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September 19, 2011

Evelyn Friedman  
Chief of Housing and Director, City of Boston  
Department of Neighborhood Development  
26 Court St  
Boston, MA 02108

Dear Ms. Friedman:

The Office of the Inspector General has been reviewing American Recovery and Reinvestment Act of 2009 (ARRA) funded grants in Massachusetts. Once such grant is the U.S. Department of Housing and Urban Development's (HUD) Homeless Prevention and Rapid Re-housing Program grant (HPRP). The City of Boston's Department of Neighborhood Development (DND) is a program grantee.

OIG oversight included a review of HPRP program issues that had been previously identified by other oversight agencies or by grantees themselves.<sup>1</sup> In DND's case, the City Auditor had conducted a review of one of DND's HPRP sub-grantees, the Catholic Charitable Bureau of the Archdiocese of Boston Inc. (Catholic Charities), and found a number of issues including several suspect tenant/landlord relationships that could have indicated collusion to obtain program benefits – a fraud.<sup>2</sup> The OIG discussed the matter with City audit staff and DND and City audit staff informed the OIG that neither agency planned to pursue these findings because a review had been scheduled by the regional HUD office.<sup>3</sup> DND staff stated that HUD would ultimately determine if any of the findings would require HPRP funds to be returned to HUD. According to DND, the City rather than Catholic Charities would be financially responsible in the event HUD required a return of funds.

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<sup>1</sup> The complete OIG HPRP review has been issued recently under separate cover.

<sup>2</sup> The audit report identified files with missing or doctored leases, missing past due rent notices/eviction notices, and tenant/landlord relationships involving family members.

<sup>3</sup> HUD staff recently completed their review, but the OIG has not yet been apprised of their findings.

Since City staff stated that they did not intend to review the matter further and because of the potential fraud that had been identified, the OIG decided to conduct a limited follow-up review of the Catholic Charities program files.

The OIG review should not be construed as an audit, investigation, or comprehensive review of Catholic Charities or its HPRP program. The OIG intended its findings to provide guidance to DND, Catholic Charities and others involved with the HPRP grant management on how to mitigate fraud risk.

The OIG focused this review of Catholic Charities on certain processes, namely, rental arrearage payments for applicants, a component of the HPRP grant program. Rental arrearage payments represented 78% of all HPRP financial assistance payments issued by Catholic Charities. Based on its statewide program review, the OIG had considered rental arrearage assistance to be a high risk of fraud, waste, and abuse because of the potential for collusion between applicants (tenants) and landlords and the limited documentation needed to justify these payments. The City's audit report also stated that: "This form of assistance is considered high risk due to its volume and nature."

The OIG randomly selected 40 (out of the 81) case files for applicants who received rental arrearage assistance. The dollar value of the case files selected totaled \$165,368 or 54.6% of the rental arrearage assistance issued by Catholic Charities. City Auditor and DND staff reviewed a total of 26 case files during three site visits.

The OIG concurred generally with the City audit findings including that "documentation [is] below satisfactory," "supporting documents are inconsistent", "some files missing supporting documents," and "there are several suspect tenant/landlord relationships" based on the type and quality of information contained in the case files. Additionally, the OIG found that many case files, although they contained basic elements, lacked adequate documentation to support client income and "imminent risk of homelessness" eligibility, or how clients would be able to pay for housing after arrearage payments/rental subsidies ended.

The OIG also identified many "red flags" that should have invited additional staff inquiry. For example, tenant/landlord collusion could have been indicated by hand-written 14-day notices of impending eviction or hand-written arrearage statements from landlords, a lack of formal lease agreements, or tenants and landlords with the same last name living at the same address (such as a two family house). The OIG also identified reported "normal" income that could not support rental payments even in the best of circumstances, evidence of unreported household members and claims for arrearage payments when it appeared the applicant intended to move from their current address even if eviction proceedings had been halted. The following are some of the specific issues from the cases files examined by the OIG:

- 1) Applicants claimed monthly rent owed in excess of total monthly gross household income raising questions of affordability and sustainability. (The OIG is only referring to

cases where income/employment status had not changed from before the accrual of arrearages.)

- 2) Several files noted how a client had managed to pay for rent and living expenses before becoming "eligible" for the grant. Case files did not adequately document the current need for rental assistance.
- 3) A small number of recipients had household income that exceeded HPRP eligibility guidelines and therefore should have been deemed ineligible for assistance.
- 4) In violation of HPRP requirements, Catholic Charities staff authorized rental arrearage payments in excess of the six-month grant limit.
- 5) Staff approved "multiple" rental arrearage payments for the same client.
- 6) Staff approved what appeared to have been rental arrearage payments for local college students.
  - a. In one case, a student appeared to have entered into a four month lease prior to graduation, failed to pay any rent, and sought the subsidy at lease-end. Catholic Charities staff made no effort to contact the school to report the delinquency and if the student received financial aid.
  - b. In another case, the applicant shared an apartment with several other individuals (on a single lease). HPRP requires the grantee/sub-grantee to consider the income of all adults (18 and over) living in the apartment when calculating income eligibility. The applicant's roommates declined Catholic Charities' request for income documentation so the application was denied. The applicant subsequently reapplied with a sub-divided the lease. Apparently, each roommate now had a lease for a portion of the rent. This enabled the applicant to now "qualify" for rental assistance. The file lacked documentation to explain the change in the lease or explain why (as required by grant rules) the applicant was in "imminent" risk of eviction.
- 7) Staff accepted oral assurance rather than documentation from an applicant (a state employee) that the applicant's mother, a household member, did not have any income.
- 8) Staff approved rental payments when there appeared to be a family relationship between the applicant and a landlord.
- 9) Staff appeared to have routinely failed to verify income information for all household members over the age of 18.

- 10) Staff approved rental payments to applicants who appeared to be habitually behind in rental payments (sometimes spanning over a number of years) and therefore were not in imminent risk of eviction pursuant to grant rules.
- 11) Case files for applicants who claimed a disability lacked any medical records or written third party evidence of the claimed disability.
- 12) Applicant files lacked documentation of zero income verification for household members that claimed no income.
- 13) After three months, sub-grantees are required by grant rules to “re-certify” client eligibility. Catholic Charities had no recertification guidelines in place. Case files did not contain adequate recertification documentation.
- 14) Staff ignored red flags of additional household members that were not indicated or accounted for on a head of household application. For example, a staff member informed the OIG that he suspected another individual was living in the applicant’s household, but he did not pursue the matter.
- 15) Using commercially available background search databases, the OIG found “red flags” relating to the information provided by 23% (9 of the 40) of program applicants. These red flags included the following:
  - a. In three cases, an applicant had multiple social security numbers;
  - b. In one case, the applicant was also identified as the property owner. It remains unclear whether, and to whom, the applicant owed rent;
  - c. It appears that two families received benefits at the same address;
  - d. The address provided by an applicant did not match any known addresses for the applicant.

The lack of applicant documentation and “red flags” should have triggered additional staff inquiry by Catholic Charities or the DND. However, claims continued to be processed as usual creating a significant risk for fraud, waste and abuse. The OIG confirmed that many “red flags” of fraud and abuse went uninvestigated by Catholic Charities or DND. Catholic Charities staff stated that they had identified many “red flags” themselves, but could not take appropriate action because DND and another DND sub-grantee that oversaw financial assistance - the Metropolitan Boston Housing Partnership (MBHP) - knowingly approved financial assistance applications even when Catholic Charities questioned applicant eligibility and informed MBHP of this concern.

Staff also stated that DND and MBHP exerted “pressure” on staff to process as many applicants as quickly as possible regardless of any concerns, reservations or “red flags” that staff might have had or identified. Staff offered that even when specific cases with “red flags” had been referred to MBHP for review, such as suspect tenant/landlord relationships or the possible withholding of income data by the applicant, MBHP told Catholic Charities staff to approve the application regardless. Staff stated that they approved the applicants because they could not confirm their suspicions and MBHP had reviewed and approved this course of action. Staff also stated that in some cases when they denied an application based on suspicions, MBHP reversed the decision upon review. In effect, few applicants had been denied. Moreover, the program did little beyond the initial applicant intake process, even when applicants provided deficient documentation, to verify information, follow-up with applicants, or conduct due diligence of any kind. Staff also noted that the program had been introduced without adequate guidelines and guidance from either HUD or DND.

If the aforementioned practices extended to other DND sub-grantees besides Catholic Charities, then the entire program lacked basic safeguards against fraud, waste, and abuse and in the process management appears to have aided those who may have tried to gain benefits unjustly.

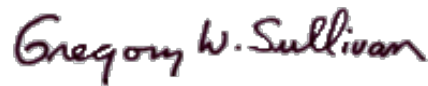
The OIG is concerned about the statements made about MBHP actions and believes that DND should review the matter immediately and, if necessary, take appropriate action against MBHP, such as requiring a return of a portion of the grant funds paid to MBHP to oversee financial assistance disbursement. As the program is nearly complete, there may not be many significant opportunities for other risk mitigation or the recovery of funds from applicants. However, for other on-going or future grant programs, the OIG strongly recommends that DND adopt the following basic safeguards:

- Conduct a fraud risk assessment for each grant program and for sub-grantees.
- Deny applications without proper documentation.
- Require applicants to sign all applications and forms under the pains and penalties of perjury.
- Require that forms from third-parties be notarized and also signed under the pains and penalty of perjury.
- Improve and support the data/application verification process. Consider audit sampling.
- Require applicants to provide permission to access additional documentation such as federal tax returns.
- Provide anti-fraud training to caseworkers/sub-grantee staff.

- Ensure that program guidelines are in place before the program begins.
- Audit/review sub-grantee performance more frequently, especially with new grant programs. Ensure that sub-grantees understand their oversight responsibilities for the approval and issuance of benefits.
- Consider making sub-grantees financially responsible for approving benefits for ineligible applicants.

We appreciate the assistance of staff from DND, the Office of the City Auditor and Catholic Charities during this review. Please do not hesitate to contact us with any questions or concerns. My point of contact for this review is Deputy Inspector General Neil Cohen. Thank you.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive, slightly slanted style.

Gregory W. Sullivan  
Inspector General

cc: Ana Boyd, Deputy Director, DND  
Kristen Ekmalian, Asst. Regional Inspector General, HUD OIG  
Mary L. Raysor, Assistant City Auditor  
Sr. Maryadele Robinson, Catholic Charities  
Alana Murphy, Director of Policy (DHCD)