



Board of Contract Appeals
U. S. Department of Housing and Urban Development
Washington, D.C. 20410-0001

In the Matter of:

HAROLD W. EGBERT,

Respondent

HUDBCA No. 91-6253-D96
Docket No. 91-1737-DB

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For the Government

DETERMINATION BY ADMINISTRATIVE JUDGE JEAN S. COOPER

July 2, 1992

Statement of the Case

By letter dated August 23, 1991, the U.S. Department of Housing and Urban Development (HUD) notified Harold W. Egbert, Respondent in this case, that it intended to debar him as a participant or a principal throughout the Executive Branch of the Federal Government and from participating in procurement contracts with HUD for three years. HUD cites as grounds for debarment serious irregularities in Egbert's performance as an independent public accountant performing audits for the public housing authorities of Passaic, Perth Amboy, and Long Branch, all in New Jersey. Egbert was temporarily suspended pending determination of debarment.

Egbert made a timely request for a hearing on his suspension and proposed debarment. This determination is based on the hearing record and briefs submitted by the parties.

FINDINGS OF FACTS

Harold Egbert is a certified public accountant (CPA) who has performed 95% of his professional services since 1978 doing accounting work, including about 150 independent audits for

public housing authorities (PHA's). Prior to that, he worked for the HUD Office of Inspector General from 1973-1978 as an auditor. From 1972-1973, Egbert was an auditor for the Internal Revenue Service. Audits of PHA's that are funded in part by HUD are to be conducted in accordance with OMB Circular A-128, 24 C.F.R. Part 44, and the Standards for Audit of Government Organizations, Programs, Activities and Functions (the Yellow Book). (Tr. 36-39; 506-508; Exhs. G-35, G-36, G-37; R-6.)

Egbert performed independent audits of the annual financial statements of the Housing Authorities of Passaic, Perth Amboy, and Long Branch, all in New Jersey. For each of these audits, Egbert was to determine: 1) whether the financial statement for the fiscal year under audit fairly presents the financial position and the results of the financial operations of the PHA in accordance with generally accepted accounting principles, and 2) whether the PHA has internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations. (Exhs. G-35 at §44.3(d), R-6; R-8.)

The Yellow Book states that such an audit report must contain a description of material weaknesses found in the internal control system of the PHA. The report also must contain a statement of positive assurance on those items of compliance tested and negative assurances on those items not tested. The report should include significant instances of non-compliance, and instances or indications of fraud, abuse, or illegal acts found during or in connection with the audit. These Yellow Book requirements are codified at 24 C.F.R. §§ 44.5 and 44.10(a). (Exhs. R-6; G-35.)

The discovery of fraud, abuse or illegal acts by a HUD-financed PHA must be reported by the independent auditor in order to be in compliance with 24 C.F.R. §§ 44.9 and 44.10(c). The regulation requires the auditor to give prompt notice of illegal acts or irregularities "to recipient management officials above the level of involvement." The recipient is then to notify HUD. The regulation does not address specifically what notice the auditor must give, or to whom, if the illegal acts or irregularities are committed by the highest level management official in the PHA. (Exh. G-35 at §44.9.)

If an auditor becomes aware of fraud, abuse, or illegal acts, including "all questioned costs found as a result of these acts," the auditor is to cover these subjects in a separate written report submitted with the audit report. 24 C.F.R. §44.10(c). The Yellow Book explains that a separate report is "normally" to be used in such instances so that the overall audit report can be released to the public. The Yellow Book further provides that the (separate) report should contain a statement:

as to whether any pertinent information has been omitted because it is deemed privileged or confidential. The nature of such information should be described, and the law or other basis under which it is withheld should be stated. (Exh. R-6, at 10-11.)

The Yellow Book requires that the audit report present factual data completely to fully inform the users. Findings and conclusions are to be presented in an objective but convincing manner, written in clear and simple language. Although the report is to be concise, it must be clear and complete enough to be understood by the users. (Exh. R-6 at 54-56.)

The methodology used by Egbert in performing the audits of Passaic, Perth Amboy, and Long Branch was essentially the same methodology that he had used in performing a multitude of prior audits, about 14 of which had been the subjects of Quality Control Review (QCR) by HUD and found acceptable. He had always asked for constructive criticism during HUD QCR conferences, and was never given any. He therefore assumed that the way in which he performed independent audits of public housing authorities was fully satisfactory to HUD. (Tr. 508-512, 555; Exhs. R-11-R17.)

THE PASSAIC AUDIT

Egbert was awarded a contract by the Housing Authority of the City of Passaic, New Jersey ("Passaic") to audit and to write independent annual audit reports for Passaic for fiscal years 1985, 1986, and 1987. He was not the regular accountant for Passaic. He submitted a proposal each year to Passaic to do the independent audit. The audit report for the fiscal year ending December 31, 1987 is dated December 6, 1988. (Tr. 512-514; Exhs G-23, R-3.)

During his audit of Passaic, Egbert reviewed payroll and cash disbursement records for the month of December 1987. Those records showed that the Executive Director of Passaic, [REDACTED] Marguglio, and certain other Passaic staff members, received additional remuneration beyond their base salaries. Marguglio received two paychecks in each pay period in December, 1987, plus an additional payment of \$[REDACTED]. Egbert assumed that the \$[REDACTED] was a cash award (or bonus), based on Passaic Board Resolution number 1987-038, dated December 17, 1987, which addressed bonuses and was provided to him by Marguglio to use in the audit. The only other Board resolutions given to Egbert addressing additional compensation dealt with unused leave days and a general approval of payments made. (Tr. 514-516; Exhs. G-13, G-14, G-29, G-30, G-31.)

Egbert was already aware from prior audits of Passaic that it paid extra compensation to Marguglio. Egbert remembered a

Board resolution in his 1986 audit work papers that approved extra compensation for Marguglio related to work Marguglio did in the Section 8 program at Passaic. Egbert had received a letter in September, 1987, from the Chairman of the Board of Directors of Passaic that Marguglio held two "full-time positions" at Passaic in 1986. Egbert also saw double compensation for Marguglio during his 1985 audit. Egbert never pressed too hard for an explanation of how Marguglio could hold two full-time positions at Passaic and be compensated for both. He backed away from delving further into the matter when he was shown a letter from HUD that "cleared" the extra remuneration finding that Egbert had made in his 1985 audit of Passaic. (Exhs. R-64, R-3, R-29, R-30, R-31, R-64, G-6; Tr. 269-270, 523-524, 625.)

Egbert only did a payroll review of the month of December for the 1987 audit. He did not check payrolls to see if Marguglio received \$3,000 in other months besides December. Egbert made an assumption that the \$[REDACTED] was the year-end award referred to in the December 17 Board resolution. He did not test his assumption by looking at payrolls for other months. He "tested" it by asking Marguglio, who told him that it was a year-end award. In fact, Marguglio was receiving \$[REDACTED] monthly and the payment was not a year-end award. (Tr. 713-718, 770; Exhs. G-13, G-14.)

Egbert saw no material non-compliance in the total compensation paid by Passaic to Marguglio. Egbert believed that the \$[REDACTED] plus the double compensation was not so significant that it would change the financial statement, which is the CPA's test for materiality. He saw no weakness in the internal controls of Passaic because he believed that all of Marguglio's compensation had been approved by the Board of Commissioners of Passaic. (Tr. 525-528.)

All payments to Passaic employees were made by check. Egbert looked at the "award" checks, which came from the Passaic general fund account from which all disbursements were made. Egbert's work papers, however, indicate that the checks were charged to the modernization budget. Egbert recalled that the December checks were part of a disbursement "run" made to landlords for Section 8 housing assistance payments (HAP). The check legend said "HAP". Egbert attached no special significance to the "HAP" notation on the checks because he thought it was merely a bookkeeping procedure. He did not verify with the bookkeeper whether his assumption was correct. From his viewpoint as the independent auditor, he only looked to see whether the checks were authorized and that there was budget authority for the amount paid. He was satisfied on both tests that the checks were properly handled by Passaic. (Tr. 519-520, 751, 766; Exh. G-14.)

Egbert's selective testing of accounting records and related data for compensation paid to Passaic employees was, in fact, very limited, particularly as to the "award" checks. He only looked at the December computer run, which listed check numbers, amounts, and program accounts to be charged with the payments. All of the "award" checks, including Marguglio's "award" of \$[REDACTED] for December, 1987, were dated December 1, 1987, more than 2 weeks prior to the Board of Commissioners' resolution about awards and honoraria on which Egbert placed almost total reliance. Egbert did not consider the payments to be unrelated to the resolution because "the committee can operate with pre-approval." He never verified whether such pre-approval had been given. Egbert looked at the December 17, 1987 resolution about awards and honoraria, looked at the list of recipients of these awards, and decided that the list made sense and therefore required no further verification or testing. He did validate his assumption that he only needed to check December payments because none of the other months showed unusual total expenditures. If they had, Egbert presumably would have expanded his testing beyond December. (Tr. 629, 631-632; Exh. R-30.)

The "award" checks were not included in the general automated data processing (ADP) computer run for December. Egbert could not recall if he asked why the checks were not included, but he doubts that he did so because he attached no particular importance to this omission. Egbert's audit work papers are silent as to any inquiries that he may have made concerning an explanation for the mysterious omission of the award checks from the general ADP run. The December "award" checks were numbered sequentially at the end of the printed list of housing assistance payment (HAP) checks. Egbert had originally found the "award" checks listed in the cash disbursement ledger, and had asked the Passaic payroll office for the backup computerized check runs to support the entries. Egbert added up the ADP run cash total plus the award checks cash total, and the final sum reflected the amount in the cash disbursement ledger. Egbert saw no evidence that anything was being hidden. (Tr. 638-644, 650, 714; Exhs. G-13, G-14, G-18.)

When Egbert examined the cancelled "award" checks, he saw nothing wrong with them, despite the fact that the legend on the award checks was "HAP". Passaic had three series of checks with three different legends, but all were paid out of the general fund. Because the HAP account had an administrative budget component, Egbert assumed that it was permissible to issue an "award" check out of the HAP budget. The fact that the Passaic journal and ledger showed that the "award" checks were charged to the modernization budget, not the HAP budget, also made no difference to Egbert because "it was charged to an appropriate account." Egbert admitted that he does not normally see bonus or award payments at PHAs. Out of all of the PHA's that he audits, Passaic was the only one that made such payments. Egbert

characterized the use of a HAP check for charges to the modernization budget as an internal control problem. But he did not make reference to it in his comments or recommendations because he did not consider it "material" so long as the "proper" account was charged with the disbursement. (Tr. 518, 717-718, 740-741, 750, 754, 757-762, 772-773.)

Egbert's Accountant's Report, dated December 6, 1988, states that the examination of the financial statements of Passaic was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audits of Government Organizations, Programs, Activities and Functions issued by the General Accounting Office (GAO), the Single Audit Act of 1984, and the provisions of OMB Circular A-128 Audits of State and Local Governments. The Accountant's Report further states that the accounting records of Passaic were tested, and that Passaic prepared its financial statements using accounting practices "prescribed or permitted" by HUD, which "differ in some respects from generally accepted accounting principles." The Accountant's Report concludes that Passaic's 1987 fiscal year "ended in conformity with HUD accounting practices applied on a basis consistent with prior periods." The Accountant's Report is signed by Egbert. (Exh. G-23.)

The Audit Recommendations in the Passaic audit report for fiscal year 1987 states at item 3:

The PHA has a policy of paying additional remuneration to staff members. This policy has been approved by the Board of Commissioners and the total administrative costs incurred with this additional remuneration is within approved budgets and administrative fees earned by the respective programs. We recommend that HUD's requirements concerning local salary comparability and budget disclosure requirements be reviewed annually and followed as appropriate. (Exh. G-23, at 31.)

Egbert included the recommendation at item 3 in the audit report for 1987 concerning local salaries to focus the Board of Commissioners of Passaic on pay comparability. Compensation paid at Passaic was not to be out of line with compensation paid to those in similar positions in other PHA's in the locality. Egbert believed Marguglio's compensation to be about \$ [REDACTED] in 1987. In fact, it was substantially more. However, even at \$ [REDACTED], Egbert considered a 20% compensation increase for Marguglio between 1986 and 1987 to be a matter that the Board should evaluate. (Tr. 305, 528, 626.)

In the Section of the audit report for Passaic entitled "Comments on Compliance and Internal Control", Egbert states that

his examination of Passaic's system of internal accounting controls for fiscal year 1987 would not necessarily disclose all weaknesses in the system because it was "based on selective tests of accounting records and related data. However, such study and evaluation disclosed no conditions that we believe to be material weaknesses." (Exh. G-23, at 31.)

Egbert's audit report for fiscal year 1987 for Passaic was sent to Passaic and to the HUD RIGA office. Egbert was telephoned by [REDACTED] Vizer, an auditor in the Office of the HUD Regional Inspector General for Audit (RIGA) in Newark, New Jersey, who requested Egbert to bring in his work papers from the audit. Vizer spend over five hours looking over the papers without Egbert being present. Vizer then asked Egbert to document the compensation issue. Egbert showed Vizer the payrolls, and told Vizer that the Passaic Board had approved all payments. According to Egbert, who made a contemporaneous note of a telephone conversation with Vizer, Vizer later told Egbert that it looked like his work papers were in compliance with HUD's audit standards. (Tr. 530-532.)

In May, 1989, Egbert received a letter from [REDACTED] Kane, HUD Regional Inspector General for Audit, commenting on Egbert's work papers and audit report for fiscal year 1987 for Passaic. The letter calls to Egbert's attention "for future audits" that Government Auditing Standards require that the report include a "full discussion of audit findings and, where applicable, the auditor's conclusions." It states that, "[A]udit finding should normally contain criteria, condition, cause and effect." The letter had been drafted by Vizer for Kane's signature after Vizer completed his first Quality Control Review (QCR) of Egbert's Passaic audit and work papers. Vizer had previously done a "desk review of the Financial Statement for Passaic but did not use the work papers. A QCR is done on a sampling basis. However, Kane directed Vizer to do a second QCR on the Passaic audit after some irregularities had been discovered at two other PHA's audited by Egbert. (Exh. G-21, Tr. 230-236.)

Vizer was auditor-in-charge of an audit of HUD's Comprehensive Improvement Assistance Program (CIAP) relative to capital improvements and management improvements at Passaic. Vizer went over Egbert's work papers as part of the CIAP audit of Passaic. This audit was performed after the first QCR of Egbert's 1987 audit. Egbert had told Vizer that Marguglio received at least two checks in each pay period, but Vizer did not consider that significant when he did the first QCR. However, when he tested the impact of all compensation paid to Marguglio over twelve months, Vizer concluded that the multiple compensation checks had a significant impact on overall compensation. Subsequently, Vizer expanded his audit of Passaic to include fiscal year 1986, as well. Vizer ultimately concluded that Marguglio was being compensated for four (4) separate

positions at Passaic, for a total of about \$ [REDACTED]. (Exhs. G-13, G-14; Tr. 209, 245, 266, 270.)

It took Vizer and his audit team eight months and over 500 man-days to figure out the scheme of extra compensation being paid to certain employees at Passaic. Passaic did not cooperate with Vizer's audit, and even provided false documents to mislead HUD. The HUD audit team was able to establish that 14 employees and officials at Passaic in addition to Marguglio were receiving more than one check in compensation for their work and that these payments were made with "HAP" checks even if other budget accounts were charged with the disbursement. (Exh. G-20; Tr. 262-267, 438.)

HUD "decontrolled" Passaic, effective January 1, 1989, based on the full extent of the remuneration practices discovered through the HUD audit. Passaic was placed under Federal management when it was "decontrolled." (Stipulation #2.)

On February 6 and March 9, 1990, HUD officials testified before the Employment and Housing Subcommittee of the Committee on Government Operations of the U.S. House of Representatives. The hearings were entitled "Abuses in the Administration of the Passaic, NJ Housing Authority." Among the HUD officials who testified in those hearings were Paul A. Adams, HUD Inspector General; Francis Keating, HUD General Counsel; Michael Janis, Deputy Assistant Secretary for Public Housing; and A. Paul Kane. Adams, Keating and Janis all acknowledged in their testimony that Egbert's reference to the compensation of Passaic officials in his 1987 audit report was "part of the reason" that RIGA began to look more closely at Passaic, and to conduct an intensive audit of its operations. (Exh. R-48 at 76, 87-88.)

On May 21, 1991, the United States Government, HUD Secretary Jack Kemp, and the decontrolled Passaic PHA won a summary judgment as plaintiffs in a Federal court case in the total amount of \$395,000 against Marguglio, Marguglio's wife, and [REDACTED] Pieri, the Deputy Director of Passaic under Marguglio, for conspiring to defraud HUD by concealing the fact in the Passaic annual budget requests sent to HUD for approval that Marguglio, Pieri, and others were receiving additional compensation. In the court's decision, the fact that the Passaic Board of Commissioners approved the additional compensation was given no weight in evaluating whether Marguglio and the other defendants knew that such practices were not allowable. (Exh. G-22.)

THE PERTH AMBOY AUDIT

Egbert was awarded a contract by the Housing Authority of the City of Perth Amboy, New Jersey ("Perth Amboy") to perform an independent audit of Perth Amboy for the fiscal year ending March 31, 1988. Egbert did about ten days of field work at Perth Amboy

starting in 1988, and issued the audit report on October 18, 1989. (Tr. 535-537; Exh. G-9.)

Egbert learned from some Perth Amboy employees that FBI agents had been at the PHA about two weeks before Egbert began his field work for the audit. Egbert asked the Executive Director of Perth Amboy, [REDACTED] Slotwinski, why FBI agents had been at Perth Amboy. Slotwinski told Egbert "in confidence" that he was in the process of "plea bargaining" with the U.S. Attorney's Office for accepting a bribe from an electrical supply contractor, Alfred [REDACTED]. Egbert asked Slotwinski if any other bribes were involved in the FBI investigation. Slotwinski assured Egbert that the only bribe was the one that he had accepted from Bressaw. Slotwinski told Egbert that the FBI did not want him to reveal the bribery. Egbert did not verify this with the FBI or the United States Attorney. Egbert referred to Slotwinski's revelation in his audit work papers, but he did not make a separate report about it or refer to it in any way in the audit report itself. (Tr. 538-540, 662-663, 746; Exh. G-8.)

Egbert gave several explanations of why he decided not to include in the audit report itself or in a separate report the information about Slotwinski's illegal acts. He assumed that HUD RIGA knew from the FBI or the Department of Justice that Slotwinski was negotiating a guilty plea on bribery. He claims to have also been afraid that revelation of the plea bargain might have a "negative impact" on the FBI investigation. He also believed that the Yellow Book allowed for non-reporting if reporting would interfere with the legal process. (Tr. 188, 664-665, 725-726.)

[REDACTED] Kane, who had also been Egbert's supervisor when Egbert was employed as a HUD auditor, testified that he is not aware of any exceptions to the obligation of an auditor to report illegal conduct, even if the United States Attorney and the FBI are conducting an investigation, and even if the information is general knowledge. Kane is certain that the HUD Region II RIGA Office had no idea that Slotwinski was plea bargaining on a bribery charge when Egbert performed his audit. Kane explained that the proper procedure Egbert should have followed was to contact the RIGA Office, which would then contact the Justice Department to determine the scope of the Slotwinski bribery case. (Tr. 103, 105-108, 144.)

After receiving the information about the bribery from Slotwinski, Egbert looked at several contractor files, asked questions of the Perth Amboy bookkeeper, and looked at all disbursements over \$100,000 to assure himself that the bribe from Bressaw did not have an impact on the Perth Amboy financial statement for the fiscal year ending March 31, 1988. The work papers do not show that Egbert looked at all disbursements to Bressaw. (Tr. 243, 540, 666-667.)

Egbert found through his widened-testing process that a "double payment" had been made to Michael Associates, a contractor, but that Michael Associates had repaid Perth Amboy. Egbert did not document his expanded testing in his work papers. Egbert did not report any of this in his audit report because he made a judgment that the internal controls were working at Perth Amboy, or it would not have received reimbursement from Michael Associates. Egbert did no testing to find out what caused the double payment to be made. Egbert saw no reason to pursue the matter of Michael Associates further, and he found no evidence of similar double payments to other contractors. Egbert was unaware that the President of Michael Associates was the subject of a Federal investigation at the time for bribing public housing officials. (Tr. 282, 541-542, 590, 687-689.)

As a result of his expanded testing and study of contractor files, Egbert also found out during his last day of field work that Perth Amboy was storing kitchen and bathroom tile owned by the PHA in a contractor's trailer, and allowing the contractor to use the tile. Egbert discussed the matter with Perth Amboy's bookkeeper because he did not think that this was a good procedure with adequate controls, although Perth Amboy was keeping a record of the tile used by the contractor. Egbert was certain from his discussion with the bookkeeper that the amount of tile used was being accurately accounted for by the PHA. Egbert did not document the conversation he held with the bookkeeper in which she explained how she calculated the amount of tile used. In his audit report, Egbert recommended that Perth Amboy make a journal entry posted to the books for the tile used, and he also discussed the issue in the audit report. (Tr. 543-545, 591-592, 689, 691-693; Exhs. G-9 at 26, and 28; G-42.)

Egbert examined PHA payments to Bressaw from an administrative viewpoint only, so as not to interfere with the Federal bribery case. Egbert looked at the Physical Needs Assessment (PNA) in the CIAP modernization budget to see if the work performed by Bressaw fell within the PNA. Egbert saw that more electrical work was still needed, but he did not draw a conclusion from this that Bressaw was paid for unperformed work. Egbert also found that about \$[REDACTED] not budgeted in the modernization budget was charged to that budget for payments to Bressaw. Egbert did not consider this to be evidence of wrongdoing or lack of budget control because this happens at other PHAs too. He thought the Board should review the matter and plan ahead for all costs. Egbert stated that all of the bills from Bressaw looked legitimate, and he assumed they had been approved for payment by the accounting department, based on his knowledge of practices at Perth Amboy from prior audits. Egbert did not document his expanded testing in his work papers. (Tr. 545-550, 667-683, 729-731, 734, 748-749.)

Egbert believed that his recommendation #1 in the audit report adequately "refers" to the award of a consolidated electrical supply contract to Bressaw. The recommendation is presented in Egbert's audit report without any explanation or reference to data, as follows:

Although we note that modernization costs appear properly charged, we recommend that the PHA:

- 1) Have the Board of Commissioners approve contracts prior to award, rather than ratify contracts, even for consolidated supply and emergency type contracts, if possible. (Exh. G-9 at 25.)

Egbert's only direct reference to the tile storage issue is limited to a one-sentence recommendation made without any explanation or any reference to data. It states that the PHA should "[d]iscontinue a policy of co-storage of materials with contractors." Egbert's "Comments on Compliance and Administrative Internal Control" are wordy and oblique, with no attempt at clarity or specificity. The comments say that the PHA needs internal accounting controls to provide assurance "as to the safeguarding of assets against loss from unauthorized use or disposition." This comment could be stretched to apply to the influence of Bressaw upon contract awards, the double payment to Michael Associates, or the tile storage matter. (Exh. G-9 at 25-26.)

After Kane testified before Congress on Passaic, he decided to order a QCR of other audits Egbert had performed because of questions raised at the hearing. In February, 1990, Egbert was asked to bring his work papers for the Perth Amboy audit to the HUD Newark office. When Egbert arrived with his work papers, he was asked by Kane whether there were "any problems" with the report. At that point, Egbert told Kane and Vizer about Slotwinski's confession of bribery to him, and that they would see reference to it in his work papers. Slotwinski had resigned from Perth Amboy on August 8, 1989, after Egbert prepared the audit report but before it was reviewed in the desk review. (Stipulation #1; Tr. 60, 116, 188-189, 236, 552-553, 611; Exh. R-24.)

HUD's report of its QCR of Egbert's Perth Amboy audit is dated May 4, 1990. On the QCR report, signed by Kane, RIGA concludes that Egbert failed to exercise due professional care in conducting the audit and preparing related reports because he failed to disclose the illegal acts of Slotwinski, in violation of Government Auditing Standards, Chapter 5, Paragraph 10. RIGA also concluded that Egbert's follow-up on the \$8,599.33 paid to Bressaw for electrical repairs outside the modernization budget was inadequate because Egbert knew that Bressaw had been bribing Slotwinski. The RIGA QCR report also concludes that Egbert failed to verify the tile usage or inventory control and should

not have relied on the oral assurances of the Perth Amboy bookkeeper. The tile contractor was another entity controlled by the same person who controlled Michael Associates, the contractor that had received a duplicate payment. Bressaw's consolidated supply contract had been retroactively approved by the Perth Amboy Board of Commissioners. Taken together, RIGA considered these facts to be evidence of possible abuse that needed expanded testing. RIGA found that the audit report findings and conclusions, as written, were not properly developed because sufficient information was not provided by Egbert to make the matters understandable. RIGA concluded that Egbert should have presented the elements of condition, cause, effect, and criteria to have been in compliance with Government Auditing Standards. RIGA also concluded that Egbert had done an inadequate review and testing of internal controls, and that Egbert had not performed required audit procedures. (Exh. G-11 at 1-7; Tr. 284.)

Egbert responded to HUD's QCR report on June 25, 1990. In his response, he objected strongly to the characterization of his work as substandard. He pointed out that he has been performing HUD audits of PHA's in the same way for 12 years and had never been found to do substandard work, although reviewed regularly by several different HUD auditors. Egbert stated in his response that it was Slotwinski's duty, not his, to report the plea bargain to HUD. Egbert also denied any obligation to report that which was already known "by an appropriate oversight body (the U.S. Department of Justice)." He also pointed out that irregularities that HUD may have found during HUD's elaborate CIAP and QCR audits should not be used as proof that he negligently performed his much more limited audit. (Exh. G-12.)

THE LONG BRANCH AUDIT

Egbert was awarded a contract by the Housing Authority of the City of Long Branch, New Jersey ("Long Branch") in December, 1988 to perform an independent audit of Long Branch of the fiscal year ending June 30, 1988. Egbert had done audits of Long Branch in prior years, and was familiar with its operations. He had Long Branch send him its financial papers, which he analyzed in December, 1988. He performed about 7-8 days of field work at Long Branch later, in 1989, because he was very busy at the time working on large, special contracts. Egbert issued the audit report for Long Branch on October 18, 1989. (Tr. 553-555; Exh. G-25.)

During the performance of field work for the Long Branch audit, Egbert saw an employee leave early. He initially checked her leave record and then checked the leave records of about four other employees who he saw leave before 4:30 p.m., the end of the Long Branch workday. Egbert only noticed this on one day during his field audit. Egbert had also noticed that advance leave was granted to two employees who were out sick. The personnel policy

of Long Branch did not provide for advance leave. Egbert discussed these matters with the Executive Director and the Comptroller because he thought that if this situation was not monitored it could lead to abuse. The Executive Director told Egbert that employees who arrived early or worked through lunch could leave early. (Tr. 556-560, 695-698, 700.)

Egbert did not consider the variations on the workday at Long Branch to be instances of "non-compliance" for purposes of his audit, nor did he consider the advance leave practice to be an example of a weakness in internal controls. The Long Branch office was relatively small, about 20-22 employees including the maintenance staff, and Egbert believed that the Executive Director and the Comptroller were familiar with the comings and goings of the staff. He viewed this as a form of "internal control." He did not do internal testing to determine how widespread these practices were because the practices were done with the approval of the Executive Director. Long Branch used a sign-in/sign-out system to document the total hours worked by its employees each day. It did not require employees to log the hours of their arrivals and departures. (Tr. 558, 561, 700-703.)

Egbert's only audit recommendation in the Long Branch audit for the fiscal year ending June 30, 1988, states:

We recommend that the PHA increase internal controls of personnel matters by 1) formally updating their personnel policy to provide modifications for disability provisions and hours of work, and 2) periodically provide internal audits/reviews of leave and attendance records.

The PHA's response, as recorded in the audit response was: "we will consider the recommendation and advise HUD of our determination." (Exh. G-26 at 29.)

Although Egbert included the recommendation on the leave and hours policy at Long Branch, he considered the item non-material, and did not believe that he was even obligated to mention it in his audit report, although he did so. He was very careful with how he worded his recommendation so that the PHA would be receptive to the improvements he suggested. He believed that he achieved the goal of actual improvement in the personnel policy at Long Branch by handling the situation as he did. (Tr. 562-563, 737-738.)

Kane requested Egbert to provide information to HUD about what he was referring to in his audit recommendation concerning the personnel policy at Long Branch. Egbert sent a written response to Kane dated February 10, 1990, explaining what he observed at Long Branch and why he made a recommendation on the subject. (Exhs. G-25, G-26; Tr. 563-564.)

POST-AUDIT REPORT EVENTS

After HUD completed detailed and somewhat lengthy QCRs of Perth Amboy and Long Branch, both of which it did in response to agency concerns raised by the Congressional inquiry into Passaic, Kane signed a letter report dated May 4, 1990, criticizing Egbert's audits of both Perth Amboy and Long Branch. Kane's letter report ended with a statement that the cited deficiencies were so significant that RIGA was considering "referring the substandard work to the AICPA and State Board of Accountancy and recommending your debarment from performing audits for HUD." Egbert was stunned by Kane's letter. He responded point by point in writing to the criticisms in Kane's letter report in a response dated June 25, 1990. (Exhs. G-11, G-12; Tr. 60, 565.)

Egbert was so concerned by Kane's May 4, 1990 letter that he contacted the American Institute of Certified Public Accounts to obtain a quality review of his work papers as to whether or not he had followed proper auditing standards in his audits of Passaic, Perth Amboy, and Long Branch. Egbert notified Kane in writing of the review and provided a copy of the written opinion dated August 7, 1990. (Exhs. G-10, G-48; Tr. 366, 565-566.)

Swartz conducted the consulting review and prepared the written opinion of Egbert's three audits. Swartz performs quality reviews for the New Jersey Society of Certified Public Accounts, and has experience with Government auditing requirements. Swartz first conducted an informal quality review at which he took no notes and the review and critique process took less than one day. Subsequently, Swartz spent part of another day examining Egbert's work papers for the three audits to see whether the work met required standards for audit work papers and whether there was sufficient documentary evidence to support Egbert's opinion. These three audits were done by Egbert during the "transition period" from the general Yellow Book Standard of "professional judgment" to the current Yellow Book Standard, effective September 1, 1989, which requires that work papers stand on their own so that they require no oral explanation. Swartz concluded that Egbert's work papers met the Yellow Book standard in effect when he began each of the audits under scrutiny. (Tr. 367-370, 375-377, 389-390, 392-396.)

Swartz was not "steered" by Egbert to certain issues in doing his review of the three audits. Egbert did not tell Swartz of any of HUD's positions, nor of its threat to debar him. Swartz did not conclude that Egbert was a "substandard" accountant. However, Swartz advised Egbert that he needed to cite to the information in his work papers in his audit reports to make the reports clearer. Swartz characterized Slotwinski's conversation with Egbert about bribery as a "reportable incident." Swartz considered the situation that Egbert

encountered with Slotwinski to be unusual, possibly unique. He believed that Egbert was sincerely concerned that he would "mess up" a Federal investigation, and did nothing at all for that reason. (Tr. 381-383, 393-395, 400, 412-413.)

Based upon recommendations made to him by Swartz and the criticism of his audits by Kane in the May 4, 1990 letter report, Egbert has tried to improve his auditing techniques and to follow the recommendations of Swartz and Kane. He performed five audits of PHA's after the criticism of his work began, and he believes that these more recent audit reports show his improvement. In an audit report of the Housing Authority of the City of Glassboro, dated December 6, 1990, the Audit Findings and Recommendations are clear, specific and sufficiently detailed to be of real use and guidance to readers of it. In an audit report of the Housing Authority of the City of Rahway, dated September 10, 1990, Egbert describes specifically a significant problem with the PHA's accounting policy and makes a specific finding and recommendation concerning a property ledger for fixed assets. In an audit report of the Housing Authority of the Township of Neptune, comments and findings are written with clarity and sufficient detail to make them usable. The Neptune audit report also reports a criminal conviction for misappropriation of PHA money and equipment by a Neptune official. Egbert states the grounds for the conviction, and includes what Neptune was doing to avoid repetition of a similar crime in the future. Egbert included this information even though he believed that the conviction of the Neptune employee was public knowledge. In an audit report on the City of Camden's grants programs dated November 9, 1990, the audit report recommendations are far more developed and clear than those in the Passaic, Perth Amboy, or Long Branch reports. In an audit report of the Housing Authority of the Township of Woodbridge dated November 16, 1990, Egbert wrote his recommendations and notes to financial statements in a format that includes specific data, clear descriptions of what was done, and what the problems were with the PHA's accounting methods. (Exhs. R-75-79; Tr. 567-574, 593, 732.)

Since September, 1989, Egbert has taken and passed a number of auditing courses on subjects relevant to auditing Government programs and entities. These are primarily correspondence courses. The courses taken by Egbert include courses on the 1988 Yellow Book, Audits of State and Local Government Units, Audits of HUD-Assisted Projects, Analytical Procedures, AICPA Audit and Accounting Manual, Complying with Internal Control Evaluation Standards, Detection of Errors, Fraud and Illegal Acts; GAO Standards-Revised Yellow Book, Audit Risk and Materiality, and Understanding Federal Auditing Policies and Procedures, the last of which he successfully completed in January, 1992. Egbert also passed his peer review by the New Jersey Society of Certified Public Accountants on August 12, 1991. (Tr. 574-582, 589-590, 706; Exhs. R-23, R-86.)

Finally, Egbert submitted affidavits from the Executive Directors of four PHAs in New Jersey for whom he has performed accounting services over a number of years. All attest to his excellent service, professionalism and advice. All express a desire to continue to be able to employ Egbert as an auditor or accountant. (Exhs. R-67-70; Tr. 599-604.)

In the three challenged audits by Egbert, Kane admitted that RIGA did not follow its normal practice of asking an independent auditor to do further development and expanded testing in an audit after a desk review, or even a QCR. Kane never considered bringing Egbert to his office to discuss any of the three audits under scrutiny before recommending that Egbert be debarred, even though he had been Egbert's supervisor at HUD, and had previously believed Egbert to be a "very good" auditor. Kane admitted that it was reasonable for Egbert to rely on the positive QCRs and desk audits that he had received from HUD over 12 years of private practice to assume that his work methods were acceptable. Kane characterized the problem with Egbert's Passaic report as lacking both detail and the "cause, criteria and effect" analysis in his discussion and recommendations. Yet, Vizer approved Egbert's Passaic audit as having satisfied these requirements. Kane did not agree with Vizer that Egbert's Passaic audit was acceptable, and Kane maintains that he had "problems" with the Passaic work papers even before he knew the results of RIGA's CIAP audit of Passaic that took so many months to complete. Kane testified that, in his opinion, the Passaic audit report was "the best" of the three audits at issue, and that it was the three audits considered together, not any one of them standing alone, that warrant debarment of Egbert. Kane denied that he was passing on blame to Egbert because HUD was embarrassed before Congress in the Passaic hearing. However, Kane admitted that, had he asked Egbert to further develop the three audits, Egbert would not be facing debarment today. It was Kane who recommended that Egbert be debarred. (Tr. 66, 78, 91-93, 98, 142, 211, 327-328, 707; Exhs. G-7, R-58.)

Discussion

HUD is proposing a three-year debarment of Egbert based on what it characterizes as serious irregularities in audit reports and audit work papers Egbert prepared for three public housing authorities during 1988-1989. HUD cites 24 C.F.R. §24.305(b), (d), and (f) as grounds for Egbert's debarment. Egbert's temporary suspension was imposed by HUD pursuant to 24 C.F.R. §24.405(a)(2).

The purpose of debarment is to assure the Government that it only does business with "responsible" persons and entities. 24 C.F.R. §24.115(a). The term "responsible", as used in the context of suspension and debarment, is a term of art which

includes both the ability to perform a contract satisfactorily and the honest and integrity of the participant. 48 Comp. Gen. 769 (1969). Even if cause for debarment is established by a preponderance of the evidence, existence of a cause alone does not automatically require that a debarment be imposed. The test for whether a debarment is warranted is present responsibility, although a lack of present responsibility may be inferred from past acts. Schlesinger v. Gates, 249 F.2d 111 (D.C. Cir. 1957); Stanko Packing Co. v. Bergland, 489 F.Supp 947, 949 (D.D.C. 1980). In deciding whether to debar a person, all pertinent information must be assessed, including the seriousness of the alleged acts or omissions, and any mitigating circumstances. 24 C.F.R. §§ 24.115(d), 24.314(a) and 24.320(a). A debarment shall be used only to protect the public interest, and shall not be used for punishment. 24 C.F.R. §24.115(b).

The Government may only debar participants, principals, and their affiliates, as defined in 24 C.F.R. §24.105. Egbert is an independent certified public accountant who participated in the past in covered transactions, and he is also expected to do so in the future, if allowed. Egbert is a participant and a principal, as defined at 24 C.F.R. §24.105(m) and (p)(13). He is subject to debarment by HUD, and throughout the Federal Government, if cause for debarment is established and his debarment is necessary to protect the public interest.

The record in this case establishes that the audit report that Egbert wrote for Perth Amboy did not meet the test for acceptability set out in 24 C.F.R. §44.10 or the Yellow Book because he did not report the accepting of bribes by Slotwinski, the Perth Amboy Executive Director, in the report itself or in a separate report. There is no exception to the duty to report knowledge of fraud, abuse, or illegal acts, whether "significant" or not, as that term is understood by auditors. The only discretion allowed to the auditor is to decide whether to place the information in the audit report itself or in a separate report. The 1981 version of the Yellow Book sets out the test clearly. It states that auditors should not cover such information in the audit report itself, in order that the audit report can be released to the public. Also, the audit report itself should not make reference to the omission of such information if, in the opinion of legal counsel, this reference "could interfere with legal processes" or subject the implicated individuals to undue publicity.

Egbert went beyond using poor judgment in deciding not to make a separate report and not to give notice in any other manner at the time of his audit, that bribery had been committed by the head of the PHA. He did not consult legal counsel. He overreacted to Slotwinski's plea of silence and either panicked or used it as an excuse to avoid facing his obligations as an independent auditor. In either event, he failed to follow the

required course of action. I do not consider it mitigating that Egbert believed that HUD probably knew about Slotwinski. To assume knowledge on the part of the oversight funding entity, which was HUD in this case, is not the role of the auditor. The auditor must note everything that is found, whether previously known or not, if it involves fraud, abuse, or illegal acts. In fact, Kane did not know about Slotwinski, and it was his RIGA office that had responsibility for Perth Amboy. Egbert's course of action and his various explanations for it indicate to me that he did not fully understand this reporting requirement. Egbert stated at the hearing that he would now consult an attorney on the matter before deciding not to report. However, the duty to report cannot be compromised by private legal advice because the duty to report such acts is not discretionary. Egbert was clearly bothered by what he had done, because he immediately told Kane and Vizer about the omission when he was directed to bring in his work papers for the Perth Amboy audit. However, he did not offer to make a separate written report at any time to cure his failure in his initial submission, and he only admitted to his dereliction when it was about to be discovered in his work papers. This was not professional or responsible conduct.

In subsequent audits performed by Egbert, he did report criminal matters that had come to his attention. However, he was able to make those disclosures in the audit reports themselves, which meant that they were less sensitive than the Slotwinski matter. I cannot draw an inference from those reports that Egbert understands that he cannot exercise any judgment on whether to report criminal matters, only on the manner in which the information will be reported. The impact on HUD was real. Had Kane known at the time of Egbert's audit report on Perth Amboy that Slotwinski was involved in accepting bribes from contractors, he could have immediately ordered a wider audit of Perth Amboy to truly test the extent of corruption in the PHA's programs.

Egbert's tests of payments to other contractors at Perth Amboy sound reasonable at first blush, but common sense would dictate a careful and critical analysis of this data, in which the auditor would look for similar violations, not vindications. Egbert was quick to give Perth Amboy a clean bill of health on this, and he did not even bother to record the tests he performed in his work papers. The work papers for Perth Amboy would not reveal any of the testing he did to assure himself that the bribery problems at Perth Amboy did not go beyond what Slotwinski had admitted to him. I find that the Perth Amboy audit report and work papers did not meet the minimum requirements for an acceptable audit.

The Passaic audit presents a less clear picture, and it is difficult to know whether any fact-finder can avoid being a "Monday morning quarterback," in light of the abuses that were

eventually uncovered at Passaic. The "problem" with Egbert's Passaic audit began with Egbert's very limited testing of only the December payroll and Board resolutions to determine that Marguglio was receiving two paychecks for two full-time positions that had been approved by the Board of Commissioners and cleared by HUD in an audit two years before, and that he received a year-end "award" of \$[REDACTED]. These known factors kept Egbert from testing his assumption that the \$[REDACTED] payment to Marguglio was a year-end award, and that this was the extent of Marguglio's compensation. That testing decision appears naive only in light of what Vizer's audit team discovered after eight months of work. At the time of Egbert's audit, however, it made sense. Possibly, if Egbert had asked the payroll clerk rather than Marguglio, he may have learned that the \$[REDACTED] was a monthly payment. However, inasmuch as Passaic was so uncooperative with the HUD CIAP auditors, Passaic may have also been less cooperative with Egbert if he got too close to Passaic's compensation secrets.

Also, HUD was not an innocent bystander in this matter, and Egbert did not try to cover up what he did find at Passaic. He flagged it in his recommendations. He had done likewise in his audit of fiscal year 1985. HUD ignored the implications of Egbert's findings, and had allowed Passaic to clear a finding on the matter without testing Passaic's response. Egbert's information was used, in part, to guide the RIGA audit team doing the CIAP audit, a fact admitted by HUD officials who appeared before the Congressional committee holding hearings on Passaic. HUD was disturbed and embarrassed by what it found at Passaic. But, to blame Egbert is questionable. It took the HUD audit team eight months to figure out what was going on at Passaic. It is not reasonable to expect one auditor hired by the PHA to audit its financial statement to be able to uncover what a team of auditors working 500 man-days had trouble finding.

The compensation issue at Passaic was the reason why HUD decided to investigate Egbert's audit work. Everything else that HUD found to be lacking in his Passaic audit, Perth Amboy audit, and Long Branch audit was sought and discovered in the wake of the Passaic Congressional hearings. HUD now questions Egbert's work as an auditor that it had previously found to be "very good". His judgment calls are questioned by HUD with the benefit of 20/20 hindsight. These include Egbert's decision that the "dual compensation" to Michael Associates, subsequently repaid, was not material and needed no further development. Again, with hindsight, HUD assumed that Egbert knew at the time of his audit that the President of Michael Associates was being investigated for paying bribes to PHA's, which he did not know. This lack of knowledge about Michael Associates makes the testing that he did and the conclusions he reached reasonable. If HUD wanted Egbert to do a retesting of the influence of Michael Associates on Passaic when HUD learned of its activities, it could have asked him to do so. The issue was one of proper internal controls, not

improper influence. Egbert believed that Perth Amboy's internal controls had worked, because reimbursement was made after Perth Amboy discovered the double compensation. The QCR conducted by RIGA did not reveal otherwise. This is an issue of judgment not rising to the level of wrongfulness that would merit a sanction.

Likewise, Egbert's handling of the tile storage issue at Perth Amboy was not so deficient as to be a violation of his obligations as an independent auditor. The Perth Amboy bookkeeper satisfied him with her calculations that she did know how much tile was being used by the contractor storing the tile. Arguably, Egbert could have tested the bookkeeper's calculations by doing an inventory of the tile, but he exercised his professional judgment that this was not a necessary test to make his report reliable. He did refer to the matter in his recommendations, suggesting better methods for keeping a record of the use of materials owned by Perth Amboy. The audit would have been better if Egbert had tested the tile inventory, but his failure to do so does not merit a sanction.

HUD has greatly exaggerated the negative aspects of the manner in which Egbert handled the leave and "flextime" practices that he observed among a few employees on one day only during his field work at Long Branch. He discussed the matter with the top officials at Long Branch, and suggested revisions in the written personnel policy to reflect the practices at the PHA. He assumed that these officials were actually able to monitor the comings and goings of the Long Branch employees. Egbert perhaps could have suggested more reliable sign in-sign out procedures to clock the specific hours worked by those employees using "flextime," but he brought the problem to the attention of the right people. Egbert's problem was in not describing clearly in the audit report what he observed, and the limited nature of it.

Egbert's writing style in the Passaic, Long Branch, and Perth Amboy audits was so vague as to be cryptic in his recommendations, and so unspecifically wordy as to lose meaning in some other sections. It is difficult to find the statements of cause, criteria, and effect that should be presented in any audit report to make the discussion and recommendations fully understandable. In his oral testimony, Egbert had trouble verbalizing the extent of his thought processes, and this verbalization problem shows in his audit reports. However, the audit reports he wrote after Kane criticized his report style show significant improvement. They are no longer cryptic. There is still room for improvement, but I find that Egbert is making very serious efforts to improve his skills, to educate himself about professional requirements and skills, and that he has made significant improvement in response to criticism.

It is important to note that HUD initially found Egbert's audits for Passaic, Long Branch, and Perth Amboy to be

acceptable. HUD approved them on the very tests of "cause, criteria, and effect" analysis that Kane now claims were so lacking as to merit debarment. Also, HUD had not criticized Egbert's audit methods or reports over many years of desk reviews and QCR's, and did not give Egbert constructive criticism, although he requested that HUD do so. Egbert reasonably assumed that he was performing to HUD's satisfaction as an independent auditor until he was informed to the contrary. He then immediately began a course of self-improvement in response to HUD's criticism.

HUD has established grounds for debarment, based on the Perth Amboy audit report, of a conscious violation of a regulatory requirement to report an illegal act, and of unsatisfactory performance of a public agreement for this same reason. 24 C.F.R. §24.305(b)(1) and (3). Likewise, this conduct is a ground for debarment pursuant to 24 C.F.R. §305(f). The Perth Amboy work papers are also deficient because they do not document the critical testing by Egbert of the possible impact of bribery on the PHA's operations. Although the other audit reports are lacking in certain respects, they are not so poor as to be unsatisfactory for purposes of imposition of a sanction. Egbert's failure to document his testing in his audit papers makes his audit reports appear to be more questionably based than they really are. Nonetheless, the required standard applicable to audit work papers for audits begun prior to January 1, 1989, were not as stringent as they are now. The work papers, although lacking, do not warrant a sanction of the nature proposed by HUD. In fact, the work papers were not initially even considered deficient by Vizer. There is much hindsight revisionism in HUD's view of Egbert's work.

Had HUD followed its normal procedure of asking an auditor to expand or amend a report that HUD found lacking, Egbert could have corrected the style of the reports, learned from the correction process, and posed no past or present risk to the public interest or to the interest of HUD. After Egbert brought in his work papers, HUD did not follow that procedure. HUD believed that it had adequate evidence to support an immediate suspension. Certainly, the failure to report Slotwinski's bribery falls in this category because there is a compelling public interest in disclosure of illegal acts. I find adequate evidence to support the suspension on this basis. See 24 C.F.R. §24.400(b)(1) and (2). However, the Passaic and Long Branch audits would not have supported an immediate suspension because there was nothing in either of those reports, taken together or separately, that satisfied the regulatory requirement for suspension that immediate action is necessary to protect the public interest. 24 C.F.R. §24.400(b)(2).

Establishment of cause for debarment does not require imposition of the sanction. Ultimately, debarment is only

required for those participants and principals who are not presently responsible. There is considerable mitigating evidence in this record, even if Egbert's three audit reports were far from perfect. More important, Egbert has so assiduously pursued a course of self-improvement since he was first aware of criticism of his work by HUD, and has also shown so much actual improvement in the overall quality of his work, that I find his approach to be highly responsible. I infer from Egbert's course of self-improvement that he knows now of his unequivocal reporting obligations concerning illegal acts, fraud, and abuse. I believe that he has had time to reflect on his obligations as an independent auditor, and will satisfy those obligations in the future.

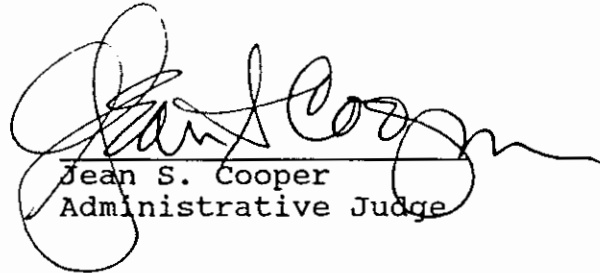
Furthermore, I feel confident that the PHA's and HUD will be receiving clearer and more thoroughly explained audit reports from Egbert in the future. The 1990 reports were far better than those written in 1988 and 1989. Egbert's habit of turning in reports very late, which was not a ground for his suspension or debarment, should not be assumed by him, or by the PHAs that contract for his services, to be acceptable. Timeliness of an audit report is critical if it is to be of real use to either the PHA or HUD. Usefulness is the key to an audit report. If it is written so that it cloaks problems because it lacks detail and specificity, or if it is turned in so late that the problems discussed in it have multiplied or exacerbated, it is not useful. If the analysis is incomplete, it is not useful. If the testing is minimal when it should be expanded, it is not useful. If the work papers do not fully document what the auditor found and the tests that he applied, the report's quality is in doubt. While I do not minimize the importance of these standards of quality, the evidence before me amply shows that Egbert's work has already significantly improved in these regards.

Debarment is a prospective sanction. It is not to be applied retroactively. Egbert has been suspended since August 23, 1991, and I find that there is no public or Governmental interest to be served in debarring him at this time. Any required protection of HUD or the public has been fully served by Egbert's suspension, which has had a profound effect on the way in which he will perform his work in the future. The purposes of imposition of a sanction have been accomplished. In this case, any further sanction at this time would be punitive, which is not permitted.

Conclusion

For the foregoing reasons, the suspension of Harold Egbert was warranted at the time that it was imposed, but it is no longer warranted, nor is debarment necessary at this time to

protect the public interest or HUD. Therefore, the suspension of Harold Egbert should be terminated, and he should not be debarred.



Jean S. Cooper
Administrative Judge