



**OFFICE OF INSPECTOR GENERAL  
PALM BEACH COUNTY**

**MEMORANDUM OF CORRECTIVE ACTION**

Sheryl G. Steckler  
Inspector General

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**Date:** October 26, 2011  
**To:** Assistant County Administrator Shannon LaRocque  
**From:** Sheryl G. Steckler, Inspector General  
**Re:** **OIG Case #2011-0001**  
**Housing and Community Development**

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Administered by the County's Housing and Community Development (HCD) Department, the HOME<sup>1</sup> program (funded by the U.S. Department of Housing and Urban Development) assists low to very low income residents of Palm Beach County with purchasing affordable housing.

On October 14, 2010, Housing and Community Development Manager Carol Langford forwarded information to the Palm Beach County (PBC) Office of Inspector General (OIG) that she received from Attorney Chuck Mineo. According to Mr. Mineo's complaint, prior to a home purchase closing, Guardian Financial Network, Inc. (a for-profit mortgage brokerage company) representatives advised his Client that prior to the release of grant funds [from HCD], an additional payment, "donation," of \$3,500 would have to be paid to Real Estate Education and Community Housing, Inc. (REACH), a non-profit company who acted as a liaison between the County and the Client during the application process.<sup>2</sup> Mr. Mineo indicated that this fee was not reflected in closing documents and/or on the HUD statement.<sup>3</sup> On at least two occasions, representatives of Guardian and/or REACH indicated or expressly advised his Client that if the \$3,500 was not paid, the Client's HOME funding would not be processed. Preliminary inquiries by the PBC OIG revealed that Guardian's employees were also REACH employees or board members.

This matter was referred to the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG) on February 2, 2011. Due to HUD OIG's

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<sup>1</sup> Also referred to as the Home Investment Partnerships Program.

<sup>2</sup> In exchange for that assistance, REACH received a permissible \$1,500 fee that is deducted from the Client's grant funding.

<sup>3</sup> It is noted that pursuant to the U.S. Department of Housing and Urban Development (HUD) regulations, all costs associated with a HUD mortgage must be listed on the HUD statement.

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workload issues<sup>4</sup>, on June 1, 2011, the PBC OIG coordinated with the Florida Office of Financial Regulation<sup>5</sup> (OFR), which has jurisdiction under Chapter 494, Florida Statutes. The PBC OIG identified additional potential victims whose applications were submitted to the County by REACH and subsequently coordinated investigative efforts between OFR and the Office of the State Attorney, Public Integrity Unit, at which time a criminal investigation was initiated.

The criminal investigation alleged that in at least 11 out of 20 applications submitted to the County by REACH,<sup>6</sup> Guardian fraudulently obtained excess funds for REACH by advising and/or alluding to the buyer that the sale would not go through unless he or she made a “donation” to REACH, when the County was already paying REACH at closing for its services.

On October 21, 2011, the following individuals were arrested and charged accordingly:

1. **Patricia Mullis Tracey:** § 812.014(2)(c)(1), F.S. (Grand Theft – 3<sup>rd</sup> Degree Felony); § 817.034(4)(a)(3), F.S. (Organized Scheme to Defraud – 3<sup>rd</sup> Degree Felony); and § 896.101(3)(a)(1), F.S. (Florida Money Laundering Act – 3<sup>rd</sup> Degree Felony)
2. **Irma Monica Matthews:** § 812.014(2)(c)(1), F.S. (Grand Theft – 3<sup>rd</sup> Degree Felony) and § 817.034(4)(a)(3), F.S. (Organized Scheme to Defraud – 3<sup>rd</sup> Degree Felony)
3. **Nelson Kass:** § 812.014(2)(c)(1), F.S. (Grand Theft – 3<sup>rd</sup> Degree Felony) and § 817.034(4)(a)(3), F.S. (Organized Scheme to Defraud – 3<sup>rd</sup> Degree Felony)
4. **Georgina Cespedes-Rivera:** § 812.014(2)(c)(1), F.S. (Grand Theft – 3<sup>rd</sup> Degree Felony) and § 817.034(4)(a)(3), F.S. (Organized Scheme to Defraud – 3<sup>rd</sup> Degree Felony)
5. **Jon Williams:** § 812.014(2)(c)(1), F.S. (Grand Theft – 3<sup>rd</sup> Degree Felony) and § 817.034(4)(a)(3), F.S. (Organized Scheme to Defraud – 3<sup>rd</sup> Degree Felony)

On October 21, 2011, OFR issued an **Emergency Order to Cease and Desist and Suspending Licenses** of Guardian Financial Network, Inc., Patricia Tracey (Principle Owner), Nelson Kass (Licensed Loan Originator), Irma Matthews (Licensed Loan Originator), and Jon Williams (Licensed Loan Originator).<sup>7</sup>

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<sup>4</sup> It is noted that on May 4, 2011, the County Attorney’s Office inquired as to the status of the referral, at which time the PBC OIG conferred with the HUD OIG who subsequently returned the matter back to the PBC OIG.

<sup>5</sup> The Office of Financial Regulation is responsible for licensure of mortgage brokers in Florida.

<sup>6</sup> It is noted that the PBC OIG, OFR, and SAO reviewed applications received by the County from REACH between the time period of January 1, 2010 and July 8, 2011.

<sup>7</sup> It is noted that Ms. Cespedes-Rivera is not a Licensed Loan Originator in Florida.

Based on the aforementioned, the OIG recommends the following Corrective Actions:

1. Take immediate action to review all pending applications submitted by REACH.
2. As the Florida Office of Financial Regulation has executed an Emergency Suspension of Guardian's license, as well as the licenses of the aforementioned individuals, take immediate action to review all pending applications involving Guardian, regardless of whether or not the applications were submitted by REACH.
3. In an effort to protect the applicant, consider implementing a process to ensure that the applicant understands what are considered allowable and appropriate charges and where those charges appear on the closing documents and/or HUD statement.

Please provide your responses to actions taken by **November 5, 2011**.

Cc: Bob Weisman, County Administrator  
Carol Langford, Manager, Housing and Community Development