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HUD Bars VIHFA From Further Funding, Citing Slow Recovery, Weak Controls and Richardson Contracting Scheme

HUD cited slow recovery, $52.6 million in administrative costs, incomplete housing and mitigation projects, weak fraud controls and former COO Darin Richardson’s conviction in suspending VIHFA from additional federal funding and future procurement awards.

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The U.S. Department of Housing and Urban Development has immediately suspended the V.I. Housing Finance Authority from receiving additional federal funding and barred it from future federal procurement while an investigation proceeds, citing years of audit findings, weak financial controls, slow disaster recovery and the criminal conviction of the authority’s former chief operating officer.

HUD Deputy Secretary Andrew Hughes notified VIHFA official Dayna Clendinen of the action in a 13-page letter outlining what the department described as substantial evidence of financial mismanagement, inadequate fraud controls, conflicts of interest and failures to comply with federal-aid obligations.

VIHFA has 30 days to request a hearing. If it does not, the funding suspension will become final, according to Mr. Hughes.

HUD Secretary Scott Turner said the suspension was “effective immediately.”

The action affects an authority that received nearly $2 billion in federal funding intended to support the territory’s recovery from Hurricanes Irma and Maria in 2017. HUD calculated that funding at approximately $20,000 for every Virgin Islands resident.

“Nine years later, because of VIHFA’s blatant mismanagement of these critical disaster funds, USVI citizens still do not have the housing and electrical power they were promised nearly a decade ago,” HUD stated, pointing to the continued presence of blue-tarped roofs and deficiencies in the territory’s infrastructure and electrical grid.

HUD Cites Low Project-Completion Rates

HUD described the pace of disaster recovery as “glacial,” reporting that only 2 percent of planned single-family rental projects, 16 percent of single-family homeowner projects and 19 percent of multifamily rental projects had been completed nearly a decade after the hurricanes.

None of 329 housing-work mitigation projects had been completed, the department said.

HUD also identified what it called a “yawning gap” between the amount VIHFA spent on administration and the amount directed toward residents and their homes. The authority spent $52.6 million on administrative costs, according to the department’s findings.

“Whether poor management or something worse, the consequences are unacceptable– the residents of the USVI who were devastated by disaster are not getting what they need from VIHFA,” HUD wrote.

The department also said VIHFA’s divisions “operate in silos,” hindering internal communication and the authority’s ability to identify and manage fraud risks.

Audits Raised Concerns Over Financial Controls

HUD cited multiple audits conducted over approximately a decade that raised “significant concerns” about VIHFA’s handling of federal funding.

According to the department, the reviews questioned millions of dollars in costs and identified weak financial controls, inadequate project oversight, inaccurate reporting and deficient management of fraud risks.

A 2026 audit found that VIHFA had not established a structured fraud-prevention framework despite overseeing approximately $1.9 billion in disaster-recovery funding.

HUD said it had “substantial evidence” that the authority had failed to comply with its federal-aid obligations, lacked sufficient internal financial controls and had not adequately addressed fraud risks or conflicts of interest.

“[VIHFA] has failed to implement effective fraud controls despite the indictment and conviction of its former COO in a federal contracting fraud scheme. It has repeatedly made false certifications to HUD that it has proficient financial controls, has safeguards to prohibit conflicts of interest, has not obtained duplicate federal benefits, and complies with applicable laws and regulations,” HUD alleged in its suspension notice.

Richardson Conviction Cited in Suspension

HUD also relied on the criminal case involving former VIHFA Chief Operating Officer Darin Richardson, who was sentenced in March to 36 months in prison after being convicted of bank fraud, money laundering, making false statements and criminal conflict of interest.

Prosecutors said Mr. Richardson received $107,000 from a contractor in connection with the contracting scheme. HUD said the misconduct occurred “during execution of his duties” at the authority.

The contract involved was later increased by 50 percent, from $3 million to $4.5 million, according to HUD. Much of the lumber acquired under the agreement was subsequently allowed to rot in the tropical sun, the department said.

HUD determined that Mr. Richardson’s conduct, standing alone, was sufficient to raise questions about VIHFA’s responsibility to receive additional federal funding.

“An officer corruptly awarding disaster clean up contracts violates, at minimum, HUD rules on oversight of contractors,” the department said, citing kickbacks of at least $107,000 in one case.

Employees Reportedly Knew of Suspected Fraud

HUD said its Office of Inspector General also found that VIHFA employees had personal knowledge of fraud or suspected fraudulent activity, but the authority did not conduct further investigations or notify senior management.

According to HUD’s recounting of a 2023 inspector general investigation, VIHFA’s auditing apparatus notified only the directors overseeing the divisions involved.

Those directors allegedly “sat on the findings,” the department said.

HUD cited those findings, along with the circumstances underlying Mr. Richardson’s convictions, as further support for the immediate suspension.

Federal Oversight is Increasing

Mr. Turner, a former NFL cornerback and a member of the White House Task Force to Eliminate Fraud, said the administration was intensifying its scrutiny of organizations receiving federal grants following several high-profile investigations nationwide.

“The Trump administration is changing the game when it comes to who we entrust with taxpayer dollars. Organizations riddled with corruption, mismanagement and crime will no longer be allowed to squander billions,” Mr. Turner told Fox News Digital.

“[VIHFA] officials cannot be allowed to prioritize kickbacks over helping families recover from disasters. I promised that HUD would be a faithful steward of the American people’s hard-earned money, and we are keeping that promise.”

The VIHFA suspension is part of a broader federal anti-fraud campaign that has also included the Feeding Our Future prosecution in Minnesota.

Fox News Digital reported that a representative who answered the telephone at VIHFA on Monday directed the outlet to a voicemail box that was full. The publication subsequently sought comment through the authority's online contact page.

The outlet also contacted Democratic Delegate to Congress Stacey Plaskett and the office of Democratic Gov. Albert Bryan for comment.

VIHFA may now request a hearing within the 30-day period outlined by HUD. Without such a request, the suspension from further federal funding will become final.