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Millions of Federal Dollars at Risk of Recapture Due to VIHFA Failures, Whistleblower Lawsuit Alleges

Former Chief Operating Officer Stephanie Berry claims the Virgin Islands Housing Finance Authority risks losing millions from HUD and FEMA for failing to adhere to strict federal policies on disaster recovery funding and administrative cost allocations

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A recently filed [whistleblower lawsuit](#) claims that “VIHFA will stand to lose millions of dollars through recapturing of federal funds due to non-compliance with policies and procedures.”

Allegations by former V.I. Housing and Finance Authority Chief Operating Officer Stephanie Berry paint the agency as a place where the rules governing the expenditures of Community Development Block Grant Disaster Recovery funds and monies from other federal programs are

willfully ignored.

Federal agencies such as HUD usually have strict controls over how grant funding is spent, including on employees being paid out of those funds who may also be working on other projects not covered by federal dollars. Ms. Berry alleges that HUD determined as far back in 2022 that administrative cost allocations were being overspent, and that the practice has continued into this year.

The over expenditure, according to a lawsuit filed on Tuesday, includes at least one VIHFA staffer who was being paid 100% from CDBG-DR funds, “although that employee performs duties not directly related to DR, including positions in the IT and Communications departments.”

Additionally, the complaint alleges that program funds were spent on projects outside the remit of disaster recovery programs, due to the failure of VIHFA staff to conduct proper due diligence. HUD is aware of at least some of the violations, the lawsuit alleges, noting a recent compliance monitoring review report that allegedly details a company's receipt of a \$2 million mobilization fee that “should not have been paid.”

The lawsuit also alleges that an engineering firm was retained this past June to provide services for disaster recovery projects, “but also did additional work at the request of VIHFA for which HUD funds were improperly paid and now must be returned.”

FEMA funds may also be in danger of being clawed back from the agency. Despite being advised on several occasions that VIHFA “was not in compliance with the Davis Bacon Act and Section 3 of Federal requirements for the FEMA-funded projects,” agency leadership reportedly did nothing to act on requests by Ms. Berry to hire a compliance specialist to help bring VIHFA into compliance, and “prevent further loss of revenues on approximately \$1.3 million dollars in projects,” the complaint declares.

“FEMA projects for VIHFA are not moving forward due to Defendants not properly having meetings and taking necessary actions,” the lawsuit also alleges.

Even projects funded by local monies appropriated by the V.I. Legislature have become bogged down by inaction by VIHFA leadership, Ms. Berry alleges. The lawsuit discusses the \$920,000 that was set aside in 2016 via [Act 7897](#) to demolish and reconstruct homes containing asbestos on St. Thomas. Ms. Berry's complaint says that shortly after she began working at VIHFA, she tried to identify the funding for three such houses, two of which had already been demolished. “She discovered VIHFA never requested the remaining funds from the Department of Finance years ago.”

Indeed, there seems to have been some admixture of funds, leading to federal dollars meant for the EnVIision Tomorrow program being spent on the asbestos abatement project which was supposed to be drawing from local funding sources, the lawsuit alleges.

Further, Ms. Berry says she discovered that key records were missing. “There were no files that would indicate proof of home ownership, permission to demolish, a deed, etc.”

Inquiries with Dayna Clendenin – named as a defendant in the lawsuit – seem to have led nowhere. “To date, Defendant Clendenin has never responded nor identified funds to reconstruct the demolished homes,” the lawsuit alleges.