



**U.S. Department of Housing and Urban Development
Office of Inspector General
Grantee Disaster Fraud Presentation**

July 31, 2019

**Lisa R. Gore, Special Agent in Charge,
Disaster Relief and Oversight Division**



SECTION I

HUD OIG - Mission and Purpose

Training Requirement

Federal Register Notice, Volume 83, No. 28, dated February 9, 2018, requires the States to:

- ✓ Establish remedies for noncompliance by any designated subrecipients, public agencies, or local governments.
- ✓ Attend and require subrecipients to attend fraud related training provided by HUD OIG to assist in the proper management of CDBG–DR grant funds.



Certificate of Training Completion

The undersigned hereby certifies that:

1. The undersigned attended and completed CDBG-DR Training on _____ at _____ as an authorized agent, representative, official and/or employee of and on behalf of _____, a grantee/subgrantee/contractor, and fully understands the information and materials presented;
2. The training reviewed the requirements of the applicable *Federal Register* Notice of Funds Available (“NOFA”) allocating CDBG-DR funds and that the grantee/subgrantee/contractor must adhere to the controls, standards, processes, corrective actions, and procedures it describes together with the requirements of Title 24 of the Code of Federal Regulations, Part 570 (the U.S. Housing and Urban Development regulations concerning Community Development Block Grants (CDBG)) including subpart K of these regulations, as well as all other applicable Federal, state and local laws, regulations, and policies governing the CDBG-DR funds provided;
3. The undersigned has the authority to make this certification, individually and on behalf of the grantee/subgrantee/contractor;
4. The undersigned understands providing false or misleading information during any part of the proposal, award, or performance phase of a HUD contract or grant may result in criminal, civil or administrative sanctions, including but not limited to: fines, restitution, and/or imprisonment under 18 USC 1001; treble damages and civil penalties under the False Claims Act, 31 USC 3729 et seq.; double damages and civil penalties under the Program Fraud Civil Remedies Act, 31 USC 3801 et seq.; civil recovery of award funds; suspension and/or debarment from all federal procurement and non-procurement transactions, FAR Part 9.4 or 2 CFR Part 180; and other administrative remedies including termination of active HUD grant and contracts.

Signature of Certifying Official

(Printed Name of Certifying Official) (Date)

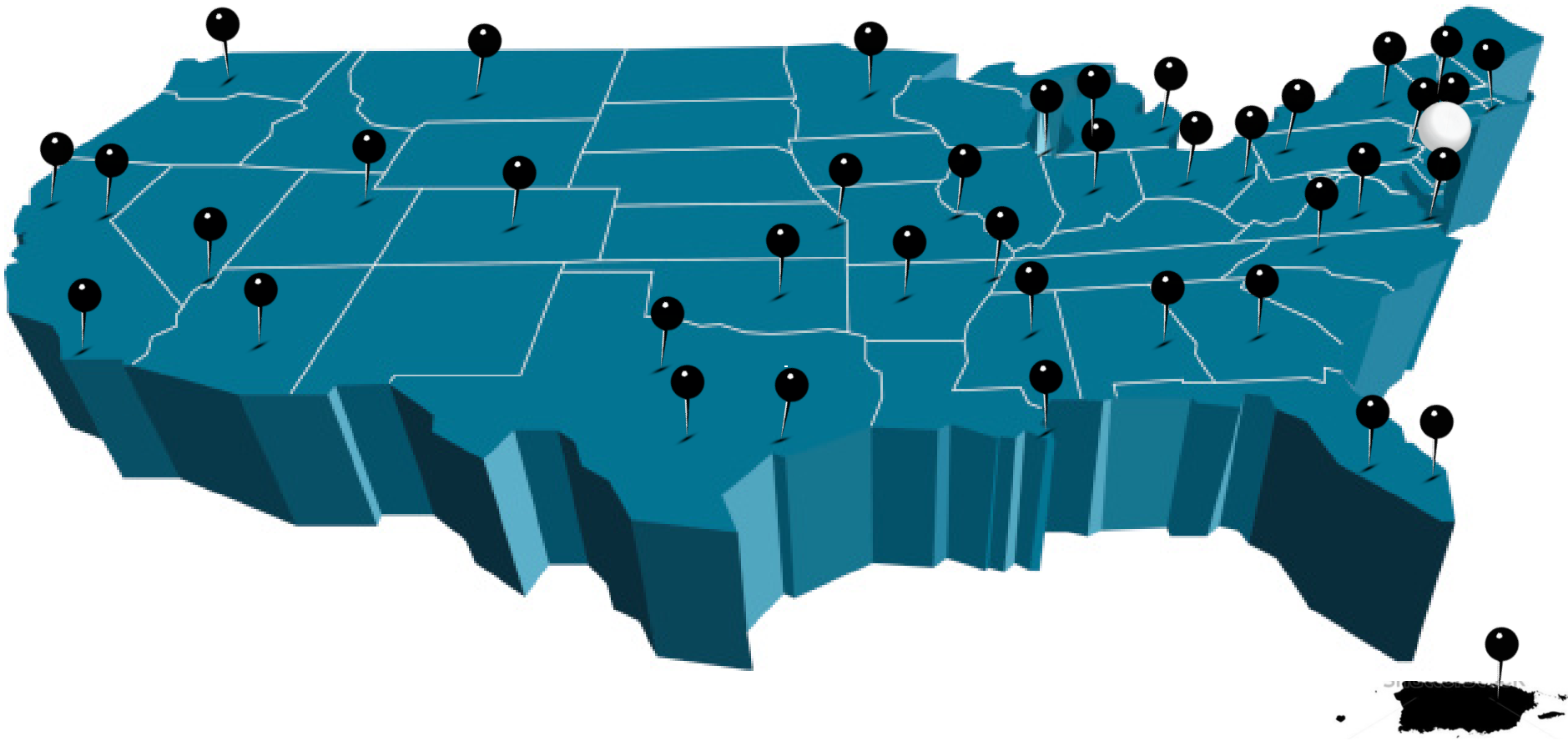


What is HUD OIG?

- The HUD Office of Inspector General (OIG) became statutory with the signing of the Inspector General Act of 1978 (Public Law 95-452)
- The OIG is *an independent office within HUD*. As an independent official appointed by the President, the IG is free from undue influence or constraints in performing his function.
- The OIG promotes economy, efficiency, and effectiveness in HUD's programs and operations, as we also *prevent and detect fraud, abuse, and mismanagement*.
- The OIG is committed to keeping the HUD Secretary, Congress, and our stakeholders fully and currently informed about problems and deficiencies and the necessity for and progress of corrective action.



Field Office Locations



Our Five Main Offices

Office of Audit

Office of Investigations

Office of Evaluations

Office of Legal Counsel

Office of Management & Technology

Office of Investigations Role

Plans and conducts investigations that vary in purpose and scope and may involve alleged violations of **criminal** or **civil** laws, as well as administrative requirements. The focus of an investigation may include the integrity of programs, operations, and personnel in agencies at Federal, State, and local levels of government; program, procurement, and **grant fraud** schemes; **mortgage fraud, financial fraud, and whistleblower retaliation**; and other matters involving alleged violations of law, rules, regulations, and policies.



Types of OIG Investigations

- Contract/Grant fraud
- Mortgage Fraud (FHA Insured)
- Theft/Embezzlement/False Claims
- Bankruptcy fraud
- Equity skimming
- Landlord/Tenant fraud
- Identity Theft
- Bribery
- Larceny



Cases Generated

- Audits
- Informants
- Other Law Enforcement
- Employees
- The public





SECTION II

Disaster Fraud Awareness

Fraud

- Can take many forms.
- Involves deception through the misrepresentation or omission of material facts for the purpose of illegitimate gain.
- Due to finite resources, it deprives citizens with legitimate needs from the governmental benefits designed to support them after catastrophic events.



- **5 Year Gulf Coast Disaster Fraud Report (2005-2010)**

- 1,464 Complaints received: (10/1/2005 to 8/5/2010)
- Investigations Initiated: 381
- Indictments: 269
- Convictions: 264
- Court ordered restitution: **\$2,377,872**
- Court ordered fines: \$ 4,500



Disaster Fraud Results from October 1, 2018 to Date

- Convictions – 24
- Criminal Recoveries - **\$3,388,688.97**
- Civil Recoveries - \$1,607,169.43
- Administrative Recoveries - \$65,851.00
- Criminal Fines - \$525,555.00



Potential CDBG-DR Fraud Schemes

- Bribery
- Kickbacks
- Bid rigging
- Conflicts of interest
- Billing Schemes
- Formation of a new company to conceal previous violations, debarments or debarred officials
- Small business or Disability/Minority/Women/Service-Disabled Veteran-Owned Front



Bribery

The offering, giving, receiving, or soliciting of anything of value to influence an official act.

Bribery is an unethical business transaction where one person, usually the person benefiting from the transaction, is paying for the influence of another.

Bribery is conducted “under the table”.



Bribery

Example- A contractor paying a contracting officer in exchange for being awarded a lucrative contract. The payment does not have to be in the form of money; rather, it can also take the form of items or services, including those given to someone designated by the contracting officer.

Red Flags

- Most bribery schemes begin with gifts and favors. Be cautious of entertainment, vacations, travel, free conference perks, sports events, parties, home or business repairs without charge, and free use of resort facilities.
- Companies submit bids with identical individual line items or lump sums.
- Bids greatly exceed the agency's estimate of contract value or exceed comparable bids by the same companies in other areas similar in demographics.
- Winning bidder awards subcontracts to one or more of the losing bidders.
- Last minute alteration of bids.



Kickbacks

A kickback is type of bribe. A kickback is a collusive agreement where a “cut” of the profit is given to the bribe taker for services rendered.

Kickbacks can be in the form of money, credits, gifts, gratuity, offering of services, or anything of value.



Kickbacks

A common kickback scenario occurs when a prime contractor instructs the subcontractor to inflate the cost of materials. The inflated/false invoice is submitted and an employee of the prime contractor ensures payment is made on the inflated/false invoice. When the prime contractor receives payment for the materials used, it kicks back a portion of the profit to the subcontractor.

Red Flags

Paying a kickback is a two sided financial transaction. The vendor making the illicit payment must divert funds to pay for the bribe.

Payments coded as “fees” for consulting or other services should be scrutinized.



Bid Rigging

Bid rigging is a fraud that involves the impeding of competitive bidding.

Generally, bid rigging involves an agreement to limit competition.

These schemes usually occur in the pre-solicitation, solicitation, or the evaluation phase of the bidding process.



Bid Rigging

Red Flags

Pre-Solicitation

- Specifications and statement of work are tailored to a specific product or vendor.
- Prequalification procedures restrict competition.
- Unnecessary sole source or non-competitive justifications.
- New vendors added to the qualified list without justification.
- Projects split into smaller awards to avoid review.
- Costs of materials are out of line.
- Established bidding policies and procedures are not being followed.
- Materials not being ordered at optimal reorder point.



Bid Rigging

Red Flags

Solicitation Phase

- Improper communications between purchasers and contractors at trade or professional meetings.
- Improper social contacts between purchasing agents and contractors.
- Purchasing officials with business or financial interest in the contractor.
- Falsification of documents or receipts so that late bids are accepted.
- Indications of collusion between bidders.
- Falsification of contractor qualifications, work history, or personnel.
- There is an indication of last minute alteration of bids.
- A large gap exists between the winner's proposed pricing and losing bidders' pricing.



Bid Rigging

Red Flags

Bid Submission or Contract Acceptance

- Winning bidder awards subcontracts to one or more of the losing bidders.
- Procurement that has been restricted to exclude or hamper any qualified contractor.
- Improperly accepting late bids.
- A bidder who always bids last on contracts and consistently wins.
- Falsification of contractor information, like financial capability, personnel qualifications, and previous performance.
- Bids tend to be awarded in a geographic pattern or in a noticeable rotation, such as a particular type of work always being awarded to a particular company.



Billing Schemes

- Submission of false invoices or altered valid invoices for payment.
 - A shell company. A fictitious entity, generally created by an employee.
 - Legitimate vendor invoices. The amount of the original invoice is increased or the original invoice is paid twice. Alternatively, a payment can be intentionally sent to the wrong vendor. When the vendor returns the overpayment, the employee intercepts it and keeps the money.
 - Employees making personal purchases using company credit card.
- Most billing schemes charge for services, rather than goods, because it is easier to conceal services that are not performed than goods that are not received.



Conflicts of Interest

A conflict of interest occurs when an employee, manager, or executive have an undisclosed economic or personal interest in a transaction that adversely affects that person's employer.

A criminal conflict occurs when an employee participates substantially in a particular matter where he/she has a financial interest, if the particular matter will have a direct and predictable effect on that interest.



Conflicts of Interest

Grantees are required to use federal funds in the best interest of their program and these decisions must be free of undisclosed personal or organizational conflicts of interest both in appearance and fact. The typical issues in this area include:

- Less than Arms-Length Transactions such as purchasing goods or services or hiring an individual from a related party such as a family member or a business associated with an employee of a grantee.
- Not having full and open competition in procurements. Sub grant award decisions and vendor selections must be accomplished using a fair and transparent process free of undue influence.
- Selecting the wrong consultant. Consultants can play an important role in programs, however, their use requires a fair selection process, reasonable pay rates, and specific verifiable work product.



Conflicts of Interest

Red Flags:

- Overly friendly relationship between government employees and contractors such as frequent socialization outside of the work environment.
- Unexplained increases of business with one contractor or subcontractor.
- Change orders with a high percentage of original costs.
- Defining statements of work and specifications to fit the products or capabilities of a single contractor.
- Government personnel or their families acquiring stock or a financial interest in a contractor or subcontractor.
- Government personnel discussing possible employment with a contractor or subcontractor for themselves or a family member.
- Employment of family members by a contractor.



Small Business or Disability/Minority/Women/Service-Disabled Veteran-Owned Front

Contractors certified as small business or disability, minority, women and service disabled veteran - owned businesses are often given preferential treatment related to contract awards.

For this reason, some contractors have been inclined to falsely certify themselves, or obtain legitimate certifications, through invalid means.



Grantee - PRDOH

PRDOH CDBG-DR GRANT MANAGEMENT DISTRIBUTION MODELS

(A) DIRECT DISTRIBUTION MODEL

Grantee implements and operates program directly

Grantee



Beneficiary



(B) SUBRECIPIENT DISTRIBUTION MODEL

Grantee makes all key decisions but delegates all or some aspects of program management to sub-recipients

Grantee



Subrecipient



Beneficiary



(C) PARTNERSHIP DISTRIBUTION MODEL

Grantee makes all key decisions but delegates all or some aspects of program management to partners

Grantee



Partner



Subrecipient



Beneficiary



Home Repair, Reconstruction, or Rehabilitation Program

ELIGIBILITY

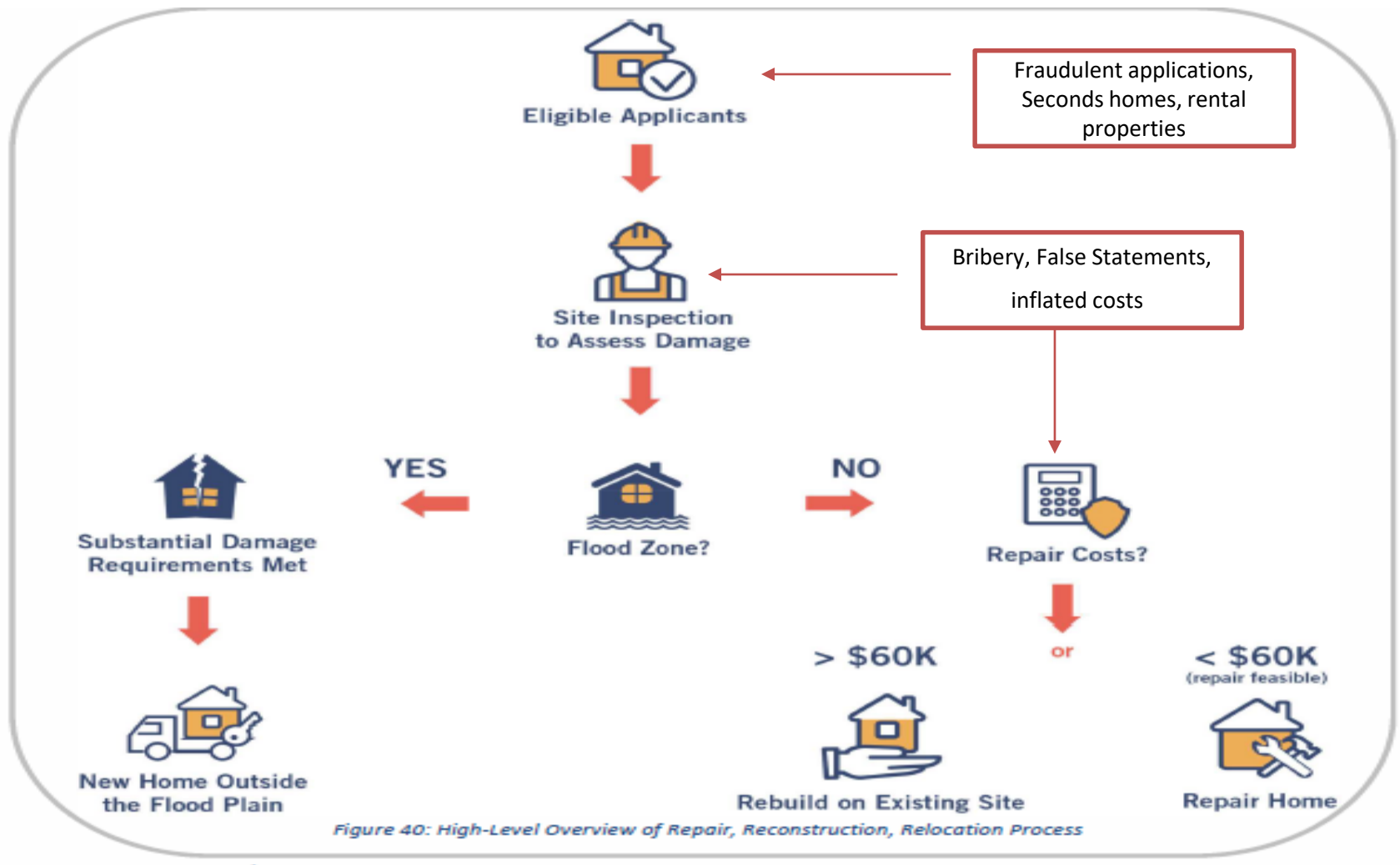
- Confirmed damage to property
- Ownership of property structure (alternative methods)
- Must qualify as low or moderate income (below 80% Area Median Family Income)

Must be an eligible single-family structure

- Must have occupied the property as a primary residence at the time of the storm
 - Priority for the elderly (65 years old and above)
 - To be eligible for reconstruction in place, property must not be located in a floodway, floodplain, or areas vulnerable to landslide.
- Note: Homeowners who receive assistance through the Home Resilience program are not precluded from assistance through the Repair, Relocation, or Reconstruction program. Homeowners meeting eligibility requirements for both programs may receive assistance through both programs, deducting assistance for any duplication of benefit.



Home Repair, Reconstruction, or Rehabilitation Program



Ownership & Primary Residency

- Applicants **must prove not only ownership of property, but primary residency at the time of the storm.**
- **Secondary or vacation homes are not eligible** for assistance.
- PRDOH will **work to reasonably accommodate households with non-traditional documentation validating both ownership and residency.**
- Applicants may be required to prove primary residency by providing documentation validating occupancy for consecutive weeks and/or months leading up the time of the storm. To the extent possible, PRDOH will validate ownership and/or primary residency through electronic verification utilizing locally or federally maintained registries.
- After conducting a due-diligence process, which may include efforts to clarify title, **the program may also allow alternative methods for documenting ownership, including an affidavit process.** Specific procedures and documentation will be outlined in the program implementation guide and further communicated to program applicants upon implementation of the program.





SECTION III

Fraud Deterrence

Strengthen Your Forms

- The look of your forms create an impression about the culture of your agency
- Make sure the forms are professional-looking; avoid using poorly copied documents (blurry, too light, too dark, improperly aligned);
- **18.U.S.C.1001**

18 USC 1001 Except as otherwise provided in this section, whoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States, knowingly and willfully-

- (1) **falsifies, conceals, or covers up by any trick, scheme, or device a material fact;**
- (2) **makes any materially false, fictitious, or fraudulent statement or representation; or**
- (3) **makes or uses any false writing or document knowing the same to contain any materially false, fictitious, or fraudulent statement or entry;**

shall be fined under this title, imprisoned not more than 5 years or, if the offense involves international or domestic terrorism (as defined in section 2331), imprisoned not more than 8 years, or both.

- Reiterates that federal funds are/may be awarded
- Reinforces that the Contract/Consulting Agreement/Vendor Relationship has standards, formality and consequences if abused.



Strengthen Your Forms

I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim, or makes false statements is subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil penalties. (18 U.S.C. §§ 287, 1001 and 31 U.S.C. §3729)

X _____

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I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim, or makes false statements is subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil penalties. (18 U.S.C. §§ 287, 1001 and 31 U.S.C. §3729)



You Must Agree to Continue



Disagree and Exit Application

Develop a Anti-Fraud Policy

Develop a written policy for employees, clients and vendors

A good fraud policy will:

- Define fraud
- List examples of offenses that are prohibited
 - *You may not receive gifts or tips from clients/vendors*
 - *You may not offer gifts or tips to employees*
 - *You must report a relationship to a vendor/employee within XX days*
 - *A familial relationship to a subcontractor must be reported & approved*
 - *You may not seek reimbursement for exaggerated expenses or expenses you have not incurred or for expenses reimbursed by another government agency*
- Require employees and contractors to report suspected fraud
- State your commitment to investigate
- State your commitment to report instances of fraud, waste and abuse to law enforcement.

Tips on developing a fraud policy can be obtained from the HUDOIG website:

<https://www.hudoig.gov/fraud-prevention>



Develop a Code of Conduct

- Serves as a framework for ethical decision making within an organization.
- Written collection of the rules, principles, values, and employee expectations.
- Communication tool that informs internal and external stakeholders about what is valued by a particular organization, its employees and management.
- Don't just have it...reference it....often.
- Provide/review the Code of Conduct with employees at least annually.
- Agencies with a Code of Conduct visible to the public are more likely to receive information about fraud within or against the organization.



Other Preventive Measures

- Know the Rules and Regulations
- Communicate With HUD
- Get Training
- Keep Good Documentation
- Develop and Implement a Good Control Structure



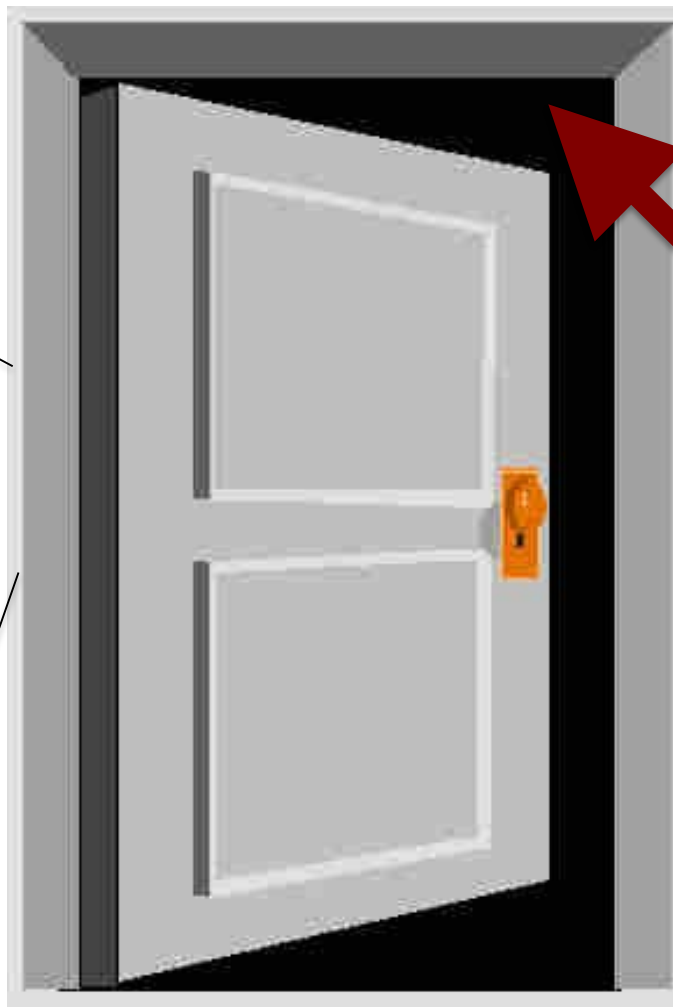
Sources of Fraud

CLIENTS

People You Serve

VENDORS

People You Do Business
With



EMPLOYEES

People You Hire to
Serve Clients and
Conduct the Business
of the Organization
with Vendors

Fraud Triangle



Any trusted and competent *employee* can commit fraud if there is:

❑ Financial Pressure

- Personal - gambling debt, out of work spouse, kids in college, home in foreclosure, divorce, tax debt
- Professional- lack of adequate funding, pressure to expend grant funds, pressure to meet goals

❑ Opportunity

- Example - Charging a client for free services
- Example - Submission of false reimbursement requests

❑ Rationalization

- “The client was ultimately assisted, so no one was hurt”
- “I’m not being paid enough”
- “Other people have done it”
- “I was paid in cash so no one will ever find out”
- “Other people have done a lot worse”
- “I will only do it once, it’ll never happen again”



Potential Fraud Appraisers & Code Enforcement Officials

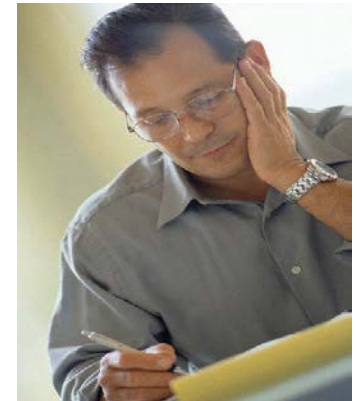
- Inflating value of structural damages
- Soliciting bribes
- Accepting kickbacks from homeowners and contractors



Potential Fraud Homeowners

Falsifying Applications

- False Deeds
- Failure to Report Insurance Proceeds, SBA Loans etc.
- Misrepresenting Property Ownership
- Failure to report Lien Information
- Multiple Applications



Potential Fraud Homeowners

- Paying/offering bribes or kickbacks to appraisers for inflated cost estimates
- Paying/offering bribes/kickbacks to program administrators to qualify for programs



Potential Fraud Contractors

- Failing to begin or complete the work
- Substandard work
- Providing substandard materials/
product substitution

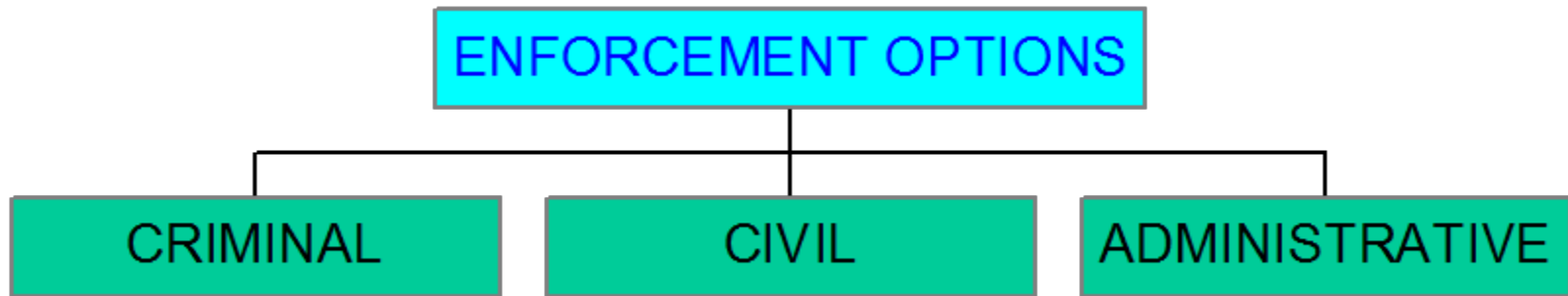




SECTION IV

Fraud Detection/Results

OIG Enforcement Actions



Criminal Consequences of Committing Fraud

Offense	Statute	Maximum Fine and Imprisonment	Examples
Disaster Fraud	18 USC 1040	Fine, 30 years imprisonment, or both.	<ul style="list-style-type: none"> Someone uses a scheme to falsify a material fact, make false statements or representations, or uses false documents: For being paid in connection with a major disaster declaration under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. § 5170)1 or; an emergency declaration under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. § 5191), or; with any procurement of property or services related to any emergency or major disaster declaration; as a prime contractor with the United States or as a subcontractor or supplier under a contract in which there is a prime contract with the United States.
Sherman Anti-Trust Act (Bid Rigging)	15 USC 1	Not more than \$100,000,000 corporate and \$1,000,000 individual fine, 10 years imprisonment, or both.	<ul style="list-style-type: none"> Agreements between competitors to fix prices Collusive bidders agree not to bid, or withdraw from a bid, so the designated bidder will win the contract Submitting “comp” bids to create the appearance of competition Collusive bidders submit bids and take turns being the lowest bidder on a series of contracts
Bribery/Conflict of Interest	18 USC 201	Fine, 15 years imprisonment, or both.	<ul style="list-style-type: none"> Kickback for pre-bid information Accepting cash Accepting luxury items Accepting entertainment tickets
Conspiracy	18 USC 371	Fine, 5 years imprisonment, or both.	<ul style="list-style-type: none"> Colluding with a contractor to inflate invoices Collusive bidding between companies
Theft of Government Property	18 USC 641	Fine, 10 years imprisonment, or both.	<ul style="list-style-type: none"> Embezzlement of project funds Items purchased are taken for personal use
Theft or Bribery of Public Funds	18 USC 666	Fine, 10 years imprisonment, or both.	<ul style="list-style-type: none"> An agent of an organization, State, local, tribunal, or any agency that misuses loan proceeds for personal use Agent solicits or demands something of value to influence a business transaction Agent gives or offers something of value to influence a business transaction
False Statements	18 USC 1001	Fine, 5 years imprisonment, or both.	<ul style="list-style-type: none"> Falsifying loan documents Falsifying invoices or records Falsifying certifications or assurances False Small business certification False Minority business certification False payment request based on falsified direct labor charges, material costs, stage of completion attained, or work completed Falsifying qualifications
Identity Theft	18 USC 1028	Not more than \$250,000 fine, 15 Years imprisonment, or both.	<ul style="list-style-type: none"> False social security numbers False identification documents



CONTRACTOR TO SERVE 10 YEARS IN PRISON FOR DISASTER FRAUD

A contractor and Landlord Repair Program (LLRP) grant recipient was sentenced in State Superior Court in connection with an earlier guilty plea to money laundering, theft by deception, distribution of a controlled substance, and conspiracy to distribute a controlled substance. The contractor was sentenced to 10 years incarceration and ordered to pay more than \$1 million in restitution, more than \$229,000 of which is due to HUD-funded programs. Between August 2013 and February 2016, the contractor was awarded \$500,000 in LLRP grant funds for a property in which he had partial ownership. Shortly after receiving the grant award, the contractor withdrew the majority of these funds using his father's name and Social Security number. No construction permits were applied for, and no work was done on the property. Additionally, a Rehabilitation, Reconstruction, Elevation, and Mitigation (RREM) grant recipient contracted with the contractor's construction company to repair a home damaged by Hurricane Sandy. The victim paid the company more than \$1 million for the work, which included \$150,000 in RREM funds. Rather than repair the home, the contractor used the money for personal expenditures. As both LLRP and RREM are HUD Community Development Block Grant Disaster Recovery-funded programs, the contractor's actions led to a total government loss of more than \$379,000. HUD OIG, the Ocean County Prosecutor's Office, and the New Jersey Division of Criminal Justice conducted this investigation. **(Toms River, NJ)**



CONSTRUCTION COMPANIES AND OWNERS SENTENCED FOR DISASTER FRAUD

The owners of two construction companies were sentenced in State Superior Court in relation to their earlier guilty pleas to theft by failure to make required disposition of property received. One owner was sentenced to 7 years in State prison, while the other was sentenced to 5 years probation. The two were ordered to pay \$620,691 in restitution to 23 victims and \$56,000 and \$53,000 in State tax restitution, respectively, and one of the owners was ordered to forfeit her Tiffany & Co engagement ring. Both construction companies received a \$250,000 anti-profiteering penalty as well as forfeiture of assets due to the fraud. The contractors also face a civil judgement of more than \$1.35 million. Finally, both owners were issued a permanent prohibition from operating a home elevation or contracting business in the State of New Jersey. Between 2013 and 2015, the two contracted with homeowners awarded the RREM grant following Hurricane Sandy and performed minimal or no work. These actions led to a loss of \$581,691 in government funds. HUD OIG and the New Jersey Division of Criminal Justice conducted this investigation. **(Toms River, NJ)**



Department of Justice

U.S. Attorney's Office

Eastern District of New York

SHARE 

FOR IMMEDIATE RELEASE

Thursday, September 14, 2017

Staten Island Couple Charged With Hurricane Sandy Relief Fraud

Defendants Obtained \$750,000 from Relief Programs Intended for Residents Displaced by the Superstorm

A criminal complaint was unsealed today in federal court in Brooklyn charging Nagwa Elsilimy and Ahmed Arafa with fraud by making false statements to the Federal Emergency Management Agency (FEMA) and the United States Department of Housing and Urban Development (HUD) in connection with their obtaining more than \$750,000 in disaster relief from New York City's Build It Back program (BIB) and FEMA in the aftermath of Hurricane Sandy. The defendants allegedly misrepresented that a home in Staten Island, which they had abandoned months before the storm, was their primary residence at the time the superstorm devastated New York and New Jersey. The defendants unlawfully obtained over \$750,000 in aid intended for people displaced by the storm. Elsilimy was arrested this morning, and her initial appearance is scheduled for this afternoon before United States Chief Magistrate Judge Roanne L. Mann.

The charges were announced by Bridget M. Rohde, Acting United States Attorney for the Eastern District of New York, Christina Scaringi, Special Agent-in-Charge, United States Department of Housing and Urban Development Office of Inspector General (HUD OIG), Mark Tasky, Special Agent-in-Charge, Department of Homeland Security Office of Inspector General (DHS OIG), Washington Field Office, and Mark G. Peters, Commissioner, New York City Department of Investigation (DOI).

- Misrepresented home as primary residence
- Had not lived in the home approx. 7 mos. before storm
- Applied for/received funds from 3 different agencies



NiKola and Majinda Lulaj

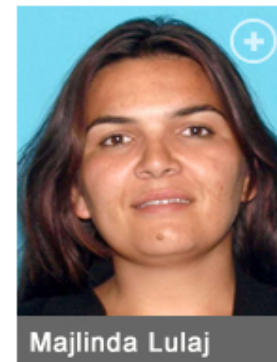
- Disaster Relief Applicants, were convicted by a state court jury of eight counts in an indictment that charged them with conspiracy, theft by deception, and unsworn falsification.
- The jury found that at the time of storm, Lulaj and Majlinda actually resided in Dumont, New Jersey, and that the Seaside Heights property was a seasonal/vacation home, and thus, ineligible for disaster relief. Lulaj and Majlinda received a total of \$79,054 in HUD related disaster relief funds, \$10,000 from the RSP program, and \$69,054 from the RREM program.
- They also received disaster relief funds from FEMA in the amount of \$2,820, SHRAP funds of \$15,000, and an SBA loan for \$90,200 for a total of \$187,074 in disaster relief funds.

Police Officer and Wife Convicted at Trial of Stealing \$187,000 by Filing False Applications for Superstorm Sandy Relief Funds

AG's Office has charged over 120 people in historic anti-fraud effort with state & federal partners



Nikola Lulaj



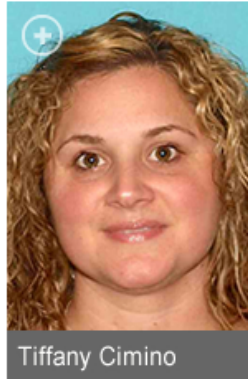
Majlinda Lulaj

TRENTON – Attorney General Gurbir S. Grewal announced that a police officer and his wife were convicted at trial today of stealing \$187,000 by filing fraudulent applications for federal relief funds related to Superstorm Sandy.

Nikola Lulaj, 45, of Seaside Heights, N.J., (formerly of Dumont, N.J.), who is an officer with the Hoboken Police Department, and his wife, Majlinda Lulaj, 32, were found guilty by an Ocean County jury of charges of second-degree conspiracy, second-degree theft by deception, and six counts of fourth-degree unsworn falsification. As a result of the verdict, Lulaj must forfeit his employment as a police officer. The verdict followed a trial before Superior Court Judge James M. Blaney. The defendants will be sentenced in January at a date to be determined.

**Ocean County Man Sentenced to Seven Years in Prison
for Using His Home Improvement Companies to Steal Over
\$1.4 Million from Homeowners Whose Homes Were
Damaged by Superstorm Sandy**

*Jeffrey Colmyer and his wife, Tiffany Cimino, stole Sandy relief
funds provided to victims to rebuild*



Jeffrey Colmyer

Tiffany Cimino

TRENTON – Attorney General Gurbir S. Grewal announced that an Ocean County man was sentenced to state prison today for stealing over \$1.4 million from more than 20 victims who hired his home improvement companies to fix their homes after Superstorm Sandy.

The victims paid **Jeffrey Colmyer**, 43, and his wife, **Tiffany Cimino**, 35, of Little Egg Harbor, N.J., and the couple's home improvement contracting companies, to repair or rebuild their homes, primarily using Sandy relief funds. However, the couple diverted much of the money to gamble and buy luxury items, leaving homes in disrepair.

Colmyer was sentenced today to seven years in state prison by Superior Court Judge Guy P. Ryan in Ocean County. Cimino was sentenced today to a term of five years of probation. Colmyer and Cimino pleaded guilty on May 29 to charges of theft by failure to make required disposition of property received. Colmyer also entered guilty pleas on that date to second-degree money laundering on behalf the couple's companies, Rayne Construction Management Services, LLC (RCMS) and Colmyer & Sons, LLC.

The Attorney General's Office, through the Division of Consumer Affairs and Division of Law, previously obtained a consent order in a lawsuit against the couple and their companies, under which the defendants must pay \$695,402 in restitution to victims and \$655,243 to the State of New Jersey as restitution for stolen Sandy relief funds. In sentencing the defendants today, Judge Ryan ordered additional sums of restitution to the victims, bringing total restitution to more than \$1.4 million. Colmyer also must pay \$56,472 to the State of New Jersey for back taxes he failed to pay, and Cimino must pay \$56,332 in back taxes.

Jeffrey Colmyer and Tiffany Cimino

- Stole money received from Hurricane Sandy victims to supplement lavish lifestyle.
- Colmyer was sentenced to seven years in state prison.
- Ordered to pay restitution to victims in the amount of \$694,405, the State of NJ in the amount of \$655,243. In addition, they must collectively pay \$112,804 in back taxes

Gulfport Mayor Brent Warr and Wife Laura Indicted for Katrina Fraud

Case Stems from Homeowner Grant Case

by Keith Burton - GCN 1/28/09
Updated with additional information 2/8/09
(Photos: Deborah Heylman GCN)

Mayor Brent Warr and his wife Laura entered pleas of not guilty in a 16-count indictment for Katrina fraud Wednesday morning in federal court in Gulfport. Both Warrs face up to 210 years in prison and a potential fine up to \$4 million if convicted on each count of the indictment.

Wednesday's arraignment ended months of speculation by Gulfport and Coast residents as to the seriousness of the investigations underway in the city.

A somber Brent Warr entered the courtroom with his wife Laura along with attorney Joe Sam Owen. Their appearance before Federal Judge John Roper lasted about 30 minutes. Both Warr's pled "not guilty."

The prominent Gulfport couple was charged by a federal grand jury for hurricane Katrina related



- False information about primary residence
- False information about condition of unit prior to hurricane

Developer Sentenced

FELONY

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

**BILL OF INFORMATION FOR CONSPIRACY TO COMMIT THEFT OF
GOVERNMENT FUNDS AND THEFT OF GOVERNMENT FUNDS**

UNITED STATES OF AMERICA	*	CRIMINAL NO.
v.	*	SECTION:
PRAVEEN KAILAS	*	VIOLATION: 18 U.S.C. § 371
	*	18 U.S.C. § 641
	*	
	*	

The United States Attorney charges that:

COUNT 1-CONSPIRACY

A. AT ALL TIMES MATERIAL HEREIN:

1. Beginning at a time unknown, but no later than on or about June 6, 2011 and continuing to on or about November 16, 2012, the Department of Housing and Urban Development ("HUD"), an agency or department of the United States, funded the Small Rental Property Program ("SRPP") which is a component of the Louisiana Road Home Program to provide monetary assistance to property owners to repair their small scale rental properties damaged by Hurricanes Katrina or Rita. In order to receive the grant, the small rental property owner had to agree to make

- LRHP contractor, overbilled program for employee's hours.
- Theft of Government Funds and Conspiracy
- Sentenced to 30 months incarceration, three years probation, 80 hours community service, \$236,000 restitution, and a \$75,000 fine.

BARBARA SIMMONS DOWL a/k/a Barbara Dowl, Barbara Lee Dowl, Barbara Simmons, a resident of New Orleans, was sentenced today in federal court by Chief United States District Court Judge Sarah S. Vance, after having been convicted by a jury on a five-count indictment for Theft of Government Funds, False Statements and Wire Fraud, announced U.S. Attorney Jim Letten. BARBARA DOWL was sentenced to 69 months' imprisonment as to Counts 1 through 5, ordered to make restitution in the amount of \$156,000 to the Louisiana Road Home Program and the Small Business Administration, three (3) years of supervised release after her imprisonment and a \$500 special assessment.

The Court imposed the sentence of 69 months after a contested hearing on the Government's motion for an upward departure. The Court granted the motion and exceeded the guideline range to account for the impact that the defendant's crimes had on non-governmental victims.

The defendant, BARBARA SIMMONS DOWL with her ex-husband originally owned property at 8633 Zimple Street, New Orleans, Louisiana. After losing the property for unpaid taxes, in 2004, the City of New Orleans sold the property to Robinson Ventures, LLC. On October 31, 2005, the defendant applied to the Small Business Administration for a disaster loan claiming that she owned 8633 Zimple Street. The defendant then met with a Small Business Administration representative twice and falsely claimed ownership to close her loan. On April 26, 2006, the defendant recorded a false quit-claim deed in Notarial Archives of the City of New Orleans stating that the City of New Orleans sold the property to the defendant on that date. Neither the City of New Orleans or Robinson Ventures, LLC authorized the sale of 8633 Zimple Street in this false quit claim deed.

As a result of the fraud perpetrated on the Small Business Administration, the defendant received \$75,000.00 in cash. After the recordation of the false quit-claim deed, and receiving the SBA money, the defendant filed a Louisiana Road Home Program application falsely and fraudulently stating she was owner of 8633 Zimple Street on August 29, 2005, and that the property was her primary residence at the time of Hurricane Katrina. As a result of the defendant's fraudulent conduct involving the Road Home Program, she was awarded a grant of \$132,000 in Federal funds from the United States Department of Housing and Urban Development. At the closing of her Road Home Grant, she received a check for \$85,930. Additionally, the defendant caused the agents for the Louisiana Road Home Program to send a wire transfer of \$46,000 in grant funds to the Small Business Administration Finance Center in Denver, Colorado to partially pay off a Small Business Administration loan in the name of the defendant.

This case was investigated by the Small Business Administration Office of Inspector General, the United States Department of Housing and Urban Development - Office of Inspector General, the Federal Bureau of Investigation, and the Department of Homeland Security Office of Inspector General. The case is being prosecuted by Assistant U. S. Attorney Marvin Opatowsky, W. Scott Laragy and Sharan Lieberman.

Barbara Dowl

- Applied for a home she did not own.
- Submitted false Quit Claim Deed to LRHP to show ownership.
- Theft of Government Funds, False Statements and Wire Fraud.
- Sentenced to 69 months' imprisonment, ordered to make restitution in the amount of \$156,000 to the Louisiana Road Home Program and the Small Business Administration



New Orleans Husband and Wife Plead Guilty to Stealing Over \$270,000 in Katrina-Related Fraud

U.S. Attorney's Office
August 25, 2010

Eastern District of Louisiana
(504) 680-3000

NEW ORLEANS, LA—CHRESSYE WALLACE, age 43, and ROBERT WALLACE, age 49, both of New Orleans, Louisiana, pled guilty as charged today in front of U.S. District Chief Judge Sarah S. Vance to a three-count Bill of Information for theft of government funds for their role in obtaining over \$270,000 fraudulently from the Small Business Administration, the Louisiana Road Home Program, and the National Flood Insurance Program in the aftermath of Hurricane Katrina, announced U.S. Attorney Jim Letten.

According to court documents, in 1999 the WALLACES purchased a home located in the 1800 block of N. Roman St., New Orleans, Louisiana which subsequently caught fire and burned to the ground in August 2004. The house was never rebuilt. They also owned a home in the 1200 block of 1223 St. Roch Street, New Orleans, Louisiana, as well as a third home located in the 3300 block Nevada Street, New Orleans, Louisiana. At the time of Hurricane Katrina devastated the New Orleans area, the WALLACES were living at the home on Nevada Street.

After Hurricane Katrina struck New Orleans, ROBERT WALLACE submitted a claim to the NFIP, alleging that the home on N. Roman Street had been flooded by over four feet of water, even though no structure was standing there at the time of the storm. As a result of this application, and other, similar representations, ROBERT WALLACE received \$72,200 in federal funds.

ROBERT WALLACE also filed an application for SBA disaster loan assistance representing that he owned the property located in the 1200 block of St. Roch Street, New Orleans, Louisiana, and that the property was his primary residence on August 29, 2005. ROBERT WALLACE admitted today that he fraudulently represented that he was a full-time resident of the St. Roch Street property, when, in fact, he had been living at the Nevada Street property and was not living at the home on St. Roch Street. As a result of these representations, ROBERT WALLACE received \$50,000.00 from the SBA, for which he was not entitled.

Additionally,, from November 2006 through January 2009, CHRESSYE WALLACE submitted a series of documents to the Louisiana Road Home Program fraudulently claiming that she was living at the house located on St. Roch Street at the time of the storm. As a result of these false representations, CHRESSYE WALLACE obtained \$150,000 in HUD Community Development Block Grant money.

ROBERT WALLACE faces a possible maximum of twenty (20) years' imprisonment, a \$500,000 fine, and three (3) years of supervised release. CHRESSYE WALLACE faces a possible maximum of ten (10) years' imprisonment, a \$250,000 fine, and three (3) years' supervised release following any term of imprisonment. Sentencing has been scheduled for December 1, 2010.

The case was investigated by the U.S. Department of Housing and Urban Development - Office of the Inspector General, the Small Business Administration - Office of the Inspector General, the Federal Bureau of Investigation, and Department of Homeland Security - Office of Inspector General. The case is being prosecuted by Assistant U.S. Attorney Jordan Ginsberg

Robert and Chressye Wallace

- Applied for a home they did not occupy.
- Defrauded LRHP, SBA, FEMA, and Red Cross
- Robert was sentenced to 18 months incarceration, 3 years supervised release, and restitution in the amount of \$122,715.10.
- Chressye was sentenced to 6 months home detention, 6 months in a halfway house, 2.5 years supervised release, and restitution in the amount of \$110,300.00.



Department of Justice

U.S. Attorney's Office

Eastern District of Louisiana

SHARE 

Tracie Medus

FOR IMMEDIATE RELEASE

Thursday, November 12, 2015

Former New Orleans Police Officer Sentenced for Theft of Government Funds

U.S. Attorney Kenneth A. Polite announced that **TRACIE MEDUS**, age 40, of New Orleans, was sentenced today after having previously pled guilty to theft of government funds.

U.S. District Judge Mary Ann Vial Lemmon sentenced **MEDUS** to three years probation, including one year of home confinement. Additionally, **MEDUS** was ordered to make restitution in the amount of \$158,700.

MEDUS admitted that she defrauded the federally funded Small Rental Property Program, a Louisiana Road Home program to enable low-income families displaced by Hurricane Katrina to return to Louisiana. The program provided money for landlords to repair units to be rented at specified low rates to approved low-income tenants. Road Home required that tenants be approved for income eligibility and to reside in units prior to landlords receiving funds.

U.S. Attorney Polite praised the work of the Department of Housing and Urban Development - Office of Inspector General and the Federal Bureau of Investigation in investigating this matter and thanked the New Orleans Police Department's Public Integrity Bureau and the Internal Revenue Service's Criminal Investigation Division for their assistance. Assistant U.S. Attorney Chandra Menon was in charge of this prosecution.

- Received Small Rental Property Program funds to repair rental property
- Submitted falsified tenant records
- Charged tenants higher than allowed rent
- Sentenced to 12 months home confinement, three years supervised release and restitution in the amount of \$158,700.



Guilty plea in Katrina Road Home case

August 22, 2015 10:34 AM in [News](#) By: [Associated Press](#)

Share:    



NEW ORLEANS - Federal authorities say a New Orleans woman has been convicted in connection with a Hurricane Katrina-related recovery program.

U.S. Attorney Kenneth Polite says in a Friday news release that 53-year-old Deborah Fortner has pleaded guilty to one count of submitting false documents to the Road Home housing recovery program.

Polite says Fortner applied for a grant to renovate her home after Katrina. She was awarded more than \$97,000 in 2007. However, when she was asked for proof that she occupied the property before the storm, she faxed altered documents including a bank statement and a sewer and water statement.

Sentencing was set for Dec. 3. Fortner faces up to five years in prison.

Deborah Fortner

- Received LRHP grant, but did not comply with requirement of reoccupying the property.
- Submitted false documents so she didn't have to return the funds.
- Theft of Government Funds and False Statements.
- Sentenced to three years of probation, restitution in the amount of \$97,969.22



Attorney files suit over 'fraudulent' Harvey contracts, says companies lied to get business with city

- A Houston attorney filed a lawsuit on behalf of two companies that allege they were fraudulently listed as subcontractors by two companies that later secured millions of dollars for Hurricane Harvey relief work from the city of Houston.
- Filed Tuesday in Harris County, the action alleges that the owners of the two companies were unaware that they were listed as minority-owned subcontractors by two prime contractors which each received contracts worth as much as \$66 million from the city to help rebuild or rehabilitate homes affected by the storm.
- The owners of the companies said they learned they were listed on the bids through a website run by the Office of Business of Opportunity, which monitors the program.



Monitoring Tip: Bank Statements

Structure grantee agreements so that bank statements must be produced upon request:

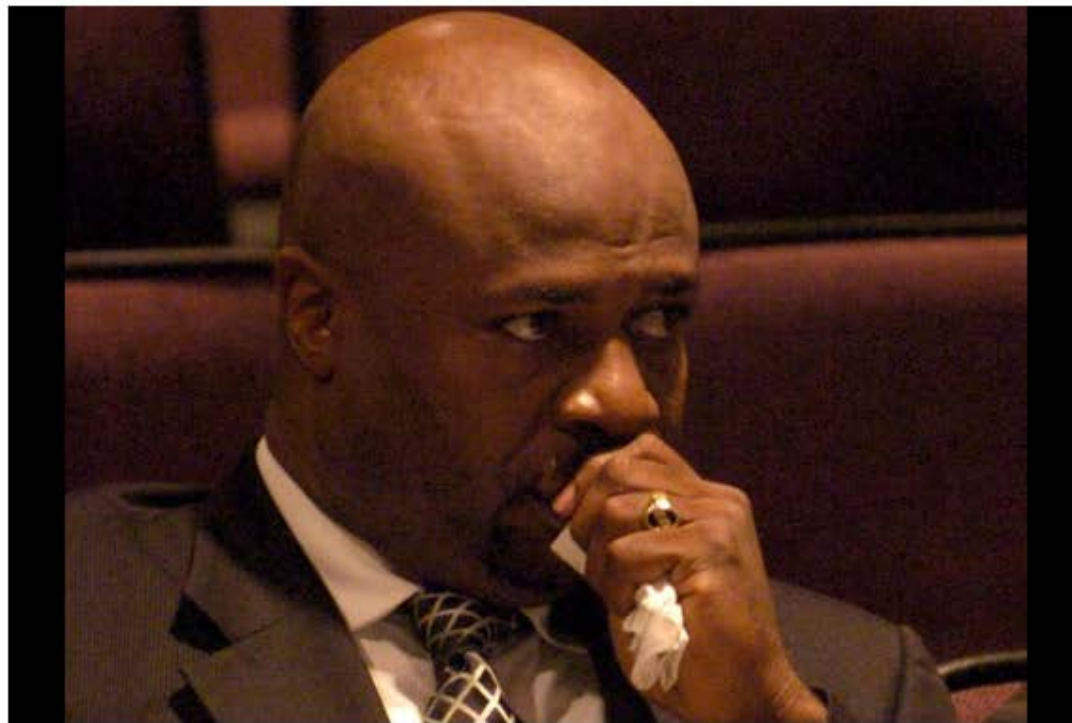
- Randomly select months
- Make sure you get the complete bank statement
- Look for voided checks
- Look for debit card transactions
- Look for patterns unusual for grant funded programs
- Ask for proof that un-related charges are not being paid with grant funds



Monitoring Tip: Bank Statements

Nonprofit founder pleads guilty to \$76,000 theft

Duplicate Payments
ATM withdrawals
“Cash Back” at stores
Rental Cars
Hotels
Only other employee
was girlfriend



 [BUY PHOTO](#)

 [HIDE CAPTION](#)

Lyndon Jones - [HERALD-TRIBUNE ARCHIVE](#)

Monitoring Tip: Credit Cards

Structure grantee agreements so that credit card statements must be produced upon request:

- Randomly select at least 1 month
- Look for how charges are allocated
- Look for charges that are obviously un-related to the agency mission
- Ask for proof that un-related charges are not being paid with grant funds



Monitoring Tip: Credit Cards

Former employee accused of stealing from Housing Authority

Melanie Payne, TELLMEL@NEWS-PRESS.COM

Published 12:53 p.m. ET May 25, 2016 | Updated 3:37 p.m. ET May 25, 2016



(Photo: Sarah Coward/news-press.com)



The former director of client services for the Housing Authority of the City of Fort Myers is under investigation for alleged embezzlement.

Twaski Jackson worked for the Housing Authority for nearly a decade. The Housing Authority uses federal government funds to provide or subsidize affordable housing in Lee County and the city of Fort Myers. Prior to the allegations Jackson resigned to take a position with the Richmond Redevelopment and Housing Authority in Virginia. His last day at the Fort Myers Housing Authority was May 11. But he is not

Restaurants
Tuition
Collection Accounts
Trips
Gifts

Civil Consequences of Committing Fraud

Civil Liability

- **May be imposed in addition to criminal prosecution**
- Civil False Claims Act, 31 U.S.C. §§3729-3733
- Liability includes treble damages (3x actual damages) and a fine of up to \$11,000 for each false claim.
- False claims liability includes payments received when the Government relied upon false information in the work proposal, in a certification of current cost or pricing data, in a request for payment or in progress reports.
- Although the statute requires knowledge that the claim was false, the term “knowledge” includes “deliberate ignorance” or “reckless disregard for the truth.”
- Whistleblowers can receive up to 30% of award for reporting fraud via *qui tam* provision of False Claims Act.



Administrative Consequences of Committing Fraud

Potential Administrative Sanctions

Title	Statute	Maximum Penalty	When Used
Program Fraud Civil Remedies Act (PFCRA)	<p>Codified at 31 U.S.C. §§ 3801-3812.</p> <p>HUD implemented the PFCRA at 24 C.F.R. Part 28.</p>	<p>Damages payable to the Federal government for each false claim is two times the amount of the claim, plus a penalty in an amount ranging up to \$6,500.</p> <p>Damages payable to the Federal government for each false statement is a penalty in an amount ranging up to \$6,500</p>	<p>PFCRA is essentially a combination of the criminal false statements/claims statutes (18 U.S.C. §§ 287, 1001) and the False Claims Act. The PFCRA creates liability for:</p> <ul style="list-style-type: none"> • Making, presenting, submitting, or causing to be made, presented or submitted to the Government or the recipient of the Government's largess; • A material false claim or statement (each such statement must be supported by a certification or affirmation of truthfulness); and • Knowing or having reason to know that the claim or statement is false.
Suspension and Debarment	<p>Non-statutory prospective remedy.</p> <p>HUD implemented Debarment & Suspension authority at 24 C.F.R. Part 24.</p>	<p>Ordinarily, debarments do not exceed 3 years and suspensions do not exceed 1 year, and these sanctions apply government-wide.</p> <p>Can be indefinite.</p>	<ul style="list-style-type: none"> • Conviction (or indictment for suspension) for fraud connected with HUD programs. • Criminal or civil judgment for violating antitrust statutes. • Contract violations. • Doing business with debarred entity or person. • Willful violation of a statutory or regulatory provision applicable to a public agreement.





SECTION VI

Referring Fraud

Don't Hide Dirty Laundry...Clean it!

- The occurrence of fraud alone is not a sign of a poorly run or mismanaged agency.
- The *reaction* to the occurrence of fraud is what defines the management of an agency.
- The existence of a fraud policy and proper handling of fraud is itself a deterrent to clients, vendors and employees.
- Addressing fraud assists with ridding the industry of “bad apples.”
- Addressing fraud to determine what procedures were violated allows management to truly close gaps to ensure the same fraud will not reoccur.



What kinds of things should you report?

- Mismanagement
- Violations of laws, rules or regulations
- Theft of and fraudulent claims for funds

Note: Hotline complaints can be kept confidential, upon request.



Measures to Assist OIG in Successful Investigations

- Make sure the eligibility criteria are clearly defined
- Incorporate signed [certifications](#) and [fraud acknowledgments](#)
- Utilize a checklist signed by recipients case management employees documenting items covered in meeting
- Maintain judicious case management notes
- Record method of submittal of documents (Mail, e-mail, fax)
- Involve HUD-OIG early at first indication of fraud
- Cooperate with HUD-OIG
 - No Subpoena required
 - Maintain original documents
 - Access to records





National Center for
Disaster Fraud Home

Meet the Executive
Director

Mission

Press Room

Resources

How to Report
Disaster-Related
Fraud

NATIONAL CENTER FOR DISASTER FRAUD (NCDF)

ABOUT THE CENTER

Disaster **Fraud** Hotline

866-720-5721

email: disaster@leo.gov

Anonymous & Confidential

The National Center for Disaster Fraud (NCDF) is the result of a partnership between the U.S. Department of Justice and various law enforcement and regulatory agencies to form a national coordinating agency within the Criminal Division of the Department of Justice to improve and further the detection, prevention, investigation, and prosecution of fraud related to natural and man-made disasters, and to advocate for the victims of such fraud.

NCDF was established in 2005 in the wake of Hurricane Katrina, when billions of dollars in federal disaster relief poured into the Gulf Coast region. NCDF, initially known as the Hurricane Katrina Disaster Fraud Task Force and later as the Disaster Fraud Task Force, expanded its mission to become the national coordinating agency for all man-made and natural disasters. NCDF's Gulf Coast headquarters is located in Baton Rouge, Louisiana.

Since 2005, NCDF has received over 70,000 complaints from 50 states, 6 territories, and 4 countries involving over 50 natural and man-made disasters. In connection with Hurricane Katrina alone, federal prosecutors charged over 1,300 disaster fraud cases in 49 different

NATIONAL CENTER FOR DISASTER FRAUD

LEADERSHIP

Corey Amundson
Acting Executive Director

CONTACT

Disaster Fraud Hotline
(866) 720-5721



HURRICANE IRMA
FEDERAL RESOURCES

Learn more



The Department of Justice's
Response to Hurricanes Harvey
and Irma



CONTACT INFORMATION

HUDOIG HOTLINE: HOTLINE@hudoig.gov

NCDF: 866-720-5721 and/or disaster@leo.gov

AGENCY WEBSITE: www.hudoig.gov

Contact Information

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Disaster Relief and Oversight Division
451 Seventh Street, SW
Room 8264
Washington, DC 20410
(202) 402-3238

