

Testimony before the U.S. House of Representatives  
Committee on Financial Services  
Subcommittee on Oversight and Investigations

“Exploring Alleged Ethical and Legal Violations at the  
U.S. Department of Housing and Urban Development”



Testimony of  
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Chairman Duffy, Ranking Member Green, and Members of the Subcommittee, I am David A. Montoya, Inspector General of the U.S. Department of Housing and Urban Development (HUD). Thank you for the opportunity to testify regarding our investigative and audit work of ethical and legal issues at the Department including lobbying activities, its use of agreements under the Intergovernmental Personnel Act (IPA) and other investigations of HUD employee misconduct.

The HUD Office of Inspector General (OIG) is one of the original 12 Inspectors General authorized under the Inspector General Act of 1978. The OIG strives to make a difference in HUD's performance and accountability. The OIG is committed to its statutory mission of detecting waste, fraud, abuse, and mismanagement as well as promoting the effectiveness and efficiency of government operations. While organizationally located within the Department, the OIG operates independently with separate budget authority. This independence and our impartiality are imperative and allow for clear and objective reporting to the Secretary and to the Congress.

### **HUD Lobbying Activities**

On February 26 of last year, I testified before this Subcommittee regarding our investigation of HUD lobbying activities. The HUD-OIG received a request dated August 28, 2013 from Representative Patrick McHenry, former Chairman, U.S. House of Representatives, Committee on Financial Services, Subcommittee on Oversight and Investigations (Subcommittee) regarding an e-mail communication sent by former HUD Deputy Secretary Maurice Jones on July 31, 2013. The e-mail communication was addressed to "friends and colleagues" and called on the recipients to contact specific U.S. Senators and encourage them to vote in favor of procedural motions to advance Senate consideration of S. 1243, legislation making appropriations for fiscal year 2014 for the Department of Transportation, HUD, and Related Agencies. At the time, this matter was pending before Congress. The e-mail communication urged recipients to oppose certain amendments and suggested that recipients encourage named Senators to support final passage of the bill. The Subcommittee asked HUD-OIG to investigate this matter and advise the Subcommittee whether HUD's actions violated any federal law.

Our investigation of HUD lobbying activities concluded that HUD appeared to have violated anti-lobbying riders contained in the Consolidated Appropriations Act, 2012, and in the Consolidated and Further Continuing Appropriations Act, 2013. The riders included language that restricted the use of appropriated funds for publicity or propaganda purposes directed at legislation pending before Congress. As an appropriations measure, these provisions are subject to interpretation and enforcement by the Comptroller General of GAO. GAO issued its determination, subsequent to the hearing, on September 9, 2014, that HUD violated these anti-lobbying riders as well as the Antideficiency Act, when it obligated and expended funds to prepare and transmit the July 2013 e-mail.

At that hearing, I recounted the series of events and lapses in judgment that resulted in HUD engaging in grassroots lobbying activities that violated these laws. While our investigation did not result in criminal prosecution, it did discern an institutional failure to follow HUD's own existing internal policies. There were breakdowns in communication and in responsibility and a failure to adhere to existing policies and procedures. This led to placing the Department and its second highest ranking official, the former Deputy Secretary, into an embarrassing situation, one

that leaves an impression of lapses in judgment and in ethical decision-making. HUD officials changed existing policies, in the midst of the OIG investigation, in an attempt to legitimize their actions and impeded our investigation by withholding information and threatening the HUD-OIG investigating agents. In response to our report of investigation, HUD took no formal disciplinary action. Elliott Minberg resigned from his HUD position in April 2014 and Peter Constantine was verbally reprimanded.

As I stated then, the series of events in that case illustrated what can happen when senior government officials veer from the course of ethical decision-making, skirt the edges, and act in a manner that is not in the government's best interest. I am here today to state that, unfortunately, we have encountered other examples of senior officials bending the rules and engaging in outright misconduct, sometimes with minimal risk that HUD will take appropriate action when it learns of the misconduct. In addition to our lobbying investigation, I will discuss the results of some of our recent investigative and auditing work as it relates to HUD's improper use of the IPA Mobility Program as well as employee misconduct cases.

### **HUD's Use of Agreements Under the IPA Mobility Program**

The IPA Mobility Program provides for the temporary assignment of personnel between the Federal Government and state and local governments, colleges and universities, Indian tribal governments, federally funded research and development centers, and other eligible organizations. According to the Office of Personnel Management, "the goal of the IPA program is to facilitate the movement of employees, for short periods of time, when this movement serves a sound public purpose.... Each assignment should be made for purposes which the Federal agency head, or his or her designee, determines are of mutual concern and benefit to the Federal agency and to the non-Federal organization. Assignments arranged to meet the personal interests of employees, to circumvent personnel ceilings, or to avoid unpleasant personnel decisions are contrary to the spirit and intent of the mobility assignment program." Additionally, IPA appointees have an obligation to comply with the Ethics in Government Act which requires some appointees to complete financial disclosure forms.

Based upon a complaint, we reviewed two IPA agreements, one of which related to the appointment of a senior HUD official, the former Deputy Assistant Secretary (DAS), Public and Indian Housing (PIH), Office of Policy, Program and Legislative Initiatives (OPPLI). HUD inappropriately used the IPA program to appoint **Debra Gross**, the Council of Large Public Housing Authorities' (CLPHA – a housing industry group) deputy director as HUD's DAS of OPPLI. In doing so, former PIH Assistant Secretary **Sandra Henriquez** (previously head of the CLPHA organization) created an inherent conflict of interest because she placed the deputy director of an industry group in charge of PIH's policy-making division, the division responsible for developing and coordinating the regulations applicable to the entities that CLPHA represents. In essence, HUD appointed someone who represented the regulated to be in charge of developing the regulations.

HUD's lack of oversight in the IPA agreement process allowed this inherent conflict of interest to occur without prior ethical review by HUD's Office of General Counsel (OGC). Additionally, HUD did not obtain required financial disclosure reports from Gross, failed to provide her with required ethics training, and allowed her to hire permanent HUD employees. In her HUD

policy-making role, it appeared that Gross championed the public housing industry's regulation relief agenda at HUD while she retained her position at CLPHA. Also, apparent lobbying efforts by CLPHA and other housing industry groups during this period complicated the matter. Due to the inherent conflict of interest, and HUD's failure to recognize and mitigate it, HUD cannot know whether the policy decisions enacted during the deputy director's (Gross) tenure were inappropriately influenced or in the best interest of HUD and all of its stakeholders.

The investigation also determined that Henriquez, and **Deborah Hernandez**, former General Deputy Assistant Secretary, PIH may have committed prohibited personnel practices and circumvented established hiring practices when they entered into an IPA agreement with CLPHA for its employee, Gross, to serve in the position of DAS. The OPPLI DAS position had historically been held by a career HUD employee at the GS-15 pay level. Moreover, HUD incurred considerably more expense by using the IPA agreement than if they had hired Gross for the position. This was done for the benefit of Gross rather than HUD.

While not specifically prohibited, according to an Office of Personnel Management official, "engaging in hiring and staffing decisions on behalf of a Federal agency under an IPA agreement is outside the scope and intent of the IPA mobility program." While serving as the DAS of OPPLI, Gross did make hiring and staffing decisions and, in doing so, did not follow HUD hiring procedures when she hired two friends and colleagues. Specifically, Gross improperly communicated with the individuals, provided advance notice of vacancy announcements and tailored those announcements to the individuals' experience and background. Moreover, during Gross' initial interview with investigating agents she denied communications with the individuals during the hiring process. It was only after being confronted with evidence to the contrary (i.e., e-mail transmissions that showed contrary behavior) that Gross finally admitted to communicating with them. Gross also attempted to hire additional employees and bypass veteran's preference candidates. These attempts were unsuccessful.

In responding to our findings contained in a memo to the department, HUD's General Counsel did acknowledge some deficiencies in the IPA mobility program that they were working to address. However, she disagreed with our conclusion regarding the inherent conflict of interest and our assertions regarding HUD's OGC.

Our review of the second IPA agreement disclosed potential Antideficiency Act violations. Specifically, HUD incorrectly used monies in PIH and Office of Housing-Federal Housing Commissioner personnel compensation funds to pay the salary of a senior advisor to the former HUD Secretary. Additionally, HUD paid more than the agreement allowed and made payments without an agreement in place. HUD did not have procedures in place to prevent these potential Antideficiency Act violations.

From February 2011 through March 2014, PIH and the Office of Housing collectively reimbursed Community Builders, Inc., more than \$620,000 for a senior advisor to the Secretary. In February 2011, HUD entered into an agreement with Community Builders, Inc., for the services of one of its employees. The Community Builders employee's primary job duties, according to the agreement, pertained to an initiative that became the Rental Assistance Demonstration program. Under the agreement, HUD would reimburse Community Builders, Inc., a maximum of \$205,000 annually (\$155,000 in salary and \$50,000 in benefits) for the

employee's services, which was significantly less than his salary at Community Builders, Inc. The employee served as an advisor to the former Secretary; therefore, HUD's reimbursements to Community Builders, Inc. should have been made from the Office of the Secretary's executive direction account. However, from February 2011 to March 2013, the reimbursements came from PIH's personnel compensation account. In March 2013, the Office of Housing began reimbursing the senior advisor's salary. Because HUD did not use the Office of the Secretary's executive direction account for these reimbursements, HUD may have violated the Antideficiency Act.

### **HUD-OIG Investigations of HUD Employee Misconduct**

The subcommittee also asked that my testimony include examples of recent misconduct by HUD employees. HUD-OIG is responsible for investigating alleged criminal conduct or serious administrative misconduct by HUD employees. HUD-OIG works closely with the Department of Justice (DOJ) in investigating these cases, but the decision to criminally prosecute rests solely with DOJ. Depending on the severity of the offense, DOJ may decline criminal prosecution, in favor of the agency's pursuit of administrative remedies. Thus it is imperative that HUD make full and effective use of these remedies to serve as a deterrent against future misconduct and to create an ethical culture in the workplace. In the examples that follow, where DOJ declined criminal prosecution and the offense was committed by a non-supervisory employee, I am generally precluded from identifying the individual due to employee privacy concerns.

**Brian E. Thompson**, a former HUD loan guarantee specialist, pled guilty to a charge of wire fraud stemming from a scheme in which he stole \$843,000 of government money. This scheme was carried out from May 2013 until March 2014, while Thompson worked for HUD-PIH's Office of Loan Guarantee for Native American programs. This office administers the Section 184 loan guarantee program which provides access to private mortgage financing for Indian families, Indian housing authorities (IHAs), and Indian tribes that could not otherwise acquire housing financing because of the unique legal status of Indian lands. The loans guaranteed under the program are used to construct, acquire, refinance, or rehabilitate single family housing located on trust land or land located in an Indian or Alaska Native area.

If a Native homeowner defaults on the mortgage and a lender forecloses on the property, HUD manages and disposes of real estate owned (REO) properties. As a loan guarantee specialist, Thompson's duties included handling the reselling of these properties for the best possible price in order to reimburse the government for the payments made to the mortgage lender for the defaulted insured loan.

Thompson sold parcels of these REO properties. On five of those parcels, he made materially false misrepresentations to third parties and diverted \$843,000 of the sales proceeds to bank accounts under his control. In order to conceal these thefts from HUD, he used and submitted fictitious settlement statements that falsely listed the buyer, the contract sales prices, and the seller proceeds.

On October 2, 2014, Thompson pled guilty to one count of wire fraud and, as set forth in his plea agreement, immediately paid \$197,700 in restitution to HUD. He was

subsequently sentenced to 26 months in prison followed by 36 months supervised release. The plea agreement also called for Thompson to pay \$843,000 in restitution to the federal government and a forfeiture money judgment in the amount of \$645,700.

HUD-OIG submitted judicial documentation relating to Thompson's guilty plea to HUD officials in order for them to pursue administrative action. On November 20, 2014, Thompson resigned as a HUD employee.

Of note, and particularly troubling, was the fact that HUD hired Thompson as a GS-13 loan guarantee specialist in May 2011, even with theft and larceny arrests and convictions spanning from 1984 to 2007. Thompson also had an armed robbery conviction in 1980 that resulted in probation; a 1998 misdemeanor conviction for check deception; a felony 2008 conviction for receiving stolen property; and probation violation reports filed in 1999, 2000 and 2001.

Clearly HUD needs to assess its process for conducting background investigations for prospective employees, particularly for positions of trust such as Thompson's. Separate from the Thompson matter, on January 17, 2013, HUD-OIG submitted a Systemic Implication Report to HUD identifying weaknesses within the personnel security and suitability program. Specifically, a HUD employee was hired shortly after being criminally charged by federal indictment with mortgage fraud. During the hiring process there were no policies, procedures, management, and oversight to ensure the employee was effectively vetted before hiring. We recommended that new policies, procedures, and regulations be developed and implemented to prevent this from occurring during initial hires and for re-investigations of current employees.

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A HUD-OIG investigation in HUD's Office of Chief Human Capital Officer determined that the former Chief Human Capital Officer **Janie Payne** and other senior HUD officials committed prohibited personnel practices by engaging in nepotism. In the case of Payne, while she did not hire relatives to work directly for her office, she advocated for the hiring of two of her close relatives for positions within HUD's Office of the Chief Information Officer (OCIO). Payne also misused her position by having a HUD employee draft and forward her husband's resume to another federal agency. This violated federal regulations regarding use of official time as well as HUD administrative guidelines relating to using government employees in duty status for other than official purposes.

Payne also misused her position by directing a HUD employee to prepare resumes for Payne and her family members using government time. The employee stated that her supervisor told her that any work that Payne wants done was to be done right away. The employee stated that she believed that Payne considered the work on the resumes as a personal favor; however, the employee stated that she did the resumes because Payne was the "boss." When interviewed, Payne stated that she believed the work on the resumes was being performed during the employee's personal time. HUD-OIG's review of relevant e-mails confirmed that Payne had e-mail communications concerning the

resumes during government work hours. More troubling was that Payne attempted to obstruct HUD-OIG's investigation by attempting to influence the other employee's testimony to HUD-OIG investigators. Payne telephoned the employee prior to her scheduled interview; when the topic of work on the resumes was broached, Payne told the employee to tell the investigators that the work was done in her spare time. The employee stated that Payne knew that she worked on the resumes on government time, and it was her belief that Payne was telling her to lie to investigators. When interviewed, Payne denied telling the employee to say that she did not work on the resumes during government time.

**Karen Jackson**, HUD's former Deputy Chief Human Capital Officer also committed nepotism by advocating the hiring of a close relative. Jackson did not hire the relative to work directly for her but, advocated for the hiring of her relative to a management analyst position with HUD's Office of Housing. Jackson previously worked with the Office of Housing's selecting official at another agency. The selecting official placed a vacancy announcement on USAJOBS for the management analyst position for which he encouraged Jackson's relative to apply. HUD-OIG investigators discovered that Jackson's relative was initially determined to not be qualified for the position. The selecting official then requested a second review. Based on this second review by another human resource specialist, Jackson's relative was deemed qualified for the position and was subsequently hired at HUD. The human resource specialist who initially reviewed the application maintains that Jackson's relative was not qualified for the position. The final selecting official admitted that he has had a personal relationship with Jackson and her family for over 20 years.

**Allison Hopkins**, HUD's former Director of Human Resources also committed nepotism by advocating the hiring of her husband as an information technology (IT) specialist within HUD's OCIO. The individual was hired at HUD via a lateral transfer from another federal agency. Prior to the transfer, however, HUD had posted a vacancy announcement for the same IT specialist position. The selecting official for the position had received a certificate of eligible candidates, conducted interviews and selected a qualified candidate. The selecting official submitted her selection and was subsequently informed that the hiring action was not going to be completed and that management was going to do something else with that position. HUD-OIG's review disclosed that the vacancy certificate that was signed by the selecting official was altered to reflect that no one was selected for the position. It was also noted that an OCIO official requested the cancellation of the vacancy certificate and announcement based on management's request. The OCIO official admitted that she altered the certificate because she did not want HUD's human resource office to inadvertently extend an offer for the cancelled vacancy.

**Jackie Mercer-Hollie**, HUD's former Assistant Director of Human Resources also committed nepotism by advocating the hiring of her husband, as an IT specialist within HUD's OCIO. The HUD-OIG investigation also determined that Mercer-Hollie's husband received preferential treatment and was pre-selected for this position. The position announcement closed on a Thursday, the certification was issued and the selection was made on a Friday, and Mercer-Hollie's husband reported for work on the

following Monday. Although it appears that all the rules and regulations were technically followed (announcement, certification, and selection), HUD-OIG obtained evidence (interviews and e-mails) indicating that Mercer-Hollie's husband was aware he was being hired at HUD prior to the selection and was given preferential treatment.

The investigation also determined that Mercer-Hollie also used her public office for private gain. Mercer-Hollie contacted a HUD contractor, who assisted her husband in obtaining a position with that contractor prior to his being hired at HUD. E-mails clearly show that the contractor (who is the nephew of Karen Jackson referenced earlier) hired Mercer-Hollie's husband as a "favor" because his wife was a "high official at HUD," and the position was short term because Mercer-Hollie's husband would soon be hired by HUD. An e-mail was discovered from Mercer-Hollie to Jackson in which Mercer-Hollie wrote, "Thanks for being my angel and contacting your nephew to facilitate getting my husband a job."

The results of our investigation were coordinated with DOJ. DOJ was presented with the facts and circumstances surrounding the investigations involving the alleged nepotism and prohibited personnel practices by HUD employees, including members of the Senior Executive Service (SES). DOJ was also made aware of the possible obstruction of this investigation by Payne. Based on the information provided, DOJ declined criminal prosecution, stating the information presented did not meet the criteria for a conflict of interest prosecution in the District of Columbia. DOJ deferred to HUD to pursue administrative remedies which were imposed as follows:

- **Payne** was issued a proposed termination notice in January 2012 but was allowed to resign in lieu of termination and transferred to another federal agency.
- **Jackson** retired immediately after being interviewed by HUD-OIG.
- **Hopkins** was removed from the SES and her federal employment was terminated effective November 2011.
- **Mercer-Hollie** was issued a 14 day suspension and was reassigned to the position of Director of Employee-Labor Relations at HUD's Atlanta, GA office.

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**Charles Hester**, former Director, of HUD's Office Multifamily Housing in St. Louis, Missouri, accepted four payments totaling \$38,000 from a multifamily project owner to facilitate and approve a Federal Housing Administration (FHA) Insured Multifamily loan. The initial loan was in the amount of \$1.39 million, which was amended and increased by Hester to \$1.5 million; a month later he received a \$15,000 cashier's check from the owners. The investigation determined that after a private lender failed to approve a loan for the project, Hester facilitated the underwriting and processing of the FHA-insured loan. Hester directed HUD staff to sign certain loan documents and he approved a waiver allowing the use of letters of credit in lieu of a cash down payment. Hester also facilitated the waiver of certain property inspections (thereby allowing for the first construction draw to be paid to the owners). The owners, in turn, provided a portion of the proceeds back to Hester. Hester subsequently deposited these funds into his



personal checking account and spent them on personal expenses, including an investment property.

Hester was interviewed by HUD-OIG investigators where he admitted to receiving money from the owners, but denied committing any crimes. On the same day, Hester was placed on administrative leave by HUD. Hester never came back to work and subsequently retired effective November 2011. In April 2012, Hester was indicted for Conspiracy to Solicit and Accept an Illegal Gratuity and False Statements. He pled guilty to conspiracy to provide and accept an illegal gratuity and was sentenced to 18 months incarceration followed by 24 months of supervised release. The owners also pled guilty to various offenses, were imprisoned and were debarred from participation in procurement and non-procurement transactions as a participant or principal with HUD and throughout the executive branch of federal government for a period of 36 months.

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Two recent and separate HUD-OIG investigations of PIH staff related to their misuse of their HUD positions by engaging in outside employment while on official government time. In the first case, the employee admitted to conducting business for her trucking company for several years while at HUD while on government time, and utilizing government equipment. The employee used her government computer and printer, as well as her government e-mail for business purposes. The employee visited numerous websites for her trucking business and maintained business documents on her HUD-issued computer. This employee received a 13 days suspension. According to the employee's personnel action history report, just days after returning to duty from her first week of suspension, she received a cash award. In addition, just over two weeks after returning to duty from her second week of suspension, she received a time off award. She also received a performance based cash award later that same year.

A second HUD employee also misused his HUD position by engaging in outside employment for several years, while on official government time, using HUD property. This case was more serious in that the employee also misrepresented himself as on official HUD business while conducting activities for personal gain. For several years, the employee spent approximately two to three hours per day working on outside businesses while on official government time and misused his HUD e-mail account approximately three to five times per day. The employee misused his HUD-issued e-mail account to mislead people into thinking his official HUD e-mail indicated he was representing HUD. The employee did this in an attempt to receive compensation. His business ventures included soliciting funds from landlords for referring lists of potential tenants, coaching a basketball team, providing women as entertainment for a private party in return for payment, and other real estate investments. This employee received a 30 day suspension. According to the employee's personnel action history report, within two months of returning to duty, he received a performance based cash award. He also received a special cash award within eight months of returning to duty.

During an interview with HUD-OIG investigators, the employee made false statements concerning the number of e-mails he sent in connection with outside business ventures.

He originally stated that he only sent five to ten e-mails from his HUD account, but when confronted with e-mail evidence he changed his statement and admitted to sending approximately three to five e-mails per day over a six-year period.

Both of these cases were presented to DOJ for criminal prosecution and, in both cases, DOJ declined citing that HUD had administrative remedies it could impose. Neither of these employees lost their job as a result of the serious misconduct that had occurred over an extended period of time.

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Lastly, I will discuss four OIG cases that serve to illustrate HUD's reluctance in these matters to take strong administrative action that could serve as a deterrent to future misconduct and create an ethical environment in the workplace. Even in one of the instances when HUD ultimately decided to terminate the employee, an unacceptable amount of time transpired and the employee had been on paid administrative leave.

In the first case, an official in HUD's Office of Congressional and Intergovernmental Relations misused his government travel card. The travel card had a balance in excess of \$10,000, despite the employee receiving over \$4,000 in reimbursement, and the employee made numerous purchases which did not occur during official travel, and attempted to make two payments on the card using checks that were drawn on accounts with insufficient funds. This resulted in the travel card account being closed. As a "Schedule C" employee, HUD could have easily terminated his employment. However, he was allowed to resign in lieu of termination. He was subsequently re-hired as the staff director of a congressional subcommittee. In September 2013, the former HUD employee was indicted in DC Superior Court on charges that he sexually assaulted two women after drugging them with a sedative that he allegedly put in their drinks. He was charged with 10 counts of first- and second-degree sexual abuse and related charges in connection with the attacks that authorities said occurred between July and December 2010. In December 2014, he pleaded guilty to third-degree sexual abuse, two misdemeanor counts of sexual abuse and one count of misdemeanor threats.

In the second case, a HUD employee was found to have been sending explicit obscene text messages to other HUD employees as well as to individuals from the employee's former employer. The employee also improperly used his HUD position and access to a computer database to obtain personal information about these individuals. The employee was arrested in June 2012 and HUD was notified within a few days of the arrest so that administrative action could be pursued. In September 2013, the employee pled guilty in state court to three counts of stalking; two counts of threatening to commit a crime which will result in death or great bodily injury to another person; and one count of unauthorized access to computers. HUD was notified of the guilty plea the day after it was entered and the HUD official advised that the information would be shared with HUD OGC to initiate termination proceedings. In October 2013, the employee was sentenced to three years in state prison for these offenses with all sentences to run concurrently. What is troubling is that the employee was on paid administrative leave while he served the 487 days in jail prior to his guilty plea on September 10, 2013. He

also remained on paid administrative leave while he served his last three to four months of the three year sentence until his release in December 2013. HUD has proposed that the employee be removed from federal service but the case is currently under appeal.

In a third case, a HUD employee was investigated by HUD-OIG concerning three separate incidents where the employee (1) between 1999 and 2004, attempted to sexually assault a female employee at his residence and later sexually harassed the same individual after she became a HUD employee, for which she received a HUD settlement; (2) in 2006, sexually assaulted two female HUD employees on separate occasions, and; (3) in 2012, harassed a female HUD employee in a sexual manner. The cases were declined by DOJ and the State for criminal prosecution, primarily because of the expiration of the relevant statute of limitations for the first two sexual assault related crimes, and the third sexual assault did not meet their prosecutorial threshold. When HUD was presented with the results of the investigation, the employee received no disciplinary action from HUD, but instead received “verbal counseling.”

A fourth employee displayed various serious behavioral issues that were potentially threatening to other HUD employees. Based on a February 2013 incident and the employee’s alleged history of erratic behavior, HUD-OIG initiated an investigation to examine the employee’s alleged behavioral issues, and to assist HUD management with information critical to safeguard HUD programs and its employees. HUD-OIG’s interviews of the employee’s co-workers indicated that the employee had been acting strangely (i.e., slurred speech, inability to balance himself, paranoia, delusional, acting confused, erratic and disoriented, and deteriorating work performance) during the previous three to four years. Some of the staff voiced their concerns to the employee’s immediate supervisor, but nothing was done about the employee. The investigation was completed in September 2013 and the findings were communicated to HUD management. The most serious issue raised was an arrest for discharging a firearm into an occupied structure, burglary, unlawful discharge of a firearm, and owning/possessing a concealable weapon without registration. The local police report indicated that the employee went to his neighbor’s house armed with a handgun, peeked over the fence, and fired one round into his backyard and struck an empty house. According to the police report, the employee was disheveled, extremely nervous, having a difficult time understanding basic verbal commands and appeared very delusional.

In December 2013, the employee entered a “nolo contendere” plea in local court to one count of misdemeanor possession of an unregistered firearm. He was initially charged with one felony count of discharging a firearm into an occupied structure. As a result of his plea, the employee was ordered to pay a \$500 fine, attend mental counseling, and forfeit all of his firearms. It was not until one year later, in December 2014, that HUD finalized its decision to terminate the employee’s employment. It should also be noted that the employee was on paid administrative leave from March 2013 through December 2014.

In closing, these actions by a small group of HUD employees detract from what my experience has shown to be the norm -- that is that the vast majority of HUD employees are hardworking, dedicated civil servants. It is a fact that poor actions and behavior are human nature and will

occur throughout any industry or entity – private or government. HUD is not alone. However, what I believe is important, is what you do after such behavior is detected to discipline and to create an ethical culture in the workplace. Yet one cannot ignore the fact that for the past several years, HUD has consistently ranked near the bottom in annual surveys of the most desirable federal agency in which to work. Misconduct and unethical behavior, particularly by high ranking officials does not, in my view, serve to enhance this unfavorable image. Employee morale also suffers when employees observe that misconduct is not dealt with and the offending employees are allowed to remain in their positions virtually unpunished. According to a 2013 National Business Ethics Survey conducted by the Ethics Resource Center, when employees observe misconduct on the job, their engagement drops by nearly 30 percent.

Indeed many of these cases have come to us by conscientious employees who are frustrated by a lack of will by management to address these improprieties. In some of these cases, we see a failure to adhere to existing policies and procedures or we see a breakdown in responsibility. Particularly troubling to me is that when information is withheld from OIG agents or employees demonstrate a lack of candor with, or even threaten OIG agents, HUD's management response is sometimes inconsequential.

I do, however, want to express my appreciation for Secretary Castro's efforts to encourage HUD employees to cooperate with the OIG. Shortly after coming on board, he issued a jointly signed letter with me to all HUD employees outlining his expectations. The letter, in part, states:

*“The Office of the Inspector General (OIG) is essential to this work. OIG prevents and detects inefficiencies and wrongdoing by conducting independent and objective audits, investigations, and evaluations to improve HUD's operations. HUD employees are critical in this process. The OIG routinely needs information from Department offices to conduct its work effectively. Without full, complete and timely access to all information related to HUD programs and activities, OIG cannot fully determine how HUD is, or the recipients of funding from HUD are, fulfilling their respective responsibilities...HUD employees must take an active role in supporting the OIG's activities. This should be a collaboration that is built on mutual respect, professionalism and a shared mission to serve the American people. One way we do that is for HUD personnel to produce materials requested by the OIG in a timely and complete fashion. We want to be clear that there is no basis for withholding any information from OIG when requested. ...all HUD employees have a responsibility to report instances of fraud, waste and abuse directly to the OIG. All managers should respect employees' rights to speak directly and confidentially with the OIG, and refrain from inappropriate activity that might inhibit an employee or contractor's cooperation.”*

I look forward to working with the Department and the Congress to ensure that HUD programs and personnel operate in an effective and ethical manner.