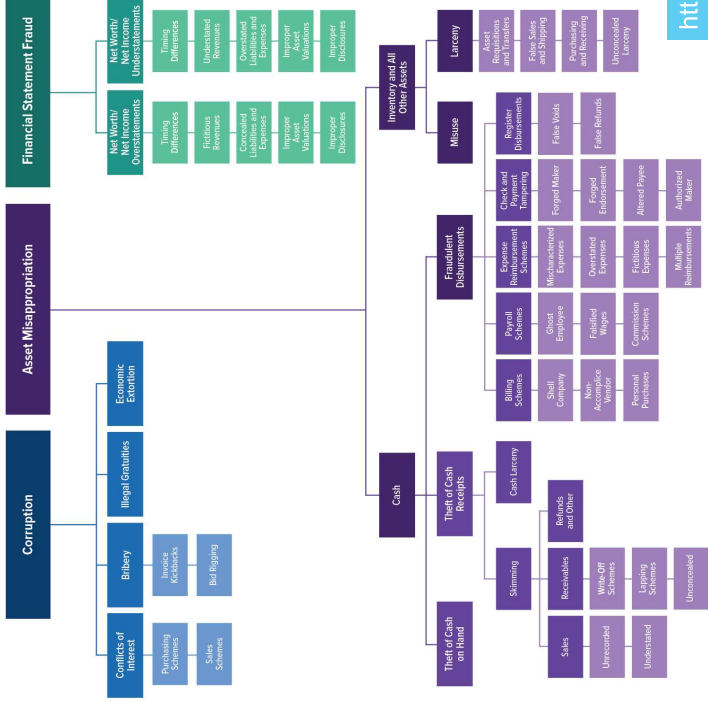
Monetary loss or deprive of property

Lie

Cheat

Steal

FIG. 3. Occupational Fraud and Abuse Classification System (the Fraud Tree)



REPORT TO THE NATIONS
2020 GLOBAL STUDY ON OCCUPATIONAL FRAUD AND ABUSE

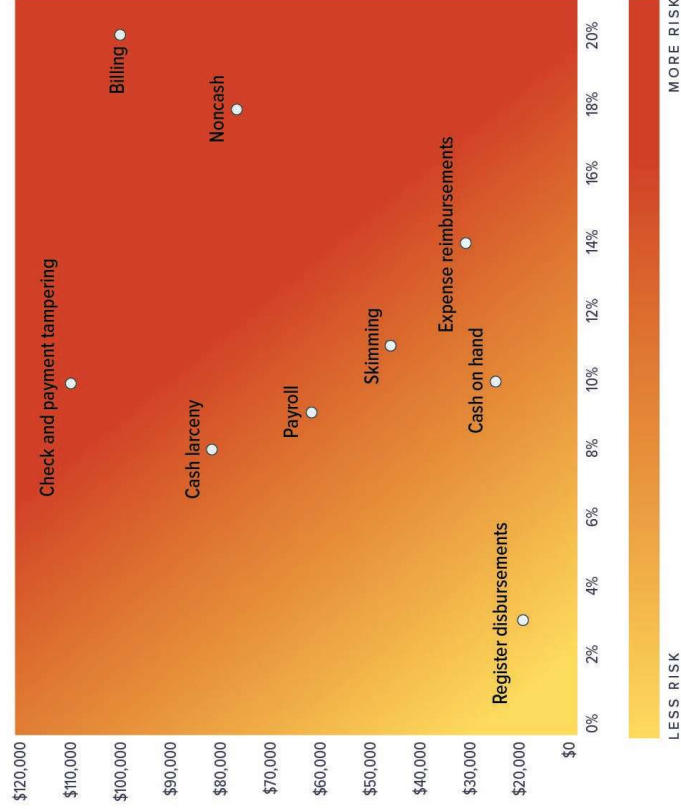
OUR STUDY COVERED
2,504 CASES from 125 COUNTRIES

KEY FINDINGS

- Causing total losses of more than **\$3.6 BILLION**
- 5% REFERENCE TO FRAUD TO FRAUD EACH YEAR**
- TYPICAL FRAUD CASE** lists 14 MONTHS before detection, causes a loss of \$8,300 per month
- ASSET MISAPPROPRIATION** most common and least costly: 86% of cases, \$100,000 median loss
- FINANCIAL STATEMENT FRAUD SCHEMES** are least common and most costly: 10% of cases, \$854,000 median loss
- CORRUPTION** WAS THE MOST COMMON SCHEME IN EVERY GLOBAL REGION

<https://www.acfe.com/report-to-the-nations/2020/>

FIG. 5. What asset misappropriation schemes present the greatest risk?



CERTAIN FRAUD RISKS WERE MORE LIKELY IN SMALL BUSINESSES THAN IN LARGE ORGANIZATIONS:

- Billing fraud **2X HIGHER**
- Payroll **2X HIGHER**
- Check and payment tampering **4X HIGHER**

FIG. 6 How does the duration of a fraud relate to median loss?

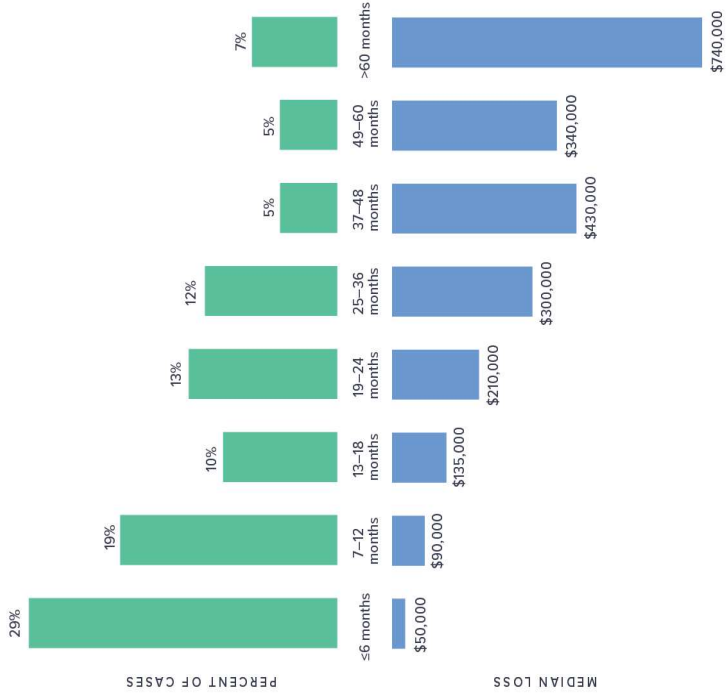
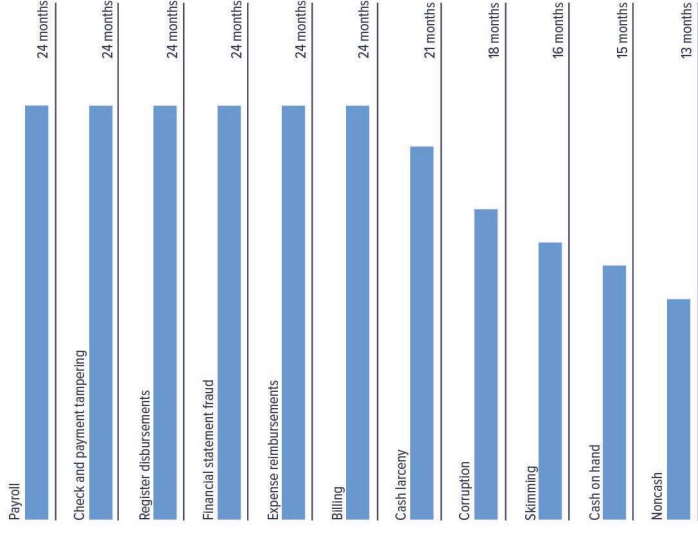


FIG. 7 How long do different occupational fraud schemes last?



Father and Son Guilty of Defrauding Department of Housing and Urban Development Through Texarkana Alzheimer's Assisted Living Facility



TEXARKANA, Texas – A Texarkana, Texas, doctor has pleaded guilty today to a federal fraud violation, announced Eastern District of Texas Acting U.S. Attorney Nicho

Dr. Rafael Otero, 68, pleaded guilty to an information charging l
of Housing and Urban Development (HUD) before U.S. Magistr
agreement. Dr. Otero agreed to pay restitution to HUD.

Nursing home owner charged in misuse of Housing and Urban Development funds

By Field Walsh · January 21, 2021



Equity Skimming

12 USC 1715Z-19

- HUD mortgage
- In default
- Personal, unnecessary, non-business expenses

- Owner was 24 months in arrears on the mortgage
- Failed to submit timely annual audited financial statements
- Used corporate funds to pay for personal expenses over the course of at least 18 months.
- Loss to HUD of over \$3.6 million.
- Dr. Rafael Otero & Antonio Otero collectively sentenced to 58 months in prison



FOR IMMEDIATE RELEASE

Thursday, July 22, 2021

Owner of Malta's Ellsworth Commons Agrees to Pay \$805,000 and to Permanent Exclusion from Federal Housing Programs to Resolve Civil Liability

Eugene Rosen Made Improper Payments to Family Trusts with Corporate Funds Instead of Repaying Federally Insured Mortgage, Leaving Taxpayers to Foot the Bill
 ALBANY, NEW YORK – Eugene Rosen of Palm Beach Gardens, Florida has agreed to pay the United States \$805,000 to resolve allegations that he made improper payments to his family trusts while disregarding his obligation to make payments on a federally-backed mortgage, and submitted a false statement to the U.S. Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA) related to those payments, in violation of the civil equity skimming statute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), announced Acting United States Attorney Antonietta T. Bacon.

Ellsworth Commons, a mixed use residential and commercial property in Malta, New York, was owned by Ellsworth Partners, LLC, a company that Rosen owned and operated. In 2010, Ellsworth Partners obtained an FHA-insured mortgage to finance the construction of Ellsworth Commons. FHA agreed that, if Ellsworth Partners defaulted on the mortgage, FHA would pay the outstanding balance to the lender. In exchange, Ellsworth Partners agreed to use project revenue only for FHA-authorized purposes. Transferring money to Rosen's family trusts when the mortgage was in default was not an authorized purpose.

At various times, [the company] borrowed money from outside sources, including from trusts that Rosen established for his family, and repaid those loans with project funds. On at least three occasions, HUD notified Rosen that Ellsworth Partners could not use project funds to repay those loans.

“Transferring money to Rosen’s family trusts when the mortgage was in default was not an authorized purpose.”



<https://www.justice.gov/usao-nhny/pr/owner-malta-s-ellisworth-commons-agrees-pay-805000-and-permanent-exclusion-federal>
<https://www.ellisworthcommonsmalta.com/Gallery.aspx#gallery-0-9>



- Monica Moneymaker, former Executive Director of Borger, Texas public housing authority
- Over 3 years, she embezzled over **\$500,000** in cash rent payments from PHA tenants
- 46 months incarceration
- Pay \$562,138 in restitution

<https://www.facebook.com/borgerhar/photos/a.101971848459579/101986531791444/?type=1&theater>

Former Public Housing Agency Finance Officer Ordered To Pay Nearly \$5.3 Million in Restitution

- Former finance officer
- diverted PHA funds in to purchase land
- prepared and submitted false invoices to the PHA
- 51 months incarceration
- pay nearly \$5.3 million in restitution



Type	2016	2017	2018	2019	Total
Automated Clearing House (ACH) payments	\$387,604	\$1,272,871	\$1,316,477	\$260,760	\$3,237,712
Wire transfers to Finance Director's bank account	\$0	\$0	\$0	\$3,050,000	\$3,050,000
Wire transfers to title company and out-of-state bank	\$0	\$0	\$635,000	\$0	\$635,000
Credit card payments	\$25,565	\$0	\$0	\$0	\$25,565
Total	\$413,169	\$1,272,871	\$1,951,477	\$3,310,760	\$6,948,277

<https://sao.wa.gov/state-auditors-office-uncovers-7-million-misappropriation/>
<https://www.king5.com/article/news/local/cove-campbell-piece-county-housing-authority-pleads-guilty/281-0bda6224-97b3-420e-8f3e-43eac189aa24>



FOR IMMEDIATE RELEASE

Wednesday, October 28, 2020

Guild Mortgage Company to Pay \$24.9 Million to Resolve Allegations it Knowingly Caused False Claims for Federal Mortgage Insurance

Guild Mortgage Company has agreed to pay the United States \$24.9 million to resolve allegations that it violated the False Claims Act by knowingly breaching material program requirements when it originated and underwrote mortgages insured by the Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA), the Department of Justice announced today. Guild Mortgage Company is headquartered in San Diego, California, with branches across the United States.

- Qui tam relator action; DOJ intervened following HUD OIG investigation of allegations
- *lender knowingly failed to comply with HUD rules*
- *falsely certified the loans were eligible, when they*
- *failed to self-report materially deficient loans that*
it identified

After embezzling more than \$1 million from a nonprofit, a Canton woman embezzled again

Joe Difazio | The Patriot Ledger
Published 11:38 a.m. ET May 5, 2021

[View Comments](#)



BOSTON — A Canton woman has pleaded guilty to federal wire and bank fraud charges that she committed while on pre-trial release for a different \$1.3 million embezzlement scheme.

Federal investigators say Nicole Lescarbeau, 53, embezzled more than \$20,000 from a Brookline nonprofit in 2019 and 2020 after she had been indicted on charges related to a separate million-dollar scheme in which she stole from a Boston nonprofit.

Lescarbeau submitted a plea agreement to the court for the Brookline scheme on Monday. She pleaded guilty to the earlier Boston scheme in December 2019.

FBI Agent Kevin Sheahan said in court documents that in March 2019, Lescarbeau worked as an administrator at an unnamed nonprofit in Brookline that provides affordable housing. He said Lescarbeau used her maiden name, Conluby, to apply to the job and conceal that she had been indicted on Sept. 26, 2018 on three counts of wire fraud, five counts of bank fraud and one count of aggravated identity theft for stealing \$1.3 million between 2013 and 2018.

Non-Profit Organizations Are Highly Susceptible to Fraud, Corruption, & Theft Losses

SOJRCES: <https://www.patriotledger.com/story/news/2021/05/05/canton-woman-pleads-guilty-second-non-profit-embezzlement-scheme/4954074001/>
<https://pnews.com/article/new-jerk-news-91k-city-money-laundering-brooklyn-us-news-2306c9f3eab0ca9c8a020e3b1715606>
<https://comptroller.nyc.gov/news/2021/7/16/former-finance-director-of-northeast-hr-nonprofit-indicted.html>

AP Ex-head of NYC homeless housin...

Hurricane Ida Afghanistan Coronavirus pandemic Politics Sport

Ex-head of NYC homeless housing group charged with fraud

By LARRY NEUMEISTER March 24, 2021



[Click to copy](#)

RELATED TOPICS

Bank
NYC Wire
Sexual abuse
NY State Wire
Money laundering
New York
New York City
U.S. News

NEW YORK (AP) — The former top executive of a New York City homeless housing group that is one of the city's largest was arrested and charged Wednesday with conspiracy, honest services wire fraud and money laundering.

The charges against Victor Rivera were announced by U.S. Attorney Audrey Strauss, who said Rivera accepted kickbacks and bribes for years.

"Victor Rivera sought a profit situation for

Prosecutors did not engaged in a decade and founder of the **Julie Beale worked for Appalachian Regional Coalition on Homelessness (ARCH)** networks.

Former Finance Director of Northeast TN Nonprofit Indicted

Julie Beale worked for Appalachian Regional Coalition on Homelessness (ARCH)

Friday, July 16, 2021 | 09:00am

The former finance director for a nonprofit that provides support to homeless citizens in Northeast Tennessee is now facing a multi-count indictment after Comptroller investigators, working in conjunction with the U.S. Department of Housing and Urban Development Office of Inspector General, found she stole at least \$119,582.

Beale was the finance director for the Appalachian Regional Coalition on Homelessness (ARCH) located in Johnson City. Beale misappropriated the nonprofit funds between November 2013 and March 2018 in the following ways:

- Julie Beale and her husband, Sam Beale, misappropriated \$75,630.06 by making 150 ARCH payments to Sam Beale for work he did not perform. Sam Beale worked as ARCH's intermittent maintenance provider during the duration of his wife's tenure at ARCH. Sometimes Julie Beale paid him at his request and at other times, she issued checks to him on her own initiative.



The Institute for Human Services, Inc.

Ending the Cycle of Homelessness

“This case illustrates how defrauding federally funded programs does more than just illegally take money from the federal government — it also deprives struggling members of our community of the monetary assistance they need to subsist,” said U.S. Attorney Clare E. Connors. “These convictions bring to justice those who enrich themselves at the expense of those in need of financial assistance.”

Assistant Special Agent-in-Charge Mark Kaminsky with the Housing and Urban Development Office of Inspector General: “HUD OIG will seek out and hold accountable individuals who steal taxpayer dollars to support their own interests.”

What is not an element of fraud?

- Materiality
- Loss
- Motive
- Misrepresentation

Poll Question #2

CORRUPTION

Wrongful use
of position

Obtain unfair
advantage

Influence
official action

Position of Perpetrator (a sampling)

- Facilities director
- Housing authority executive director
- Director of construction services
- Insurance broker
- Contracting officer
- Program director
- Commissioner
- Elected officials (mayor)
- Director of Grant Development
- School principal
- City treasurer
- City administrator
- Assistant County Executive
- Community development director
- Public Affairs & Communications
- Engineering Services Manager
- City electrician

Methods (Manner & Means)

- Leak confidential documents to unauthorized party
- Create & approve fraudulent/inflated invoices
- Fake bids to demonstrate the bidding was “competitive”
- Use “emergency work authorizations” to steer work to briber
- Sham consulting agreements or contracts (incl. post-employment)
- Inflated bids (kickback provision)
- Use of middleman to disguise relationship
- Fake invoices (services never rendered)

Methods (Manner & Means)—continued...

- Have contractors “donate” funds to registered non-profit entity controlled by bribee and used as a personal expense account
- Donation to campaign committee/election fund
- Official ignored regulatory violations of briber’s businesses
- Official disguised his ownership and role in a company doing business with the jurisdiction
- Backdating forms for work never done (or done poorly)
- Writing a check to the official’s wife as a “cutout”

The Pro & the Quo

- “Loan” to a campaign committee
- Payments into personal accounts
- College tuition for official’s child
- Car loan payments
- Cell phone payments
- Hotel accommodations
- Airline tickets
- Fitness equipment
- Golf trips
- Checks, cash, Gift cards
- Payment of credit cards
- Wire transfers & money orders
- Home renovation expenses
- Motorcycle
- Rolex watch
- Meals, alcohol, entertainment
- Prostitution services
- Gambling trips

Types of services

- Landscaping
- Snow removal
- Cleaning/janitorial services
- Cargo movement
- Small construction projects
- Promotion/marketing
- Electric construction
- Construction contracts
- IT/Computer contracts
- Lease or sale of properties
- Transportation/bus companies
- Patient services/mental health

Charting the transaction

Quid

pro

quo

**Official
action**

**Exchange/
Corrupt
Agreement**

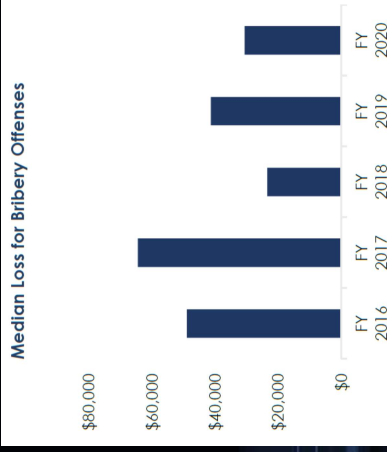
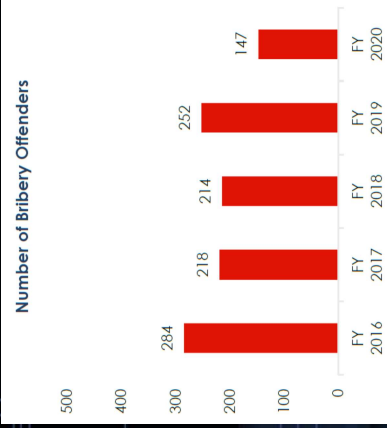
**Something
of value**



Quick Facts

— Bribery Offenses —

Median Loss was \$30,690



Top Districts in FY20	#
S.D. Florida	12
D. New Jersey	9
N.D. Illinois	8
S.D. New York	8
D. South Carolina	8

SOURCE: https://www.ussc.gov/sites/default/files/pdf/research-and-publications/quick-facts/Bribery_FY20.pdf



★ ★ OFFICE of ★ ★
INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

LIBRARY < COMBATING FRAUD < NEWS & CONGRESSIONAL < ABOUT HUD OIG <

HOTLINE
REPORT FRAUD, WASTE AND ABUSE

Former City of New Orleans Building Inspector Sentenced

HOME / FORMER CITY OF NEW ORLEANS BUILDING INSPECTOR, SENTENCED

January 18, 2022 | [Press Release](#) | [USAO, Eastern District of Louisiana](#)

New Orleans, LA – The U.S. Attorney's Office announced today that Kevin Richardson, 59, of New Orleans, was sentenced on January 13, 2022 by United States District Judge Susie Morgan to thirty (30) months in the Bureau of Prisons for violating Title 18, United States Code, Sections 1552(a)(3) and 2, use of an interstate facility with intent to carry on unlawful activity.

According to the court documents, Richardson was employed as a building inspector for the City of New Orleans and utilized the internet-based City of New Orleans' LAMA system to alter and/or delete city documents and submit material information. He solicited and accepted approximately \$65,000 in bribe payments from individuals seeking favorable inspection reports and certificates of completion for properties that did not comply with the city and state building codes and for properties that had not been inspected. He also paid bribe money to a City of New Orleans permit analyst for the issuance of permits without proper documentation and plan review.



CONFLICT OF INTEREST

Playing

Both

Sides

Conflict of Interest -- Defined

- A hidden, incomplete, or inaccurate representation to obtain personal benefits from a business, professional, or employment relationship or arrangement.

“A Rose By Any Other Name”

- Self-dealing
- Self-enrichment
- Deceit
- Undisclosed
- Secret
- Hidden
- Concealed
- Duplicity
- Not an arm’s-length transaction



Public Sector

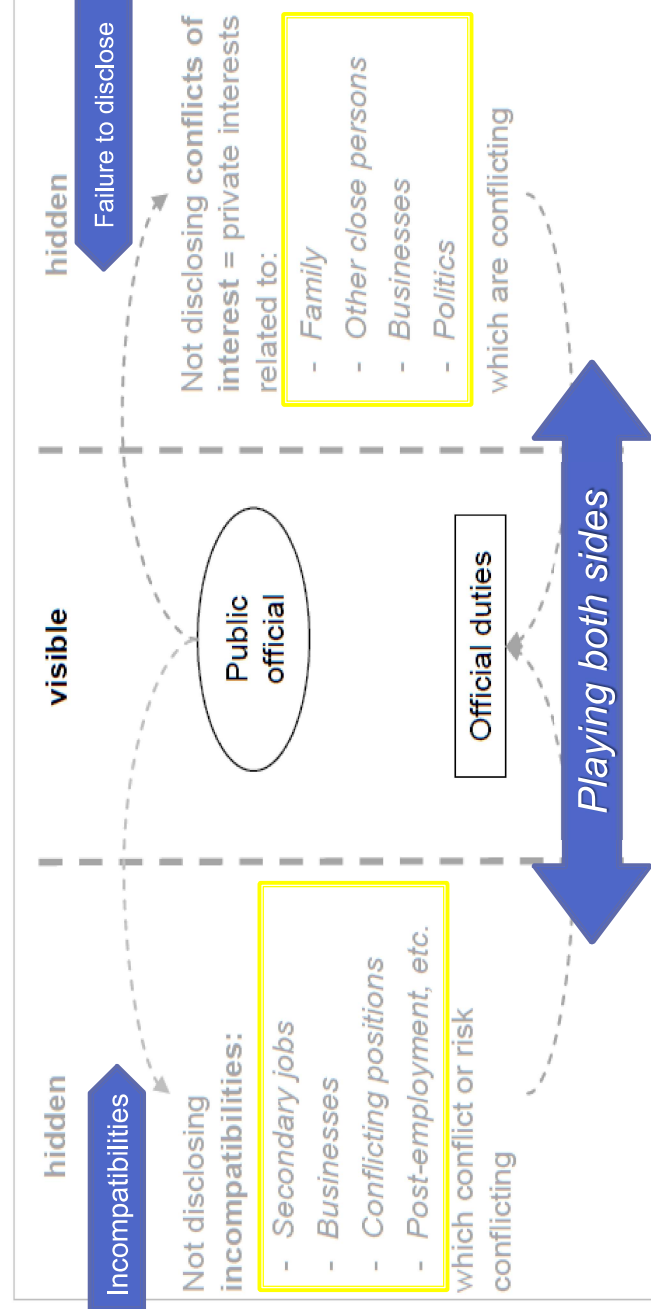


Non-Profit Sector



Private Sector

2 What to look for: patterns of hiding conflicts of interest



Typical COI Situations

- Employment (self or other party)
- Business (ownership) interests
- Stock/investment holdings
- Agreements (current or future)
- Memberships/organizational affiliations
- Personal (family) conflicts
- Representation (clients)



Poll Question #3

Have you investigated a conflict of interest case?

- Yes
- No
- I'd rather have a root canal
- I can't wait for one!

The Challenges of COI Investigations

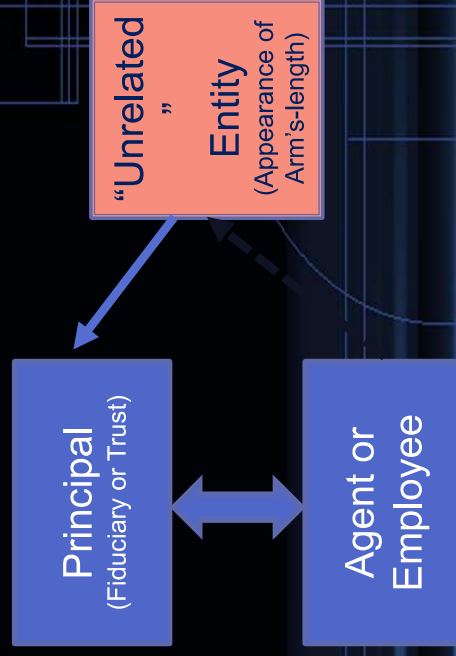
- Often subtle
- Involve powerful people
- Appear legitimate (and might be)
- Perceived not to be as “egregious” as bribery
- Perceived as a HR/personnel, administrative, or civil matter

May involve complex transactions, rules, or standards

The P.R.I.C.E. is Wrong



A Framework for Investigating Conflicts of Interest

Position
Relationships
Information
Concealment
Exchange



Position	Any position of trust or authority
Relationships	Friends, family, associates, nominees, (public vs. hidden)
Information	Internal operations, policies, process, confidential information
Concealment	Failure to disclose, false statements, altering records, falsifying documents, hiding relationships, emails, codes, etc.
Exchange	Benefits: gifts, entertainment, "loans," travel/lodging, tickets, use of business assets (credit cards), cash, ownership/stock

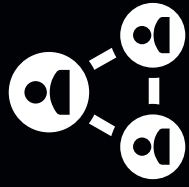
Position	Any position of trust or authority
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- **Formal or informal**
- **Direct or indirect**
- **Decision-making**
- **Advising**
- **Consulting**
- **Access**
- **Role, title, rank, status**

Relationships

Friends, family, associates, nominees, (public vs. hidden)



- Spouse, children
- Extended Family
- Friends
- Business acquaintances
- How they interact

Information

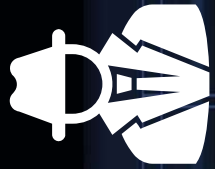
Internal operations, policies, process, confidential information



- Confidential details
- Bidding process
- Award specifications
- Other bids
- Insider information
- Even if known to self

Concealment

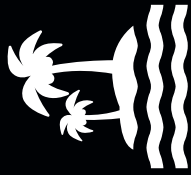
Failure to disclose, false statements, altering records, falsifying documents, hiding relationships, emails, codes, etc.



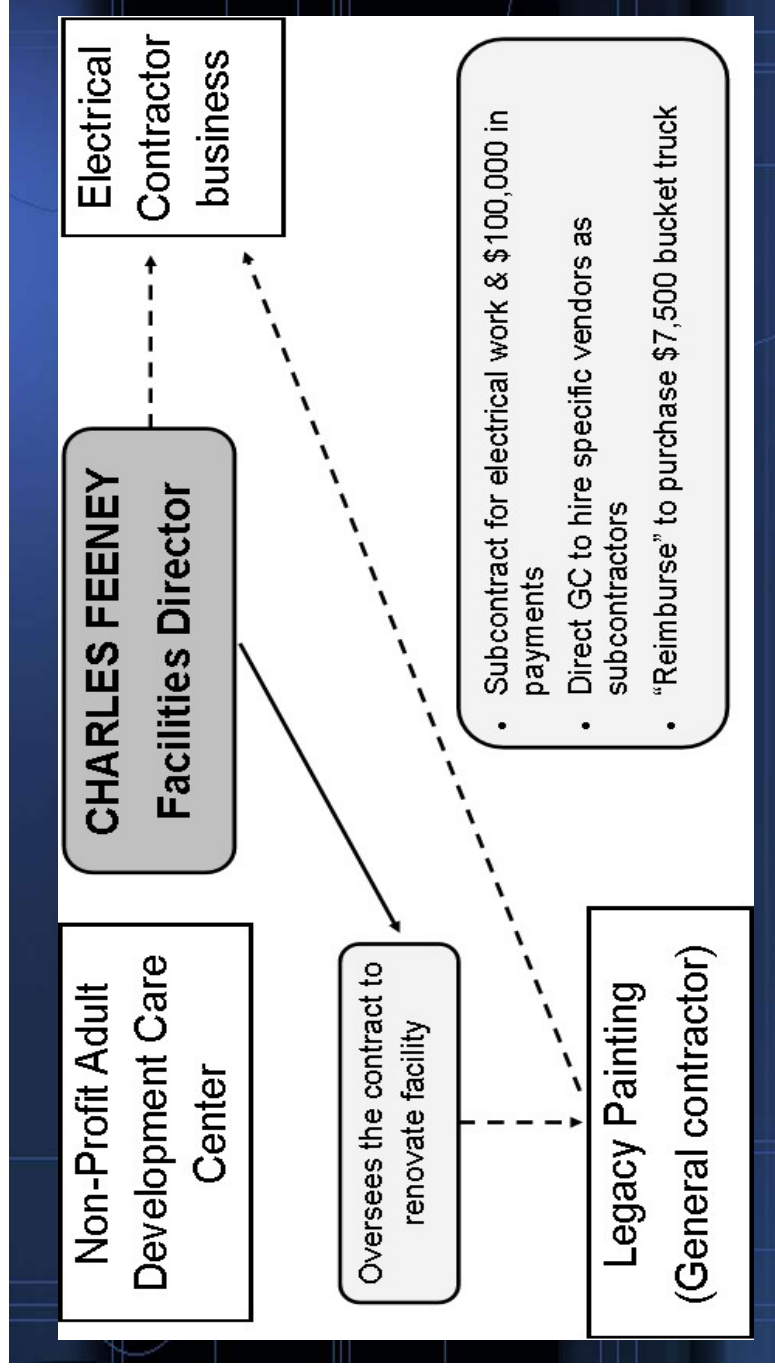
- Hiding the association
- Org's COI policies
- Knowledge of COI
- Omitting information
- Circumventing controls

Exchange

Benefits: gifts, entertainment, "loans," travel/lodging, tickets, use of business assets (credit cards), cash, ownership/stock



- "Consulting" fees
- Property transfers
- Pay down debts
- Exclusive use (resorts, autos, boats, homes, etc.)
- Onetime or "stream of benefits"

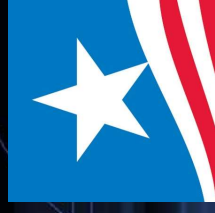


Position	Facilities Director
Relationships	Contractors (son also worked for the NPO)
Information	Bidding/payment/approval process, needs, requirements, directing hiring of specific subcontractors
Concealment	Failure to disclose; did not actually obtain three bids as required; disguise purchase as “rental fees” then “reimbursement”; false representations to leadership; ask GC to “get our stories straight” after discovery
Exchange	Eliminated possibility of other contractors bidding; steered work to self-company over \$100,000; received bucket truck for awarding contract

Protecting Federal Grant Funds

“Given [the] limited visibility and control over expenditure[s] of [federal] grant funds...there is **increased risk of fraud**, waste, and mismanagement to include **conflicts of interest**...”

--- The I/G Community's Joint Efforts to Protect Federal Grants from Fraud, Waste, and Abuse (Jan. 2021)



Report Fraud to HUD OIG!

Special Agent in Charge Christina Scaringi

New York: 212-264-8062

Boston: 617-994-8450



Report Fraud Online:

<https://hudoig.gov/hotline>



Thank you!!!

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