

**SYSTEMIC IMPLICATIONS
REPORT**

**U. S. Department of Housing
and Urban Development
Office of Inspector General
Office of Investigation**

AGENT: (b) (7)(C)(b) (7)(C)(b) (7)(C)(b) (7)(C)

DISTRICT/OFFICE:
Northeast Region, (b) (7)(C)
Office of Investigations

DATE:
July 2, 2014 [REDACTED]

A. Description of Systemic Deficiency

This office initiated an investigation into bid rigging, theft of government funds, and bribery related to HUD CDBG rehabilitation funds awarded to the City of Bayonne. During the course of this investigation, HUD-OIG, Office of Investigation (HUD-OIG OI) found deficiencies in the Integrated Disbursement Information System (IDIS) Access request form and HUD's Rules of Behavior form.

IDIS is the draw down and reporting system for HUD's grant programs. CPD staff and grantees who receive HUD CPD grants (CDBG, ESG, HOPWA, HOME) use IDIS to set up, fund, and request payments for CPD-eligible activities.

Requests for and approvals of payments in IDIS must be completed by two separate individuals - a creator (requestor) and an approver (Attachment 1), who are designated by the grantee's approving official. The requestor cannot act as an approver because to do so would exceed his/her HUD-granted authority. Taking into account the challenges encountered by smaller municipal grantees, it is possible for one individual to be designated as both a requestor and approver, but they cannot act in both roles for the same transaction. When a request for payment is approved, payment to the grantee is made in the form of an Automated Clearing House deposit from HUD's Treasury account into the grantee's bank account.

After reviewing HUD IDIS access form 27055 (11/13), "IDIS OnLine Access Request" (Attachment 2), the Reporting Agent noticed the following:

1 – The form lists a warning that reads as follows:

**Warning: HUD will prosecute false claims and statements.
Conviction may result in criminal and/or civil penalties (18 U.S.C
1001, 1010, 1012; 31 U.S.C. 3729, 3802)**

2 – The form does not advise the user or require an affirmative statement or certification from the person being granted IDIS access that it is a violation of 18 USC 1030 (Fraud and Related Activity in Connection with Computers) to knowingly access a computer without authorization or to exceed his/her HUD

authorized access.

3 – The form does not contain a certification that the user being granted access was advised of HUD’s Separation of Duties policy (Attachment 3), effective December 14, 2001, which reads that a separation of duties between the IDIS requestor and approver must exist.

HUD Rules of Behavior Form 27065 (02/11) (Attachment 4) defines a user’s role when being granted access to HUD systems. This packet requires the user to sign and certify page 4 of the packet and return the certification to HUD. The certification page does not contain any warnings or certifications regarding the violation of 18 USC 1030.

Consequently, it is possible for a grantee to allow a single person to use two different ID’s thereby giving one person the ability to both create and approve draw requests without an independent review.

B. Suggestions to Correct Deficiency

- 1) We recommend HUD revise the IDIS access request form and the Rules of Behavior form to include a warning and certification by the person being granted access to IDIS. The warning should require the user to acknowledge that (1) he/she understands HUD’s policy requiring a separation of duties between the requestor and approver; (2) he/she is prohibited from misusing the IDIS, i.e., exceeding their authority; and (3) he/she understands the existence of and penalty for violating 18 USC 1030.

The elements of 18 USC 1030(a)4, “Accessing to Defraud and Obtain Value” are:

- Knowingly accessing a protected computer without or in excess of authorization;
- With intent to defraud;
- Access furthered the intended fraud; and
- Obtained anything of value

The penalty for violating this statute includes a fine and imprisonment of not more than ten years, or both.

(b) (5)



We consulted with the Director, Office of Community Planning and Development, Newark, New Jersey, who concurred with the recommendations made in this report.

We consulted with the Regional Inspector General for Audit, Office of Audit, New York, New York, who concurred with the recommendations made in this report.

C. Investigative Techniques

(b) (7)(E), (b) (7)(C), (b) (5)



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