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Office of Inspector General

Investigative Report

150520-01

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Chris Hirst, Inspector General

Enhancing Public Trust in Florida's Affordable Housing

**Office of Inspector General
Investigative Report
Case Number 150520-01**

INTRODUCTION

On May 20, 2015, the Florida Housing Finance Corporation (Florida Housing) Office of Inspector General (OIG) met with Matt Jugenheimer, Hardest Hit Funds (HHF) Compliance Officer, regarding the Principal Reduction (PR) file submitted by Gary and Loretta Hawkins. The Urban League of Palm Beach County Florida (ULPBC) was the advisor agency assigned to review the file. Mr. Jugenheimer stated that on April 6, 2015, he had received concerns about the file in an email from Meta Johnson, the Underwriting Manager for Amerinational Community Services. Amerinational was the underwriter contractor assigned to review the Hawkins' PR application. Ms. Johnson indicated in the email that "the applicant appears to work for the agency who's handling the file (both as a wage employer and as an independent contractor)." Ms. Johnson also stated her concerns related to the efforts being made to get accurate and complete income documents.

Mr. Jugenheimer reported to the OIG his concerns with the ULPBC's failure to notify HHF about the conflict of interest and also ULPBC's lack of due diligence in reviewing the Hawkins' file. He noted potential undisclosed income from Mr. and Mrs. Hawkins' various businesses and related bank accounts. He stated that Ms. Hawkins had reported being unemployed but records showed that she was self-employed and appeared to be receiving income from Loretta Hawkins Ministries. Additionally, Mr. Jugenheimer indicated that he had concerns with ULPBC's recent performance and requested the review to determine the facts pertaining to how ULPBC addressed the conflict of interest issue and whether ULPBC performed adequate due diligence in reviewing the Hawkins HHF PR application.

ALLEGATIONS

Allegation 1

The ULPBC did not properly disclose that one of their employees, Gary Hawkins, was a Hardest Hit Fund (HHF) Principal Reduction (PR) co-applicant resulting in a conflict of interest issue. The Hawkins PR application stated that Mr. Hawkins was employed by the ULPBC. The failure to disclose a Conflict of Interest is a violation of the HHF PR Contract (HHF Principal Reduction Contract 2010-02-103, 1st Amendment, Section 18).

Allegation 2

The ULPBC either ignored or the Hawkins failed to disclose potential bank accounts and other related sources of income as required by the HHF PR Advisor Manual.

If supported, the allegations would constitute a violation of the HHF contract for reporting conflict of interest and requirements to review files for eligibility criteria procedures. Furthermore, if supported, the second allegation would constitute a violation of federal and/or state laws, including:

- Title 18, United States Code, §1001, False Statements;
- Section 817.03, Florida Statutes (F.S.), Making false statement to obtain property or credit;
- Section 817.545, F.S., Mortgage Fraud; and/or
- Section 837.06, F.S., False Official Statements.

EXECUTIVE SUMMARY

From May 22, 2015, until June 8, 2015, OIG staff conducted interviews and reviewed significant documentation/records as it relates to the allegations.

HHF INTERVIEWS

On May 22, 2015, the Florida Housing OIG met with Bradley Rich, HHF Compliance Manager. The following represents actual and paraphrased statements made by Mr. Rich:

Mr. Rich discussed the results from his review of the Hawkins application. Mr. Rich explained that Mr. Jugenheimer had requested him to review the file and specifically, the Conflict of Interest and income issues which were questioned by the Underwriter.

Mr. Rich stated that the PR application had Gary Hawkins' primary employer listed as the Urban League of Palm Beach County (ULPBC) and that the primary employer of the Co-borrower, Loretta Hawkins, was listed as "N/A" and her Self-Employment status was listed as "No". Mr. Rich provided copies from the Counselor Direct (CD) file of Mr. Hawkins' ULPBC paystubs to the OIG. Mr. Rich stated that the issue of Mr. Hawkins' employment at ULPBC should have raised a flag for the advisor to question and that the advisor agency should have recommended that the file be reassigned due to conflicts of interest.

Regarding Ms. Hawkins' employment status, Mr. Rich stated that Ms. Hawkins provided a signed letter dated October 7, 2014, affirming that she was not employed and that her husband was the "sole breadwinner for the home". Mr. Rich noted that this letter appeared to be inconsistent with Ms. Hawkins self-employment activities (i.e. Loretta Hawkins Ministries).

Mr. Rich reviewed the bank statements submitted by Mr. Hawkins with his application. While reviewing the bank account transfers, he found at least three undisclosed potential bank accounts that were not flagged by the advisor in the review process. He also noted other deposits on the bank account statements which included a Direct Deposit from Stewart Services (potential income) and a transfer to Hawkins Business Checking. Transfers were made to accounts ending with 902, 5620, and 8747.

In the bank account review, Mr. Rich flagged a \$100 payment to Quarterman Ely Loretta Hawkins and found that the business was "inactive" according to the Florida Department of State, Division of Corporations records. However, the company still had an active bank account which was not questioned by the advisor.

On June 3, 2015, the Florida Housing OIG met with Nicole Gibson, Assistant Director of Homeownership Programs. The following represents actual and paraphrased statements made by Ms. Gibson:

When Ms. Gibson was asked about her involvement with the Hawkins file, she stated that she did not discuss the file with any staff from ULPBC. Prior to the meeting with the OIG, Ms. Gibson indicated that she was not familiar with the file details. Ms. Gibson confirmed that she had reviewed all of her emails and HHF Advisor Logs and did not see any communication to or from Marcus Marcelin, Housing Manager, or any other ULPBC staff members pertaining to the Hawkins file.

Ms. Gibson stated that she did not have any business or personal relationship with Mr. Marcelin. She recalled that she had been working with Tammy Anderson, HHF Administrator, on ULPBC issues during the December time period and did not recall working with Mr. Marcelin much during the past year.

With regards to ULPBC's performance, Ms. Gibson stated that she had concerns with Housing Counselor Sabrina Bacquie's performance and treatment of staff and customers. Additionally, she had concerns with HHF Advisor and Housing Counselor Kindry Latson's knowledge of the HHF program. She recalled meeting with Mr. Jugenheimer and Ms. Anderson to discuss ULPBC's performance issues at the end of January.

Ms. Gibson stated that she did not know Gary or Loretta Hawkins. At the time of this interview, Ms. Gibson had reviewed the Hawkins' CD screens/notes and she questioned how the file could have been submitted to underwriting by ULPBC without there being any notes and/or activity in CD.

ULPBC INTERVIEWS

On May 28, 2015, the OIG conducted a telephone interview with Tammy Anderson, HHF Administrator for ULPBC. The following represents actual and paraphrased statements made by Ms. Anderson:

General Information

Since August 2011, Ms. Anderson has been the Vice President of Housing Programs and is responsible for all Housing programs including HHF. She was active in the beginning with HHF but has increasingly delegated those duties and responsibilities.

Currently, ULPBC employs two fulltime staff members who work on HHF. Ms. Latson handles the Unemployment Mortgage Assistance Program/Mortgage Loan Reinstatement Payment Program (UMAP/MLRP) and Ms. Bacquie handles Principal Reduction (PR). In 2014, the Housing Manager was Mr. Marcelin and he was expected to handle some cases himself. One part-time staff member, Antoinette McGrath, is used as needed.

Ms. Anderson stated that she delegated the day to day case management of the HHF program to Mr. Marcelin. This delegation included the assignment of files to advisors and the oversight to Mr. Marcelin.

Hawkins Case Issues:

On May 19, 2015, Ms. Anderson made inquiries with Ms. Latson to determine how the Hawkins file was processed. Ms. Latson informed Ms. Anderson that she notified her supervisor, Mr. Marcelin, about the conflict of interest when she was assigned to the file in October of 2014. Ms. Latson indicated to Ms. Anderson that Mr. Marcelin said he would call "Nicole" to see if the file could be processed given the conflict of interest issue. Ms. Latson then stated that Mr. Marcelin came back to her and told her to proceed. Ms. Anderson did not ask Ms. Latson for a timeline as to when these conversations occurred. Ms. Anderson explained that Mr. Marcelin was generally responsible for contacting Florida Housing HHF management regarding HHF file issues.

Ms. Anderson called Mr. Marcelin to obtain his recollection about reporting the conflict of interest. Mr. Marcelin first reported that he had instructed Ms. Latson to move forward with the file since he had received approval. However, Mr. Marcelin then followed up with a text on May 19, 2015, to Ms. Anderson stating that he did not tell Ms. Latson to move forward with the file. Mr. Marcelin stated in

the text that he was not aware that the Hawkins' had applied. Ms. Anderson indicated that she had no documentation other than the text to confirm these events and has not heard back from Mr. Marcelin.

Ms. Anderson's assessment of the file confirmed that the ULPBC staff processing of the Hawkins file showed carelessness and a misunderstanding of the underwriters' requests. She stated, "It looks like the staff were just forwarding what they were receiving." Ms. Anderson indicated that she did not notice anything unusual as to why the file was processed and sent to Underwriting in eight days. Her conclusion, based on what she had reviewed, was that the staff will need complete retraining to ensure that they understand the requirements pertaining to Conflicts of Interest.

When asked about Mr. Marcelin's performance, she offered the following observations: Mr. Marcelin left the program in mid-January. She stated that by then, it had been common knowledge among staff that he was taking less interest in the program and that more frequent errors were occurring. Ms. Anderson indicated that Mr. Marcelin seemed upset that she did not want to leave ULPBC and work with him as a HHF subcontractor. Ms. Anderson stated that he left to pursue self-employment and was not terminated or fired. She did not recall Mr. Marcelin having a business or personal relationship with Mr. or Mrs. Hawkins. Ms. Anderson commented that she had been told by some of the staff that it seemed like Mr. Marcelin was trying to destroy their HHF program by the way he was performing at the end of his employment. Ms. Anderson stated that she wanted to make the HHF program successful going forward. She wanted the ULPBC to have the ability to receive cases throughout the State.

Follow-up Interview

On June 5, 2015, a follow-up telephone call was made with Ms. Anderson to discuss the assignment of the Hawkins file and the referral code used in the Hawkins application.

Ms. Anderson confirmed that the referral code 09572 was used by the Hawkins' when they completed their HHF application. This referral code is used so that ULPBC clients can have their files automatically assigned to the ULPBC. The code was most likely obtained from the HHF flier that ULPBC sends out to the public in its advertisements. She did not recall nor was aware of how Mr. Hawkins would have obtained the flier.

Ms. Anderson confirmed that Ms. Bacquie's performance evaluation included references to her making inappropriate responses to Florida Housing's underwriters. Ms. Anderson had met with Mr. Jugenheimer and Ms. Gibson about the situation and agreed to take appropriate disciplinary action to address Ms. Bacquie's conduct. She stated that she provided a verbal reprimand and noted the incident in her performance evaluation. Ms. Anderson did explain to Ms. Bacquie that questioning underwriters was not her job. She noted that the Housing Manager was responsible for training Ms. Bacquie as to how to review HHF files. Ms. Anderson stated that Ms. Latson's performance was very good.

Furthermore, Ms. Anderson acknowledged that she did share her administrators password with Mr. Marcelin. Mr. Marcelin, in his role as Housing Manager, would make updates in CD to assign advisors to files.

On June 3, 2015, the OIG conducted a telephone phone interview with Kindery Latson, HHF Advisor/Housing Counselor, ULPBC. The following represents actual and paraphrased statements made by Ms. Latson:

Ms. Latson had worked at ULPBC for several years and generally has worked as the HHF advisor on the UMAP/MLRP files. Additionally, she would help with PR files and assist with training the new staff. Ms. Latson started working on the Hawkins file in October in order to assist Mr. Marcelin. Ms. Bacquie had started in June and was in the process of being trained to be the HHF advisor for the PR program.

Mr. Marcelin assigned the Hawkins file to Ms. Latson. The assignments were done verbally since Mr. Marcelin worked across the hall. Mr. Marcelin would tell you when to start a file and Mr. Marcelin had access in CD to assign the files. Ms. Latson did not witness the Hawkins' signing the application and recalls that the information received from Mr. Hawkins generally came from fax or secure email.

Ms. Latson, at first, did not recall seeing any conflict of interest issues. However, in the end of October, she was asked to provide a status update of the PR files to Mr. Marcelin so the files could be transferred to Ms. Bacquie. At this time, she informed Mr. Marcelin of the conflict. Ms. Latson explained that Mr. Marcelin indicated that he would contact "Nicole" and that "Nicole" was a friend. He further stated that the PR files were all assigned from HHF so there should not be an issue. Ms. Latson referred to them as "Pipeline" files. (Note: Ms. Gibson stated that she had not had any verbal or written contact from Mr. Marcelin regarding the Hawkins file and that she does not have a business or personal relationship with Mr. Marcelin.)

Ms. Latson stated that she had received the Conflict of Interest Training provided in January of 2015 by HHF. She indicated that she has never had to report a Conflict of Interest issue before. Ms. Latson reported having no personal or business relationships with the Hawkins'.

Ms. Latson stated that she did not see any issues or flags when processing the file. She recalled that there were over 200 PR files and she asserted that the concern at ULPBC was in processing them in a timely manner given the press and congressional oversight. Ms. Latson stated that she did not complete the eligibility checklist, nor did she receive proof of citizenship. She noted that for her other files, she questions the applicants but does not ask for verification or documentation of proof of citizenship.

Ms. Latson stated that the reason for there not being any notes in CD from October 7, 2014, until November 6, 2014, was that she was never officially assigned to the file in CD. CD Records show that from the time period starting on October 7, 2014 until June 5, 2015, Ms. Latson was first assigned to the file and then Ms. Bacquie was assigned to the file. The file was then reassigned back to Ms. Latson.

Mr. Marcelin had approached her during the end of his employment at ULPBC about making extra money working with him as a subcontractor. His fiancé at the time, Toni Jennings, was starting a company. Ms. Latson stated that she questioned Mr. Marcelin as to how this could work given their current positions/workload.

On June 4, 2015, the OIG conducted a telephone interview with Sabrina Bacquie, Housing Counselor, ULPBC. The following represents actual and paraphrased statements made by Ms. Bacquie:

Ms. Bacquie stated that she started reviewing the Hawkins file in November of 2014, since it was in her CD queue and she needed to respond to the Underwriting's conditions. She stated that she did not know Mr. Hawkins and was aware only that he worked in another building as a subcontractor. Later, she noted he only came into the HHF building once to provide information in response to the Underwriter's questions.

Ms Bacquie noted that the Hawkins file was processed just like any other. When asked if she detected or had any concerns about the numerous issues and questionable documentation being provided by Mr. Hawkins, Ms. Bacquie stated that her supervisor (Ms. Anderson) requested that she not question information in files like she had previously been doing.

Ms. Bacquie recalled that in October she received an update from Ms. Latson that Mr. Hawkins had applied. Ms. Latson informed her that she had talked to Mr. Marcelin who said it was acceptable to process the file. Ms. Bacquie did not question further stating that she did not think Mr. Hawkins had involvement with the program.

During the process, Mr. Hawkins would provide information by encrypted mail or fax, and only stopped by the office once. She is not aware of any files or emails kept on the Hawkins' file besides what was in CD.

ADDITIONAL INTERVIEWS

On June 18, 2015, the OIG conducted a telephone interview with Mr. and Mrs. Hawkins, HHF PR Applicants. The following represents actual and paraphrased statements made by Mr. and Mrs. Hawkins:

Mr. Hawkins stated that while he worked on the Wal-Mart grant during his employment at ULPBC, that he did not work on the HHF program and that the HHF office was in another building. Mr. Hawkins had discussions with Mr. Marcelin, prior to his applying, about how the program worked. Ms. Latson provided him with the ULPBC brochure which provided information on how to apply for HHF PR.

Mr. Hawkins completed the application online from his ULPBC work location and brought it home to have his wife sign it. Both Mr. and Mrs. Hawkins stated that they did not check the accuracy of the social security nor birth date information. No one had asked them to provide proof of citizenship and no one questioned the accuracy of what they had entered on the application.

Mr. Hawkins explained that Ms. Hawkins was not employed at the time of the application and he was running Loretta Hawkins Ministries.

Mr. Hawkins stated that he had no business or personal relationships with any of the HHF staff and only acknowledged that they had been co-workers. Mr. Hawkins stated that it was his opinion that since he did not work for ULPBC at the time of his application that there was no conflict. Mr. Hawkins indicated that as a contractor he was not even allowed to attend staff training provided by ULPBC.

Mr. Hawkins acknowledged working with only Ms. Latson and Ms. Bacquie during the application process. He did not work with Mr. Marcelin during the application period.

Regarding the numerous bank transfers reported on his bank statements, Mr. Hawkins indicated that he had gone through the bank account issues with the underwriters. He indicated that he was able to account for the transfers to Loretta Hawkins Ministries, the Sickle Cell Foundation, and the deposits from Stewart Services. Regarding the transfers to Quarterman Ely Loretta Hawkins, Mr. Hawkins indicated that he did not have a financial interest in this business. No one had asked him about this business before. Regarding the Joshua G. Rivers of Revival, Mr. Hawkins indicated that this was a prayer meeting group and no revenue was generated.

On June 4, 2015, the OIG conducted a telephone interview with Marcus Marcelin, former Housing Manager for ULPBC. The following represents actual and paraphrased statements made by Mr. Marcelin:

Mr. Marcelin stated that he was not familiar with and did not know anything about the Hawkins file. He stated that he was not sure how the file was assigned to an advisor. He indicated that he thought it was likely that one of the HHF staff had put in the ULPBC referral code.

Mr. Marcelin stated he had left ULPBC to run MKS Virtual Solutions with his fiancé Toni. MKS was a call center business. Mr. Marcelin stated that he worked at ULPBC from November of 2012 until December of 2014 and that he had not contacted anyone at HHF about the file since he was not even aware of it.

On June 16 and July 15, 2015, the OIG conducted telephone interviews with Patrick Franklin, CEO, ULPBC and Tammy Anderson, HHF Administrator. The following represents actual and paraphrased statements made by Mr. Franklin:

During Ms. Latson's interview with the OIG, she expressed concern that she had seen a copy of her driver's license and social security card in Mr. Marcelin's old office. She explained that Mr. Marcelin kept files in this office. As such, the OIG inquired to Mr. Franklin about possible personal/personnel records being stored in Mr. Marcelin's office. Mr. Franklin explained that personnel files are only authorized to be in the HR area and was not aware of there being any personnel records in or around Mr. Marcelin's work area. Furthermore, Mr. Franklin explained that Mr. Marcelin's office was previously a closed locked office and that any files previously in his office have been moved to a central location. Mr. Franklin added that Ms. Latson does work in an open area cubicle; however, she does have a locking file cabinet to secure her files. Mr. Franklin stated that he would follow-up with ULPBC staff to determine if there were any additional notes or records related to the Hawkins file besides those already provided and determine if there were any disbursements to L Hawkins Ministries prior to October of 2014.

On June 22, 2015, the OIG conducted a telephone interview with Mr. Franklin, Ms. Anderson, and Ms. Latson to discuss Mr. Hawkins' use of the HHF flier to apply and the initial review of the file. The following represents actual and paraphrased statement made during the telephone call:

Ms. Latson stated that she did not drop off a flier or provide a HHF flier to Mr. Hawkins. Mr. Franklin indicated that Mr. Hawkins likely obtained it from one of the central areas or from one of the staff meetings. Mr. Franklin noted that he encourages his management to pass out the HHF fliers at staff

meetings in order for them to be aware of all of the programs available at ULPBC and so the staff can make appropriate referrals to their clients.

Ms. Latson acknowledged that she did submit the HHF file to underwriting after Mr. Marcelin had approved the file. She confirmed that this was done verbally and did not recall the date the file was approved. Ms. Latson indicated that she thought she had told Mr. Marcelin about the conflict prior to October 15th, when the file was submitted to underwriting.

Ms. Anderson further explained her interactions with Mr. Marcelin about the Hawkins file. She stated that she would provide the May 19, 2015, text from Mr. Marcelin where he states that he did not know that Gary or his wife had applied for HHF and that he “never called Nicole about him either since I never knew Mr. Hawkins applied for HHF”.

On June 4, 2015, the OIG conducted a telephone interview with Carol Hasbrouck, Senior Underwriter, Amerinational Community Services, Inc. The following represents actual and paraphrased statements made by Ms. Hasbrouck:

Ms. Hasbrouck stated that she was assigned the Hawkins file on March 23, 2015. The Underwriter that had reviewed the Hawkins file prior to March 23rd is no longer employed at Amerinational. Ms. Hasbrouck stated that she did not have phone or email contact with ULPBC staff but communicated through the CD communication log to request supporting documentation. She highlighted the following issues that she is aware of related to her interaction with the file:

Ms. Hasbrouck indicated that Mr. Hawkins’ responses were sometimes inconsistent with prior requests. For example, she stated first Mr. Hawkins could not, and then stated he could, obtain paystubs from one of his employers, Stewart. She noted that Mr. Hawkins P&L’s would come back with different numbers or addresses. Three rounds of P&L’s were submitted and it was challenging to understand the various income streams or sources of income.

Ms. Hasbrouck stated that according to her records, the Hawkins file was flagged as a potential concern by Amerinational on April 6th. Ms. Hasbrouck indicated that the last condition before the file was suspended for further processing was on April 27, 2015. Those conditions referred to several issues that had been resolved related to the P&L’s. Ms. Hasbrouck noted that the following issues needed explanations or further documentation: the different name and address for the company on the last P&L submitted; a P&L statement was needed to cover the period from January 1, 2014 until December 31, 2014; and documentation for the business that was reported to have been started in August 2014.

Ms. Hasbrouck did state that she thought the Hawkins appeared to be making progress regarding having the required documentation needed to meet the eligibility requirements, but that they still had not addressed the income reporting or underwriting conditions.

DOCUMENTATION/RECORDS ANALYSIS

A review was completed of Mr. and Mrs. Hawkins’ HHF PR application, dated October 7, 2014 (Exhibit #1). The application shows that Mr. and Mrs. Hawkins provided inaccurate information that was not questioned or detected by ULPBC. The inaccurate information included incorrect social security numbers for both Mr. and Mrs. Hawkins, an incorrect date of birth for Ms. Hawkins, and incorrect information regarding Ms. Hawkins’

employment/self-employment status. The application also indicated that Mr. Hawkins' employer was ULPBC. The application was signed by Ms. Latson, the HHF Advisor for ULPBC, on October 7, 2014. This would be a conflict of interest.

A review was done of the Corelogic Valuation Report dated October 7, 2014 (Exhibit #2) which showed that ULPBC had requested an appraisal evaluation upon receiving Mr. Hawkins' application. ULPBC is unable to determine who made this request.

A review of the CD Advisor Notes (Exhibit #3) prepared by ULPBC shows that no advisor was entered into CD until November 6, 2014. The advisor notes make no reference to the conflict of interest issue or the advisor's effort to review or clarify the inaccurate/inconsistent information in the application.

A review of the email from Meta Johnson, Underwriting Manager, Amerinational Community Services to Nicole Gibson, dated April 6, 2015 (Exhibit #4) shows that the underwriter had concerns about misleading information being provided. The email references an earlier email from Carol Hasbrouck to Ms. Johnson where Ms. Hasbrouck details the issues including: Mr. Hawkins' employment at ULPBC; the challenges of obtaining paystubs from Mr. Hawkins' employment at Stewart Services; and the inconsistencies in the P&L's provided.

A review of the P&L records included in CD, (Exhibit #5) shows that the Hawkins' submitted three P&L's during the underwriting process, as follows:

- The P&L dated February 9, 2015, was provided to HHF Underwriters to support income from the Loretta Hawkins Ministries from January 1, 2014 until December 31, 2014, and shows an income of \$6,499. This conflicts with Ms. Hawkins stating in the HHF application that she received no income.
- A P&L that was undated was provided by Mr. Hawkins to support his income from the Urban League and Stewart Services which showed a gross income profit of \$2,150. Mr. Hawkins was questioned by the Underwriter about address inconsistencies and why total sales seemed to be underreported based on income streams he was receiving both from the Urban League and Sickle Cell Foundation each month. Additionally, this P&L contained corrected address and expense amounts as evidenced by whiteout.
- A P&L that was undated was provided to HHF Underwriters for Loretta Hawkins Ministires. This P&L indicates income of \$2,150 from March 25, 2014 until December 31, 2014.
- A review of each P&L showed that the P&L's were prepared by Kevin Martin, Ms. Latson's ex-husband. This matter was brought to Ms. Anderson's attention and she indicated that Mr. Hawkins had authorized Ms. Latson to request Mr. Martin's assistance with the P&L. Ms. Anderson has previously cautioned Ms. Latson to avoid involving her family contacts when assisting HHF applicants.

A review of Mr. Hawkins' position description dated March 20, 2014, and independent contractor agreement dated July 7, 2014, (Exhibit #6) support that Mr. Hawkins was both employed and worked for ULPBC as an independent contractor on October 7, 2014, the date of his application. These records also show that his primary responsibilities pertained to Workforce Development activities and that he was not assigned to work with or perform HHF-related activities.

A review was done of Marcus Marcelin's performance evaluation records dated March 31, 2014, and position description dated January 20, 2015. (Exhibit #7) Mr. Marcelin's evaluation reflected an overall strong performance; however, his supervisor indicated that improvements were needed in the area of file review. Mr. Marcelin commented in his evaluation that "It is very difficult to achieve this goal when I am involve in counseling, hardest hit, assist in grant writing and so much more." Mr. Marcelin's position description makes no reference to his specific HHF responsibilities.

A review was done of Tammy Anderson's current position description provided on June 4, 2015. Her position description makes no reference to her HHF responsibilities.

A review of Kindery Latson performance evaluation dated March 9, 2015, (Exhibit #8) shows that Ms. Latson's performance was reported as being overall strong. Her supervisor did note that she needed to improve her documentation of cases, updating case statuses, and client logs.

A review of Sabrina Bacquie's performance evaluation dated March 9, 2015, (Exhibit #9) shows that Ms. Bacquie's evaluation did note that she was detailed and organized but her performance needed improvement in the area of communication. Additionally, it noted three instances where she had been argumentative with ULPBC's "funders" (i.e. Florida Housing or their underwriters).

FINDINGS/CONCLUSIONS

Allegation 1

The allegation made by the HHF Underwriter and HHF management was that the ULPBC did not properly disclose that one of their employees, Gary Hawkins, was a Hardest Hit Funds (HHF) Principal Reduction (PR) co-applicant resulting in a conflict of interest issue.

The allegation was **Supported** based on the testimony of ULPBC staff, who admitted that they were aware of the Conflict of Interest in October of 2014. The OIG confirmed that Mr. Hawkins was employed at ULPBC from March 24, 2014, until November 30, 2014, and was funded by the "Walmart Grant". Additionally, he was also hired as an Independent Contractor from July 7, 2014 until February 10, 2015, to work on the "UYEP" grant. Mr. Hawkins did disclosed his prior employment at ULPBC on his HHF PR application. Furthermore, the OIG determined through interviews with ULPBC staff and HHF management, that the ULPBC staff were aware of Mr. Hawkins' employment with ULPBC and that there were no records of attempting to contact Florida Housing or HHF regarding the conflict of interest. The ULPBC's records related to the Hawkins file did not contain any documentation to support how ULPBC identified or reported the Conflict of Interest.

Interviews with ULPBC staff and Mr. Marcelin, the former ULPBC HHF manager, provided conflicting information as to whether Ms. Latson reported the conflict of interest to her supervisors. Ms. Latson indicated to the OIG that she reported the conflict to her immediate supervisor, Mr. Marcelin, and that Mr. Marcelin stated that he would contact HHF. Ms. Latson stated that Mr. Marcelin indicated that he did not think there were any issues with processing the Hawkins file. However, Mr. Marcelin reported to the OIG during his interview that he was not aware that Mr. Hawkins had even applied.

Additionally, during the time of the application and subsequent processing, the HHF Administrator, Ms. Anderson, was not aware that Mr. Hawkins had applied for the PR stating that she relied upon Mr. Marcelin to keep her aware of issues pertaining to HHF. Furthermore, she disclosed that she had shared her administrator password

with Mr. Marcelin to assign files. There are no internal records to support how Mr. Marcelin or Ms. Anderson addressed the conflict of interest issue regarding the Hawkins application.

The OIG did not find any business or familial relations between the ULPBC HHF staff and Mr. Hawkins. Also, the HHF staff did not appear to know Mr. Hawkins. Ms. Bacquie did have Mr. Hawkins as a “friend” on her facebook page, but there was not any additional evidence to support her having a business or personal friendship with the Hawkins’. Ms. Bacquie’s facebook page also showed that she was friends with a prior co-worker, Charlene Hawkins. Ms. Bacquie confirmed that Charlene Hawkins was the sister of Gary Hawkins. Ms. Bacquie stated that she did not know, until three months ago, that Charlene and Gary were related. When questioned about a possible social connection between Ms. Bacquie and the Hawkins’, Ms. Bacquie stated that her connection with Mr. Hawkins was spiritual as he was a Deacon at her church. It does not appear that ULPBC was intentionally submitting false information on Mr. Hawkins’ behalf.

There is conflicting testimony and inadequate supporting documentation as to how Mr. Hawkins obtained the HHF flier needed to apply for HHF and have his file referred to the ULPBC. ULPBC staff and management have indicated that Mr. Hawkins could have easily obtained the HHF flier with the ULPBC referral code from any central location or in staff meetings. However, Mr. Hawkins recalls receiving the HHF flier from Ms. Latson. ULPBC management confirmed that they encourage staff to share the HHF fliers to make their clients aware of the HHF services available. There is no evidence that there was a personal benefit or gain obtained by HHF staff by having Mr. Hawkins file assigned to ULPBC.

The OIG did determine that Mr. Hawkins role at ULPBC was not HHF-related. He was hired by ULPBC on March 24, 2014, as a Program Specialist and then worked as an Independent Contractor for ULPBC from July 7, 2014 until the present. His role was to provide professional consulting services in the area of workforce development programs.

Allegation 2

The ULPBC ignored or the Hawkins’ failed to disclose potential bank accounts and related sources of income.

The allegation was **Supported** based on the testimony of ULPBC staff and a review of the CD records. The OIG confirmed with ULPBC advisor staff that they did not question any of the conditions noted by the Underwriters, including bank transfers to undisclosed accounts and inconsistent P&L information. The OIG noted that the initial advisor review was processed in eight days (October 7, 2014 to October 15, 2014), without any notes in CD or evidence of supervisory review. Some of the required forms were not initially submitted to Underwriting such as the “Computation Form” and the “Eligibility Review Checklist”. Additionally, the advisor indicated that she did not request any documentation to support citizenship or Florida residency.

The HHF Administrator, Ms. Anderson, stated that after recently reviewing the file, it appeared that the advisors were receiving information and just passing it along to the Underwriters. The advisor, Ms. Bacquie, was inexperienced and having performance issues. Furthermore, it appears that she was not properly reviewing the file nor does she appear to be adequately trained in reviewing files.

The OIG did not address whether the Hawkins were intentionally providing false information. The OIG determined that Mr. Hawkins was not always forthcoming or accurate in his responses to the Underwriter’s questions. He

made mistakes and omissions when preparing his application, and also provided inconsistent information and incomplete responses to the Underwriters. The OIG identified the following issues:

- The Hawkins' application had incorrect social security numbers for both Mr. and Ms. Hawkins. Additionally, the date of birth for Ms. Hawkins was incorrect. Mr. Hawkins indicated that he likely made mistakes in entering the social security numbers for himself and his wife, Loretta. He also stated that he likely entered the birthdate for his wife as 2014 which was obviously an error. Mr. Hawkins stated that he was not trying to conceal their true social security numbers and that no one at ULPBC challenged him on this. Both he and his wife saw the application and signed it on October 7, 2014, but neither he nor Ms. Hawkins recalled reviewing the social security number or birth date as printed on their application.
- Mr. Hawkins did not initially disclose the income generated through Loretta Hawkins Ministries. Mr. Hawkins explained that this was not his wife's business and that her employment status as unemployed on their application was correct. He stated that his wife did not work in 2014 and that he ran Loretta Hawkins Ministries. Mr. Hawkins stated that he was not asked to explain his wife's employment status. Mr. Hawkins was in the process of providing the information related to Loretta Hawkins Ministries during the underwriting process.
- Mr. Hawkins' bank account had numerous transfers that were not questioned by the advisor but that were questioned by the underwriters. These transfers were also in the process of being addressed and Mr. Hawkins was providing the information although he was not fully addressing the underwriters questions. There was one transfer that the Underwriter had not addressed, and the OIG asked Mr. Hawkins to explain. This was the transfer to Quarterman Ely Loretta Hawkins account. Mr. Hawkins stated that this was an account for a business run by his son, Ely.
- The Hawkins had submitted three P&L's during the underwriting process that had conflicting information related to income and business addresses. On April 27, 2015, undrewriting submitted their last condition which supports their efforts to obtain an accurate P&L statement.

In accordance with Section 20.055(7)(c), F.S., on September 21, 2015, this investigation was coordinated with the Florida Department of Law Enforcement (FDLE) for a possible violation of Title 18, United States Code, §1001, False Statements; Section 817.03, Florida Statutes (F.S.), Making false statement to obtain property or credit; Section 817.545, F.S., Mortgage Fraud; and/or Section 837.06, F.S., False Official Statements. On July 12, 2016, FDLE advised that the State Attorney's Office will not file criminal charges for "Organized Scheme to Defraud", as they stated:

The evidence provided cannot prove all legally required elements of the crime alleged and is insufficient to support a criminal prosecution.

In accordance with Section 20.055(7)(e), F.S., on September 29, 2016, a copy of this report was provided to the Urban League of Palm Beach County for a response. On October 27, 2016, the Urban League of Palm Beach County provided a response to the Office of Inspector General. The response is attached to the investigative report.

REBUTTAL TO SUBJECT RESPONSE

On October 27, 2016, Patrick Franklin, President and CEO of the Urban League of Palm Beach County (ULPBC), provided a written response to the Office of Inspector General's (OIG) investigative report.

Allegation 1 had a **supported** finding regarding that the ULPBC did not properly disclose that one of their employees, Gary Hawkins, was a Hardest Hit Funds (HHF) Principal Reduction (PR) co-applicant resulting in a conflict of interest issue.

Mr. Franklin's response to allegation 1 of the Investigative Report noted the following:

During the time period of May 2015 – September 2016 the ULPBC has reviewed our entire program control policies in regards to but not limited to: Conflict of Interest, proper reporting of client disclosure and information, staff training on policies and oversight, file review process, management responsibilities and oversight. Along with the previously mentioned trainings and oversight, all staff which was associated with the HHF & PR programs no longer works at the ULPBC.

Allegation 2 had a **supported** finding regarding that the ULPBC ignored or the Hawkins' failed to disclose potential bank accounts and related sources of income.

The OIG found that Mr. Franklin's response to allegation 2 of the Investigative Report was not adequate. Therefore, the OIG is forwarding Mr. Franklin's response to the HHF program office for further handling as deemed appropriate.

Because there is no new information that would substantially affect the findings of this investigation, the allegations against the ULPBC remain **supported**.

INSPECTOR GENERAL COMMENTS

The OIG found issues of concern related to ULPBC's compliance with HHF program and contractual requirements.


- Ms. Anderson, ULPBC HHF Administrator improperly shared her password with Mr. Marcelin, HHF Housing Manager. Mr. Marcelin used Ms. Anderson's password to assign and manage cases in CD without needing her approval or knowledge. ULPBC policies should be revised to ensure that the administrator password is never shared.
- Mr. Marcelin was responsible for the day to day assignment and approval of files and was not required to or did not report issues of this nature to the Ms. Anderson. Ms. Anderson is required to report all conflict of interest issues to Florida Housing HHF program management. The ULPBC policy should require that all conflicts of interest be brought to the attention of the ULPBC HHF Administrator. The HHF Administrator should be the one to report the conflict of interest to HHF management.
- ULPBC Policy does not clearly define that co-workers or ULPBC Independent Contractors applying for HHF as being a "Conflict of Interest". Additionally, the policy does not indicate how a conflict of interest should be reported both internally and externally.

- HHF fliers with ULPBC referral codes were and continue to be disseminated to ULPBC staff at meetings and staff are encouraged to use them as information when helping their various clients. Staff and Independent Contractors with ULPBC should be reminded not to use the referral codes when applying to HHF for themselves.
- The ULPBC advisor staff should be provided training with regards to effectively reviewing files and documenting the file process with case notes.
- The ULPBC Policy forbids employees from participating if a conflict of interest, real or perceived, may exist. The policy does not clearly define which relationships would be considered conflicts and it does not require staff to report the conflict of interest. ULPBC staff, while receiving training, appear to need follow-up guidance.

With regard to the Hawkins file, the OIG recommends that HHF transfer the file to another advisor agency, if further processing of the Hawkins file is determined to be appropriate. If the file is further reviewed, Mr. and Mrs. Hawkins' 2014 personal and business related taxes should also be requested to ensure that there are no additional income questions or inconsistencies.

CERTIFICATIONS

This investigation was conducted in compliance with the "Quality Standards for Investigations" found within the *Principles and Standards for the Office of Inspector General*.



 Name, Title, Office of Inspector General

APPROVALS



 Melanie Yopp
 Investigator



 Chris Hirst
 Inspector General



 Date



 Date

October 26, 2016

Christopher T. Hirst
Inspector General
Florida Housing Finance Corporation
227 North Bronough Street
Suite 5000
Tallahassee, FL 32301

RE: Investigative Case No. 150520-01

Dear Mr. Hirst

The Urban League of Palm Beach County (ULPBC) is in receipt of the investigative findings pursuant to Florida's Hardest Hit program. We take the allegations and the resulting findings seriously on all fronts. Our work within the Florida's Hardest Hit program has helped and supported many Floridian's throughout Palm Beach County and its surrounding areas maintain a roof over their heads through difficult financial times.

The Urban League of Palm Beach County has consistently strived to maintain the highest quality of work, customer service, client confidentiality, and impactful results for all clients across all 20 of our different programs and services. We serve over 17,000 clients on an annual basis creating hope and substance for many trying their best to keep their families and or themselves moving in the right economic direction.

The two allegations referred to in the Investigative Report;

Allegation 1 – The ULPBC did not properly disclose that one of their employees, Gary Hawkins, was a Hardest Hit Fund (HHF) Principal Reduction (PR) co-applicant resulting in a conflict of interest issue.

Allegation 2 – The ULPBC either ignored or the Hawkins failed to disclose potential bank accounts and other related sources of income as required by the HHF PR Advisor Manual.

During the time period of May 2015 – September 2016 the ULPBC has reviewed our entire program control policies in regards to but not limited to: Conflict of Interest, proper reporting of client disclosure and information, staff training on policies and oversight, file review process, management responsibilities and oversight. Along with the previously mentioned trainings and oversight, all staff which was associated with the HHF & PR programs no longer works at the ULPBC.

Our past history of accomplishments regarding the HHF and PR programs reflects our commitment and service to the residents who selected the Urban League to assist them achieve their housing goals. From April 2011 – May 2015, 235 successful applications for UMAP/ MLRP across several counties (Palm Beach - 132, Broward-45 and Miami-Dade-28, other counties - 30) helped homeowners remain in their homes. To date 95% of borrowers who received assistance through the program is still living in their

homes. The economic impact of this program in collaboration with the Urban League of Palm Beach County as an HHF Advisor agency is \$18,330,000.

The Principal Reduction program was active from 2013 – 2015 processing 100 applications (Palm Beach – 40, Broward – 22, Miami-Dade – 13, other counties -25) for homeowners seeking mortgage assistance to lower their principal balance. The program paid approximately \$4,272,178 on behalf of homeowner clients to their lenders.

At this time we are encouraged that the investigation is complete. I would like to take this opportunity to thank the Florida Housing Finance Corporation for all of the support and help that you have provided over the program existence and I look forward to creating a new programmatic path for the ULPBC to once again provide the needed assistance our residents need to maintain their homes in such difficult economic times. The ULPBC is seeking reinstatement back into the HHF & PR programs through the Florida's Hardest Hit program.

Regards,

Patrick J. Franklin

President & CEO
Urban League of Palm Beach County