

Preserving Program Integrity: Forging Law Enforcement Partnerships to Ensure Successful Prosecutions of Fraud

Michigan State Housing Development Authority
Management Innovation: Internal Operations

HFA Staff Contact

Joshua Pugh

pughj5@michigan.gov

INTRODUCTION

The Michigan State Housing Development Authority (MSHDA) strives to ensure the integrity of all programs it administers, whether funded by MSHDA, the State of Michigan, or Federal agencies. MSHDA is devoted to being a good steward of taxpayer dollars and preserving program funds.

These funds are a finite resource made available to help those most in need, and MSHDA's dedicated Audit, Compliance, and Fraud Investigation (ACFI) Division has a significant role in meeting these goals.

MSHDA's ACFI Division is tasked with preserving the integrity of MSHDA programs by ensuring compliance with state and federal requirements, and investigating all complaints of fraud, waste, abuse, or gross mismanagement of program funds.

ACFI investigators are not law enforcement officers, and do not have police powers such as subpoena authority, so MSHDA partners with law enforcement agencies at the local, state, and federal level to coordinate efforts, pool resources, and provide tools that are "force multipliers" for ACFI.

Following an unprecedented uptick in reported, attempted, and actual fraud with MSHDA programs during the worst of the COVID-19 pandemic, ACFI stood up a new team of investigators to meet this increase with a commensurate response.

In addition, ACFI sought out new partners and resources to stay ahead of the fraudsters and bad actors.

INNOVATION

In 2023, MSHDA leadership found law enforcement prosecutions of those who defrauded COVID-era relief programs were more difficult. Local prosecutors were often more focused on violent and property crimes, making it challenging for them to prioritize their time and focus on prosecuting financial crimes. At the same time, many of the fraud cases being pursued by MSHDA investigators did not reach the threshold necessary to bring federal prosecution.

Additionally, MSHDA is limited in its ability to hire new staff by an FTE cap set by the state legislature. The only ways to add internal capacity on the ACFI team

are to either transfer staff from other divisions at MSHDA or hire limited-term staff.

It was apparent that a new model was needed, so leadership sought the assistance of the Michigan Attorney General. Together we created a new pilot program, the first of its kind in our 58-year history.

RESPONDING TO AN IMPORTANT STATE NEED

Since the partnership was officially launched with the signing of an interdepartmental memorandum of understanding, our two teams have worked seamlessly together. A dedicated team was created to exclusively prosecute fraud cases related to MSHDA programs. Our investigators have been working hand in hand with the prosecution team in the AG's office to ensure that criminal fraud of MSHDA programs is fully pursued and that the perpetrators are brought to justice.

ACHIEVING INTENDED RESULTS

We knew at the conception of this collaboration that we were responding to an important state need, but the results have already started to prove that out.

Our first prosecution in a case following the launch of this cooperative team came in spring 2024, when the organizer of a fraud ring was convicted and sentenced to between seven and 30 years in prison and ordered to pay over \$124,000 in restitution back to MSHDA. The bulk of the work done on this case came prior to the execution of the MOU, but lessons were learned along the way that will be critical to success in future collaborative operations looking at the same fraud ring, and future arrests will come soon and be made in cooperation with the staff of the Michigan AG's office.

The stealing and waste of hundreds of billions in COVID-19 relief funds intended to help confront the impacts of the pandemic has been chronicled by journalists and auditors; collective estimates represent that nationally, about 10% of the total in federal COVID-19 relief has been lost to fraud.

This collaboration is in its infancy, but early indications in other investigations are encouraging. Every penny recouped by this innovative effort will go directly into MSHDA programs that keep a roof over the heads of families in need and constructing thousands of new homes in Michigan every year.

PROVIDING BENEFITS THAT OUTWEIGH THE COSTS

The most recent prosecution earned a restitution order equal to about 28% of the total personnel costs to MSHDA for one year of this cooperative agreement.

Additional restitution orders for the repayment of funds will continue to allow MSHDA to assist more families that are truly in need.

This also meets a strategic goal of creating an effective deterrent to would-be criminals thinking of committing fraud against MSHDA.

Publicizing these effects has also led to individuals being motivated to submit new tips of suspected waste, fraud, and abuse, leading to additional successful prosecutions.

The deterrent effect isn't easy to quantify but we believe this program will lead to a decrease in future program fraud. Through press releases, media stories, and social media promotion, MSHDA's ACFI team in collaboration with Michigan's Attorney General will send a clear message that we will protect our programs and hold fraudsters accountable to further our mission and help get more housing support to more families.

MICHIGAN

Muskegon man gets 7-30 years in prison for pandemic relief fraud



Charles E. Ramirez

The Detroit News

Published 12:20 p.m. ET April 12, 2024 | Updated 1:00 p.m. ET April 12, 2024

A west Michigan man has been sentenced to seven years to 30 years in prison for defrauding the state of COVID-19 relief, officials announced Friday.

Aaron Pulsifer, 47, was also ordered by a Muskegon County Circuit Court judge to pay \$124,050 in restitution to the Michigan State Housing Development Authority, said officials with the agency, the Muskegon Police and the Muskegon County Prosecutor's Office.

Pulsifer's sentencing hearing was held on March 30, according to court records.

Officials said his sentencing is the culmination of a yearlong investigation. After receiving a tip about alleged fraud, authorities began investigating Pulsifer, who at the time was employed by a Christian, nonprofit community development organization in Muskegon called Community enCompass.

"This latest prosecution should send a message to anyone who took funds away from those who needed it: we will find you, and you will be held accountable," said Jonathan Hilliker, director of the housing authority's Audit, Compliance, & Fraud Investigation Division, in a statement Friday.

Investigators alleged Pulsifer conspired with others to submit multiple fraudulent applications to the state's COVID Emergency Rental Assistance, or CERA, program, according to the release.

Established in 2021, the program helped renters in Michigan who were in arrears due to financial hardships caused by the pandemic. The program is closed but when it ran processed more than 307,000 applications and provided more than \$983 million to help families avoid eviction, officials said.

"This program provided peace of mind to renters and landlords at a time when they needed it most," said Amy Hovey, the Michigan State Housing Development Authority's CEO and executive director. "We continue to work hard with state and local law enforcement partners to preserve the integrity of our programs, pursue all allegations of fraud, waste, or abuse, and recover any program funds obtained illegally."

In June 2023, Pulsifer pleaded guilty in circuit court to one count of false pretenses with intent to defraud someone of \$100,000 or more, a 15-year felony, and one count of false pretenses with intent to defraud someone of \$50,000 or more but less than \$100,000, a 20-year felony.

Pulsifer's attorney did not immediately respond Friday to a request for comment.

A recording that answered the nonprofit's phone number Friday said the organization has closed for business after 30 years.

Pulsifer is currently lodged at the Charles E. Egeler Reception and Guidance Center in Jackson, according to the Michigan Department of Corrections. He has a 2021 conviction for Medicaid fraud he committed in 2006, the department's records said.

cramirez@detroitnews.com

X: @CharlesERamirez

April 12, 2024

Media Contacts:

- Katie Bach, BachK@michigan.gov
- Anna Vicari, VicariA@michigan.gov

State, Local and County Partners Announce Successful Prosecution in Muskegon Fraud Scheme

Twelve-month investigation leads to guilty plea, prison sentence, restitution

MUSKEGON, Mich. – Today the Michigan State Housing Development Authority, along with the Muskegon City Police Department and the Muskegon County Prosecutor, announced the successful prosecution of Aaron Pulsifer, a former employee of Community enCompass, for defrauding the COVID Emergency Rental Assistance (CERA) program. Pulsifer was sentenced to a minimum of seven years and a maximum of 30 years in prison and ordered to pay \$124,050 back to MSHDA.

MSHDA’s Audit, Compliance, and Fraud Investigation Division, along with local police, investigated Pulsifer in response to a report of suspected fraud, and found that he had conspired with others to submit multiple fraudulent CERA applications.

“This program provided peace of mind to renters and landlords at a time when they needed it most,” said **Amy Hovey, CEO and Executive Director of MSHDA**. “We continue to work hard with state and local law enforcement partners to preserve the integrity of our programs, pursue all allegations of fraud, waste, or abuse, and recover any program funds obtained illegally.”

The CERA program, which was established in March 2021 to assist Michigan residents with rental arrears due to financial hardships caused by the COVID-19 pandemic, is now closed. While the program was operating, MSHDA processed 307,145 CERA applications and provided \$983.1 million in aid to help Michigan families in need avoid eviction, while ensuring landlords could recoup owed rent.

“The Muskegon County Prosecutor’s Office was proud to be a partner in this investigation and prosecution,” said **DJ Hilson, Muskegon County Prosecutor**. “Holding those accountable who steal money from those in our State that need the assistance will always be a priority of my office.”

“We are moving quickly at the state to unearth, investigate, and prosecute fraud of our programs wherever it occurs,” said **Jonathan Hilliker, Director of MSHDA’s Audit, Compliance, & Fraud Investigation Division**. “This latest

prosecution should send a message to anyone who took funds away from those who needed it: we will find you, and you will be held accountable.”

Anyone who suspects fraud, waste, or abuse of any MSHDA program can call 517-335-9953 or use the [online MSHDA fraud complaint form](#).

###

About MSHDA

The [Michigan State Housing Development Authority](#) (MSHDA), established in 1966, provides financial and technical assistance through public and private partnerships to create and preserve safe and decent affordable housing, engage in community economic development activities, develop vibrant cities, towns and villages, and address homeless issues.



SUBSCRIBER SERVICES:

[Manage Subscriptions](#) | [Unsubscribe All](#) | [Subscriber Help](#)

This email was sent to Email Address using GovDelivery Communications Cloud on behalf of: Michigan State Housing Development Authority · 735 E. Michigan Ave · Lansing, MI 48909 · 1-517-335-9928