
Operation Safe Home

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On February 4, 1994, Vice President Al Gore, Attorney General Janet Reno, Secretary of Housing and Urban Development Henry Cisneros, former Treasury Secretary Lloyd Bentsen, and former National Drug Control Policy Director Lee Brown announced "Operation Safe Home" (OSH) in a joint press conference at The White House.

The announcement resulted from a question posed months earlier by Secretary Cisneros. Secretary Cisneros asked the Department of Housing and Urban Development (HUD) Inspector General, Susan Gaffney, whether the HUD Office of Inspector General (OIG) could take a more proactive stance in identifying and combatting major types of crime that were undermining HUD programs. The OIG senior staff had no difficulty identifying three major types of crime affecting HUD programs:

- violent crime in public and assisted housing;
- fraud in the administration of public housing; and
- illegal diversion of revenues (also known as equity skimming) from multifamily insured projects.

The more difficult question was: how could the OIG, with its very limited resources, make a substantial contribution toward reducing the incidence of these crimes? Three OIG task forces, comprised of field and headquarters staff, were convened to consider the question. Their answers were remarkably similar: the OIG had to be willing to (1) engage in new kinds of work; (2) leverage our resources by focusing other law enforcement agencies, as well as HUD and HUD partners, on these crimes; (3) enhance our deterrent effect by publicizing our enforcement successes; and (4) make a real and substantial long-term commitment to the effort.

Based on these concepts, the task forces drew up plans in each of the three areas and suggested to the Secretary that the overall effort be labeled Operation Safe Home. The label was important: the OIG wanted to be sure that we never lost sight of our real objective, which is decent, safe, and sanitary housing for HUD beneficiaries.

In the 2 years since its announcement, Operation Safe Home has led the HUD OIG down some unconventional paths. While we have had notable successes, the mission remains daunting. The one clear lesson we have learned is that the HUD OIG occupies a very special niche between the law enforcement and the HUD program communities; and we can and should use this niche to the benefit of all.

Violent Crime In Public and Assisted Housing

Despite the fact that HUD spends almost \$20 billion a year for public and assisted housing, much of this housing has become a major locus of violent crime--with law-abiding residents, many of them elderly, terrorized by drug and gang activity. OIG audit work over the years had shown that the rising tide of violence could be attributed, in part, to poor communication/cooperation between housing authorities and local law enforcement, inadequate emphasis on crime prevention (as opposed to law enforcement), and fragmented Federal, State, and local law enforcement efforts.

Accordingly, the OSH initiative was structured to combat the level of violent crime within public and assisted housing, and enhance the quality of life within such complexes via three simultaneous approaches:

- collaborative law enforcement efforts focused on reducing the level of violent crime activities occurring within public and assisted housing;
- collaboration between law enforcement agencies and public housing managers and residents in devising methods to prevent violent crime; and
- HUD programmatic initiatives specifically geared to preventing crime.

Immediately after the announcement of OSH, OIG Special Agents in Charge (SACs) briefed the U.S. Attorneys on the OSH effort. The U.S. Attorneys were solicited for their assistance and support in developing anti-crime initiatives at selected public and assisted housing sites within their districts.

U.S. Attorneys were simultaneously instructed by Attorney General Reno to develop operational plans for reducing violent crime in their districts. These instructions included U.S. Attorney-led "law enforcement coordinating

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committees” (LECCs) composed of representatives of all major Federal, State and local law enforcement agencies within their jurisdictions. The HUD OIG was included in the composition of the LECCs. This provided the OIG with an opportunity to solicit broad support from other law enforcement agencies via the re-focusing of some existing anti-crime initiatives into those areas containing public and assisted housing sites.

In addition, OIG SACs sought out their counterparts at the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), the Bureau of Alcohol, Tobacco and Firearms (ATF), U.S. Secret Service (USSS) and other Federal, State and local law enforcement agencies to discuss mutual concerns about drug and violent crime activities within public and assisted housing locations throughout their districts. These efforts were designed to encourage these agencies to consider adjusting the focus of some of their ongoing investigative efforts into the more crime-ridden public and assisted housing sites, and to initiate law enforcement operations specifically targeted within such locations.

Simultaneously, the OIG started working with HUD managers to define program initiatives that would support Operation Safe Home.

As a result of this outreach, over the past 2 years the OIG has become a participant in over 100 law enforcement task forces; assumed significant responsibility for relocating witnesses of violent crime; sponsored a dialogue among police chiefs, the Department of Justice, and HUD program managers; and developed an anti-crime legislative proposal.

Law Enforcement Task Forces

OIG participation in law enforcement task forces has been a significant departure from the traditional role of OIG Special Agents in investigating white-collar crime. It has required that OIG Special Agents enhance their previous law enforcement training with additional skills in tactical operations, as well as the uses and handling of confidential sources in covert investigations. OIG Special Agents are now routinely assigned as full participants to DEA, ATF, FBI-led task forces. They also participate in a number of State/local police operations that are designed as short-term initiatives highly focused within publicly funded residential complexes.

Since the inception of OSH, OIG Special Agents have participated in over 100 task force initiatives that have been either focused exclusively in publicly funded housing, or have been expanded from their original scope to include publicly funded housing. Some Federal task forces of national scope, such as the FBI’s “Safe Streets” and ATF’s “Project Uptown”, now include components that have dedicated agents addressing gang, drug and gun crimes within public housing locations.

OIG agents have directly participated in law enforcement operations executing the service of over 700 search warrants, and they have participated in making over 6,800

arrests in and around public and assisted housing sites. In the course of these operations, they have become involved in joint seizures of drugs valued at almost \$3 million, over \$1 million in cash and over 550 weapons, including 49 assault rifles and 56 shotguns.

More importantly, in specific areas, the task forces on which OIG agents worked have succeeded in removing entire gangs that terrorized residents, thereby reducing the violence and allowing housing authorities to reclaim the units and returning to residents a sense of community. There is a general consensus among law enforcement agencies as to the long-term futility of enforcement operations in permanently reducing the level of drug and violent crime activities in targeted locations without a correspondingly appropriate effort to counteract the destruction of the underlying social fabric within the communities. We have learned that it is only when local management and the residents reclaim their neighborhood that the criminal element finds it difficult to re-enter.

OSH initiatives that have met with success include cooperative efforts of law enforcement with housing authority management in Boston, Washington DC, and Atlanta.

Mission Hill, Boston, MA

In the Mission Hill housing complex, which has the highest crime rate within the Boston Housing Authority, residents had to escort their children to school carrying baseball bats. The area was an open-air drug market populated by street gangs who terrorized the residents, defaced and destroyed residential buildings and took over the playground for their market.

HUD OIG, working with Boston Housing Police, Boston Municipal Police, as well as DEA and ATF, and Housing Authority executive management, provided intense attention to the immediate area with follow-up action. On September 14, 1994, law enforcement officers from the combined agencies arrested approximately 120 persons in a 24-hour operation designed to remove the criminal element from the area.

Simultaneous to the arrests, Housing Authority personnel reclaimed the playground by using a bulldozer to shove the garbage out of the way before installing new equipment. They replaced damaged doors and windows and installed new locks to residential buildings. They initiated a campaign to paint, repair and restore the efficiency of the buildings and the sense of neighborhood. Housing Authority personnel and Boston Police have remained committed to maintaining a visible presence in the area.

Residents who have been interviewed by media, a year later, maintain that they now feel much safer in their neighborhood and can sit outside and enjoy their homes. In addition, existing documentation shows that between September 1993 and March 1994, there were 1,460 calls for police service in the area, whereas for the same period, the following year, after the law enforcement operation, there

were only 655. Further, the nature of the calls changed, as evidenced in the reduction from the 375 emergency calls to police made during the first period to only 104 during the year later, a decrease of over 72 percent.

Kelly Miller, Department of Public Housing, Washington, DC

The Kelly Miller apartment complex, under the management of the DC Housing Authority, was the focus of a year-long intensive effort on the part of ATF, HUD OIG, Washington Metropolitan Police, along with Housing Authority management. Kelly Miller was a complex under the rule of a violent drug gang. The law enforcement components, acting under ATF's Project Uptown, spent 10 months documenting the gang's activities via covert drug purchases. The teams videotaped transactions with the goal of developing sufficient Federal evidence to support long prison terms for gang members.

By May 1995, approximately 20 gang members had been arrested on Federal charges. More than 100 Housing Authority personnel also descended on the complex in major renovation efforts and eviction action was taken against those residents whose apartments were used by the drug gang as their distribution centers. Both the management of the DC Housing Authority, as well as ATF, are enforcing their commitments to remain vigilantly on the scene, and this same concept is being applied to other specifically targeted locations of the DC Housing Authority.

John Hope Homes, Atlanta Housing Authority, Atlanta, GA

In February 1995, ATF announced the apprehension of 14 members of the Miami Boys street gang, who had a history of murder and intimidation, in connection with their drug activities. They were based within Atlanta Housing Authority residential communities, specifically, John Hope Homes. The 18-month investigation utilized various investigative techniques, including evidence/drug purchases made at an undercover unit provided through OIG. In addition, an OIG agent participated in the covert aspects of the field work.

The Miami Boys were involved in a struggle to control drug sales. One incident involved a drive-by shooting by gang members armed with an AK-47 assault rifle, killing one person and wounding five others. The gang members also committed home-invasion robberies in Fulton County by impersonating police officers allegedly conducting a raid at the residence.

Gang members are awaiting sentencing upon their Federal pleas; however, Atlanta Housing Authority administration has already evicted them. In addition, maintenance personnel have gone into John Hope Homes, replacing doors, windows and locks and putting new security measures in place.

Witness Relocation

Just prior to the announcement of OSH, FBI Director Louis Freeh brought HUD a problem with far-reaching consequences: on many occasions, U.S. Attorneys and local prosecutors were stymied in their efforts to vigorously prosecute the violent criminals terrorizing HUD-funded residential communities. Residents of public housing who had direct knowledge of violent crimes were unwilling to come forward to assist police because the perpetrators of the violence would intimidate the witnesses by threats against them and/or their families. Cases were documented in which potential witnesses were killed, wounded or assaulted before they had any opportunity to speak to law enforcement. Director Freeh asked Secretary Cisneros if there was any way these witnesses/residents could be relocated in order to remove them from imminent danger. The OIG and HUD program managers collaborated to address Director Freeh's concern as part of OSH.

Since the inception of OSH, HUD OIG has facilitated the relocation of 183 witnesses/families using other available HUD-funded residential property. The management of other housing authorities and managers of other HUD programs have cooperated with the OIG in providing residential units to which witnesses can be relocated. The vast majority of relocations have been effected at the request of other Federal law enforcement agencies, and with the concurrence of appropriate U.S. Attorneys. This is a relocation effort only and OIG does not provide protection services for threatened witnesses. Further, this is usually temporary housing provided until either the U.S. Marshals Service program takes over the witness, other arrangements are made with the prosecutor's office, or until prosecutive efforts have been completed.

To illustrate the importance of this effort, U.S. Attorneys have successfully prosecuted gangs in the metropolitan areas of Boston, Hartford, New York, Washington DC, and Atlanta on the testimony of persons who were threatened by gangs and then relocated by HUD OIG.

Dialogue between Police Chiefs, Department of Justice and HUD Program Managers

To improve relationships between housing authorities and local law enforcement, the OIG and the International Association of Chiefs of Police (IACP) have sponsored two conferences of Department of Justice (DOJ) officials, HUD program managers, and 10 representative Chiefs of Police. The unprecedented dialogue between HUD program managers and the Chiefs allowed the identification of numerous issues that are impeding effective housing authority/law enforcement relationships. The OIG is now working with the IACP and HUD program officials to develop variations of these conferences to be held at the local level.

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Legislative Proposal

With OSH, we have learned of the frustrations of law enforcement entities in addressing violent crime, especially within the context of publicly funded housing. The newest aspect of our evolving OSH methodology involves finding avenues to convey our experiences to both Departmental and Congressional leadership.

We have experienced the frustration of arresting violent criminals, only to see them remain in HUD-funded units, apparently indefinitely, pending eviction proceedings controlled by municipal courts.

We have questioned the ease with which those with criminal convictions, especially for crimes of drugs and violence, obtain admission to publicly funded housing.

We have come to question three existing Federal legislative impediments to screening and evictions that (1) provide administrative grievance rights to residents, unnecessarily extending any eviction process; (2) fail to place responsibility on any applicant or resident for their disclosure of current illegal drug use; and (3) limit public housing access to criminal conviction information available through the National Crime Information Center (NCIC).

We have listened to the complaints of Chiefs of Police, as well as witnessed the detrimental effect of housing drug/alcohol addicted persons, classified as disabled, in our senior citizen communities.

Finally, we have witnessed the apparent futility of programs geared solely towards prosecution, under which the most up-and-coming drug gang immediately emerges to fill any void created by the arrest and removal of the prior one.

In response to these concerns, OIG staff developed proposed legislative remedies to address each of the apparent short-comings. The Secretary forwarded the OIG's proposed legislative package to the Congress for its deliberation.

Fraud In Public Housing Administration

Over the years, the viability of the public housing program has been undermined by a perception of widespread fraud and corruption in local public housing authorities. OIG audits and investigations have not only led to successful prosecutions and financial recoveries, but also to Congressional hearings into mismanagement and corruption in publicly funded housing. With the initiation of OSH however, a new level of audit and investigative endeavor was developed.

OIG initiated a series of "fraud probes" focused within a sampling of housing authorities. Probes are limited reviews, jointly conducted by the Offices of Audit and Investigation, designed to quickly test the fiscal integrity and procurement process in specific housing authorities. Housing authorities targeted were selected from a pool of medium size authorities not having received OIG audit attention in the immediate past.

Secondly, OIG obtained a commitment from the FBI and DOJ as to the need to establish priorities among fraud investigations that were either ongoing, or as were developed by the probe teams.

Initial probe efforts involved OIG work at 44 public housing authorities, many of which could not have been reached through traditional audit work. These probes did not reveal a significant number of serious discrepancies, representing a positive result for the public housing program. At the same time, probes directed at housing authorities already under investigation have had significant results. For instance, cases in Washington, DC, and Irvington, NJ, were subsequently brought to indictment and conviction with the aid of probe results, and a second phase of investigation in those matters occurred based on findings of the probe teams.

Also, the joint DOJ/FBI/OIG commitment to pursue allegations of fraud and corruption within publicly funded housing has met with success. The OIG's *Semiannual Report to the Congress* for the period ending September 30, 1995, documents that there have been 94 indictments and 68 convictions of fraud matters within public housing authorities since OSH began. These prosecutions have resulted in fines and restitutions ordered by the courts totalling in excess of \$867,000.

Examples of the types of cases developed and prosecuted include the following:

- Twelve individuals were prosecuted in a contract/procurement bribery case at the Baltimore Municipal Housing Authority. Eight contractors paid illegal gratuities to three Housing Authority personnel and one state official in exchange for their preferable treatment in the award of construction contracts.
- Two employees of the Housing Authority of Nogales, AZ, were convicted along with a bank employee for their roles in a 10-year conspiracy of diverting rental assistance funds from the Authority to their own uses. Their scheme resulted in the diversion of approximately \$240,000 of Section 8 funds from the Authority and the extortion of \$10,000 from program applicants and participants.
- Ten persons, five of whom were employees of the Washington DC Housing Authority, were convicted in a bribery scheme in which applicants least likely to be able to afford a residential unit at the Housing Authority had to pay gratuities to Housing Authority personnel in order to receive their units.
- The former Executive Director of the Spokane, WA Indian Housing Authority was convicted and ordered to make restitution of almost \$13,000 he embezzled from Authority accounts.

Equity Skimming in FHA Multifamily Housing

For years, the HUD OIG has warned the Department about the high risk of significant defaults within its Multifamily insurance portfolio. This portfolio consists of HUD's outstanding obligations via underwriting mortgage

insurance for residential apartment complexes that are owned and managed by private entities. In the event such a complex defaults on its mortgage to a financial institution, HUD pays the insurance claim.

Equity skimming plays a significant part in the realization of losses to the Federal Housing Administration insurance funds. Equity skimming is the willful misuse of any part of the rents, assets, proceeds, income or other funds derived from the property covered by the mortgage.

Apart from the fairly obvious financial losses that HUD incurs when owners collect rents but do not pay the mortgage, equity skimming generally has other insidious implications. Most notably, living conditions deteriorate for the tenants as funds intended to maintain, replace or repair living units are diverted for the personal use of owners. Another side effect noted in multifamily complexes, especially in urban areas, is that as they fall into default the incidents of violent crime increase.

Despite these very serious consequences of multifamily equity skimming, HUD's track record in pursuing equity skimming cases developed by OIG auditors was poor. As part of Operation Safe Home, the OIG determined to mount a campaign against equity skimming by 1) focusing on affirmative civil enforcement opportunities; 2) referring civil cases directly to U.S. Attorneys, rather than (as had been the practice) through HUD's Office of General Counsel; and 3) empowering OIG auditors to make the civil referrals without involvement by the OIG Office of Investigations. This last point was deemed critical, as civil cases tended to languish in the Office of Investigations while agents focused on high priority criminal cases.

OIG staff has worked closely with the Department of Justice in this effort. We have been in contact with all 94 United States Attorneys and have participated in conferences with Civil Assistant U.S. Attorneys from around the country. The outreach has paid off: since the initiation of OSH, OIG auditors, working with Assistant U.S. Attorneys from DOJ's Affirmative Civil Enforcement Unit, have pursued aggressive, affirmative litigation to stop owners and management agents from illegally diverting funding. Ninety-seven cases are currently in varying stages of civil and/or criminal prosecution with DOJ. An additional 39 cases have been closed, returning to HUD over \$34 million via 34 civil settlements and 5 judgments.

Examples of OSH results include the following:

- In the Southeast, an OIG audit identified questionable disbursements totalling over \$913,000 in distribution of project funds while the mortgage was in default. The owner made disbursements to himself from funds borrowed for debt service and guaranteed by the project, along with other ineligible

and unsupported disbursements. On receipt of a demand letter from a U.S. Attorney, and to avoid Federal suit, the owner agreed to personally pay a mutually acceptable percentage of the ineligible distributions identified in the audit. As the subject already is repaying other Federal debts at a rate of 20% of the amount he owes, the U.S. Attorney held the reimbursement of these funds to 20%.

- A settlement agreement was reached with Burnham Plaza Associates in Chicago, IL, in which restitution of \$300,000 is to be made. The complex went into default in 1988 and was assigned to HUD by 1990. However, an OIG audit disclosed that over \$264,000 was improperly withdrawn after default.
- In Rutherford, NJ, the owners of 16 projects located in four states agreed to a final settlement and repaid HUD over \$648,000. The project owners misused the funds while the mortgages for the four projects were in default and had been assigned to HUD.
- The owner of Lambert Park Apartments in Bath, ME recently signed a stipulation agreement with the Assistant U.S. Attorney under which diverted project funds will be repaid. A 1993 OIG audit of the complex disclosed that the former owner diverted \$224,349 from project operating funds. The project was foreclosed by HUD in January 1993. DOJ has received an initial payment of \$50,000 that will go back into the complex.

In addition, the OSH equity skimming initiative has had the happy result of improving understanding and cooperation between OIG auditors and agents. In the past, auditor frustration about slow action on their referrals tended to focus on the role of the OIG agents. Now that OIG auditors are dealing directly with U.S. Attorneys on equity skimming civil referrals, they have gained some empathy for their agent colleagues.

Like everyone else in Federal service, OIG is all too aware of the increased demands placed on limited assets. We are being told to do more with less. In the HUD OIG, we envision OSH as exactly the form of initiative called for in today's business and social environment. It is creatively using limited audit and investigative resources by combining the skills, efforts and funds of multiple agencies in a common goal.

We believe that by sharing our resources, commitment and vision in common focus with our counterparts on reducing violent crime, public housing administration fraud, and multifamily equity skimming, we can make a positive change in federally funded housing. We can enhance the quality of life, not only within those specific communities we target, but throughout the communities of the Nation. □