

II. Fraud Information Bulletin: Detecting and Preventing Embezzlement by Section 8 Fund handlers

Purpose

This Bulletin highlights a recurring national problem in the embezzlement of Section 8 funds by HA officials empowered to issue Section 8 vouchers (checks) on behalf of low-income renters.

Background

OIG's mission is to provide policy direction for HUD and to conduct, supervise, and coordinate audits, investigations, and other activities for the purpose of promoting economy and efficiency in the administration of the programs and operations of HUD and preventing and detecting fraud and abuse in such programs. HUD administers federal aid to local HAs that own and operate housing for low-income residents at rents they can afford. During the course of audits and investigations of, and relating to, HAs, OIG has discovered multiple instances of HA officials abusing Section 8 vouchers for personal gain. Examples of these schemes follow.

Examples

In Newark, NJ, a former official with the Housing Authority for the City of Perth Amboy (HACPA) pled guilty to four counts of theft from a program receiving government funds. The official administered Section 8 funds for HACPA, including issuing vouchers to landlords on behalf of Section 8 recipients. While serving in this capacity, the official forged the signatures of various landlords on Section 8 vouchers and endorsed the checks over to herself. The official then deposited the funds into her personal account. Over several years, the official managed to embezzle \$407,603 of Section 8 funds in this manner, which she spent on jewelry, clothes, travel, and other personal expenses.

In Boston, MA, a former official with the Avon Housing Authority (AHA) was indicted on multiple bribery counts. The official, who administered Section 8 funds for the AHA, solicited and received bribes from Section 8 applicants. In exchange for these bribes, the official would issue vouchers to the applicants, some of whom would not otherwise be eligible to receive them or would normally wait longer to receive them. The official exceeded the AHA's number of allowed vouchers by over 90, for a total value of approximately \$1.3 million, causing the AHA to pay nearly \$50,000 per month it did not have. As a result, the AHA was forced to

terminate more than 90 eligible families from the Section 8 program.

What Happens

In each case, a particular HA official possesses primary responsibility for issuing Section 8 vouchers. Although other HA personnel may technically be required to play a role in authorizing such vouchers, the official in question acts independently to a large degree. Exploiting this independence, the official mishandles the Section 8 funds in some way, such as by fraudulently endorsing vouchers and keeping the funds, or by issuing unauthorized vouchers in exchange for bribes.

The Problem

Federal funds are at risk, and from an HA's standpoint avoiding victimization can be difficult. First, even tiny HAs may have numerous landlords who regularly receive Section 8 vouchers, and it only takes one employee to open an HA to fraud. Second, HAs may have few personnel, often stretched thin or performing multiple jobs, making it difficult to detect and prevent fraud by a fellow HA employee. Third, every Section 8 dollar wasted or stolen is lost to those low-income individuals who require Section 8 assistance, thereby reducing the number of available vouchers.

Red Flags

- Discrepancies between income actually received by a participating landlord and the amount shown on the landlord's 1099.
- Discrepancies between income actually received by a participating landlord and the amount indicated in recertification documents.
- Inability or unwillingness of HA's Section 8 fund administrator to produce copies of vouchers.

HA Responsibility. What Can Be Done?

Internal Controls

The key step in preventing these problems is for HAs to enhance procedures for preventing and detecting fraud and mismanagement (*i.e.*, to improve internal controls). The most effective internal control concept is separation of duties. An ideal system of internal controls will separate three functions: (1) Authorizing transactions; (2) keeping books; and (3) handling funds.

Certification and Recertification Authority. Duties should be separated even further, however. HA officials who handle funds should not also handle landlord certifications and recertifications for Section 8 eligibility, because the recertification process

might reveal fraud, waste, or abuse in those officials' handling of Section 8 funds over the past year. For example, recertification documents could reveal discrepancies between the amount of money actually distributed to landlords, and the amount that official claimed was distributed. Otherwise, fund handlers might conceal misdeeds for long stretches of time. Certification and recertification authority should be placed only with HA personnel other than those who handle Section 8 funds.

Executive Director—More Training, Closer Supervision. Executive directors—particularly in small HAs—cannot leave all Section 8 matters in the hands of the official charged with handling the funds. Executive directors must undergo training on a regular basis to ensure current knowledge of the Section 8 program, and must supervise all HA employees closely to prevent unauthorized distributions of Section 8 funds. Separation of duties does not mean that the executive director abdicates all responsibility for functions performed by other HA officials.

External Controls

Electronic Payment Systems. HAs may also consider converting to an electronic payment system, and ensuring that the person(s) authorized to handle funds are not the only HA officials authorized to access that system. Electronic payment systems presumably generate an automatic, nearly real-time record of all issued vouchers, thereby ensuring that the HA official who keeps the books will learn promptly of any questionable Section 8 expenditures by the HA official responsible for administering the funds.

Dated: June 27, 2005.

Kenneth M. Donohue,

Inspector General.

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DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

Agency Information Collection Activities Under OMB Review; Comment Request

AGENCY: Bureau of Reclamation, Interior.

ACTION: Notice of renewal of currently approved collection (OMB No. 1006-0005).

SUMMARY: In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), this notice announces the following Information

Collection Request (ICR) has been forwarded to the Office of Management and Budget (OMB) for review and approval: Individual Landholder's and Farm Operator's Certification and Reporting Forms for Acreage Limitation, 43 CFR part 426 and 43 CFR part 428, OMB Control Number: 1006-0005. The ICR describes the nature of the information collection and its expected cost and burden.

DATES: Your comments must be received on or before August 4, 2005.

ADDRESSES: You may send comments regarding the burden estimate, or any other aspect of the information collection, including suggestions for reducing the burden, to the Desk Officer for the Department of the Interior at the Office of Management and Budget, Office of Information and Regulatory Affairs, via facsimile to (202) 395-6566 or e-mail to OIRA_DOCKET@omb.eop.gov. A copy of your comments should also be directed to the Bureau of Reclamation, Attention: D-5300, P.O. Box 25007, Denver, CO 80225-0007.

FOR FURTHER INFORMATION CONTACT: For further information or a copy of the proposed forms contact Stephanie McPhee, D-5300, P.O. Box 25007, Denver, CO 80225-0007; or by telephone: (303) 445-2897.

SUPPLEMENTARY INFORMATION:

Title: Individual Landholder's and Farm Operator's Certification and Reporting Forms for Acreage Limitation, 43 CFR part 426 and 43 CFR part 428.

Abstract: This information collection requires certain landholders (direct or

indirect landowners or lessees) and farm operators to complete forms demonstrating their compliance with the acreage limitation provisions of Federal reclamation law. These forms are submitted to districts who use the information to establish each landholder's status with respect to landownership limitations, full-cost pricing thresholds, lease requirements, and other provisions of Federal reclamation law. In addition, forms are submitted by certain farm operators to provide information concerning the services they provide and the nature of their farm operating arrangements.

All landholders whose entire westwide landholdings total 40 acres or less are exempt from the requirement to submit Reclamation Reform Act of 1982 (RRA) forms. Landholders who are "qualified recipients" have RRA forms submittal thresholds of 80 acres or 240 acres depending on the district's RRA forms submittal threshold category where the land is held. Only farm operators who provide multiple services to more than 960 acres held in trusts or by legal entities are required to submit forms. This collection of information allows the Bureau of Reclamation (we, our, or us) to establish landholders' compliance with Federal reclamation law.

Changes to the RRA forms and the instructions to those forms: Several proposed changes were made to the current RRA forms and the instructions to those forms prior to the 60-day comment period initiated by the notice published in the **Federal Register** on

February 1, 2005 (70 FR 5219, Feb. 1, 2005). Those changes were designed to increase the respondents' understanding of the forms, instructions to the forms, and what information is required to be submitted with the forms to the districts. Comments resulting from the 60-day comment period consisted of minor language additions, deletions, and revisions to specific areas of certain RRA forms. Such additions, deletions, and revisions reflected language found in current RRA directives and/or in other places within the current RRA forms. Changes based on the comments received were made when the changes resulted in increased clarity and increased correctness of the RRA forms and the corresponding instructions. All other changes that were made are editorial or typographical in nature. The proposed revisions to the RRA forms will be included starting in the 2006 water year.

Frequency: Annually.

Respondents: Landholders and farm operators of certain lands in our projects, whose westwide landholdings exceed specified RRA forms submittal thresholds.

Estimated Total Number of Respondents: 17,875.

Estimated Number of Responses per Respondent: 1.02.

Estimated Total Number of Annual Responses: 18,233.

Estimated Total Annual Burden on Respondents: 13,590 hours.

Estimate of Burden for Each Form:

Form No.	Estimated Number of respondents	Frequency of response	Total annual responses	Burden estimate per form (in minutes)	Total burden hours
Form 7-2180	4,963	1.02	5,062	60	5,062
Form 7-2180EZ	503	1.02	513	45	385
Form 7-2181	1,467	1.02	1,496	78	1,945
Form 7-2184	36	1.02	37	45	28
Form 7-2190	1,845	1.02	1,882	60	1,882
Form 7-2190EZ	109	1.02	111	45	83
Form 7-2191	880	1.02	898	78	1,167
Form 7-2194	4	1.02	4	45	3
Form 7-21PE	178	1.02	182	75	228
Form 7-21PE-IND	5	1.02	5	12	1
Form 7-21TRUST	1,045	1.02	1,066	60	1,066
Form 7-21VERIFY	6,237	1.02	6,362	12	1,272
Form 7-21FC	243	1.02	248	30	124
Form 7-21XS	164	1.02	167	30	84
Form 7-21FARMOP	196	1.02	200	78	260
Total	17,875	1.02	18,233	13,590

Comments

Comments are invited on:

(a) Whether the proposed collection of information is necessary for the proper performance of our functions, including

whether the information will have practical use;

(b) The accuracy of our burden estimate for the proposed collection of information;

(c) Ways to enhance the quality, usefulness, and clarity of the information to be collected; and

(d) Ways to minimize the burden of the collection of information on

respondents, including the use of automated collection techniques or other forms of information technology.

An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number. Reclamation will display a valid OMB control number on the RRA forms. A **Federal Register** notice with a 60-day comment period soliciting comments on this collection of information was published in the **Federal Register** on February 1, 2005 (70 FR 5219, Feb. 1, 2005). A list of the comments received and our responses to those comments will be sent to: (1) all districts, (2) all commenters, and (3) OMB with the ICR; it is also available from us upon request.

OMB has up to 60 days to approve or disapprove this information collection, but may respond after 30 days; therefore, public comment should be submitted to OMB within 30 days in order to assure maximum consideration.

Department of the Interior practice is to make comments, including names and home addresses of respondents, available for public review. Individual respondents may request that we withhold their home address from public disclosure, which we will honor to the extent allowable by law. There also may be circumstances in which we would withhold a respondent's identity from public disclosure, as allowable by law. If you wish us to withhold your name and/or address, you must state this prominently at the beginning of your comment. We will make all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public disclosure in their entirety.

Dated: June 17, 2005.

Roseann Gonzales,

Director, Office of Program and Policy Services.

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DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

Agency Information Collection Activities Under OMB Review; Comment Request

AGENCY: Bureau of Reclamation, Interior.

ACTION: Notice of renewal of a currently approved collection (OMB No. 1006-0006).

SUMMARY: In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), this notice announces the following Information Collection Request (ICR) has been forwarded to the Office of Management and Budget (OMB) for review and comment: Certification Summary Form and Reporting Summary Form for Acreage Limitation, 43 CFR part 426 and 43 CFR part 428, OMB Control Number: 1006-0006. The ICR describes the nature of the information collection and its expected cost and burden.

DATES: Your comments must be received on or before August 4, 2005.

ADDRESSES: You may send comments regarding the burden estimate, or any other aspect of the information collection, including suggestions for reducing the burden, to the Desk Officer for the Department of the Interior at the Office of Management and Budget, Office of Information and Regulatory Affairs, via facsimile to (202) 395-6566 or e-mail to OIRA_DOCKET@omb.eop.gov. A copy of your comments should also be directed to the Bureau of Reclamation, Attention: D-5300, PO Box 25007, Denver, CO 80225-0007.

FOR FURTHER INFORMATION CONTACT: For further information or a copy of the proposed forms contact Stephanie McPhee, D-5300, PO Box 25007, Denver, CO 80225-0007; or by telephone: (303) 445-2897.

SUPPLEMENTARY INFORMATION:

Title: Certification Summary Form and Reporting Summary Form for Acreage Limitation, 43 CFR part 426 and 43 CFR part 428.

Abstract: The summary forms in this information collection are to be used by district offices to summarize individual landholder (direct or indirect landowner or lessee) and farm operator certification and reporting forms as required by the Reclamation Reform Act of 1982 (RRA), 43 CFR part 426 and 43 CFR part 428. This information allows the Bureau of Reclamation (we, our, or us) to establish water user compliance with Federal reclamation law.

Changes to the Reclamation Reform Act of 1982 (RRA) Forms and the Instructions to Those Forms

Proposed changes were made to the current Form 7-21SUMM-C, Form 7-21SUMM-R, the corresponding tabulation sheets, and the corresponding instructions prior to the 60-day comment period initiated by the notice published in the **Federal Register** on February 1, 2005 (70 FR 5222, Feb. 1, 2005). Those changes were designed to increase the respondents' understanding

of the summary forms, the instructions to the summary forms, and what information is required to be submitted to Reclamation. Comments resulting from the 60-day comment period consisted of minor language additions, deletions, and revisions to specific areas of certain summary forms. Such additions, deletions, and revisions reflected in language found in current RRA directives and/or in other places within the current summary forms. Changes based on the comments received were made when the changes resulted in increased clarity and increased correctness of the summary forms and the corresponding instructions. All other changes that were made are editorial or typographical in nature. The proposed revisions to the summary forms will be included starting in the 2006 water year.

Draft of a New Form

As part of Reclamation's ongoing acceptance of users' comments on the RRA forms, Reclamation received a request to devise a way to more efficiently track limited recipients that hold less than 40 acres (*i.e.*, those that are below the RRA forms submittal threshold and thus do not submit standard RRA forms) and the full-cost and excess land held by such limited recipients. In an effort to address this comment Reclamation proposed a draft of a new form, "Tabulation H of Limited Recipients That Hold Less Than 40 Acres, and Full-Cost Landholders and Excess Landowners That Are Below the RRA Forms Submittal Threshold." This draft form was presented for public comment during the 60-day comment period initiated by the **Federal Register** notice published on February 1, 2005 (70 FR 5222, Feb. 1, 2005). Nearly all of the public comments received with regard to the proposed new form expressed opposition to the form. Therefore, the proposed new form will not be implemented for use in the 2006 or future water years, and the proposed new form is not included as part of the forms presented for comment during this 30-day comment period.

Frequency: Annually.

Respondents: Contracting entities that are subject to the acreage limitation provisions of Federal reclamation law.

Estimated Total Number of Respondents: 238.

Estimated Number of Responses per Respondent: 1.25.

Estimated Total Number of Annual Responses: 298.

Estimated Total Annual Burden on Respondents: 11,900 hours.

Estimate of Burden for Each Form: