



U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL

September 29, 2016

**MEMORANDUM NO:**  
2016-CF-1810

## *Memorandum*

TO: Dane M. Narode  
Associate General Counsel, Office of Program Enforcement, CACC

//signed//

FROM: Christeen Thomas  
Director, Joint Civil Fraud Division, GAW

SUBJECT: Final Civil Action: Knox Pest Control Settled Allegations of Charging  
Unallowable Costs for Preservation of HUD-Owned Properties in the Federal  
Housing Administration Program

### **INTRODUCTION**

The U.S. Department of Housing and Urban Development's (HUD) Office of Inspector General (OIG) assisted the U.S. Attorney's Office of the Northern District of Alabama in the civil investigation of Guardian Pest Services, Inc., doing business as Knox Pest Control and J.J.S.K. Solutions, Inc. Knox Pest Control has its principal place of business in Columbus, GA.

### **BACKGROUND**

A HUD home is a one-to-four unit residential property acquired by HUD as a result of a foreclosure action on a Federal Housing Administration (FHA)-insured mortgage. HUD becomes the property owner and offers the property for sale to recover the loss on the foreclosure claim. HUD needs assistance to preserve the properties it obtains under FHA's Single Family Property Disposition Program. Performance work statements describe the services required by contractors to assist HUD with the preservation of the properties. These services include inspections for and treatment of pest infestations. Paragraph 5.2.7.2 of the performance work statement required that if an infestation was found during an inspection, the subcontractor was to hire an unaffiliated contractor to perform the termite treatment. The subcontractor hired Knox Pest Control to perform either the termite inspections or termite treatments for HUD properties throughout Alabama.

## **RESULTS OF INVESTIGATION**

The civil investigation found that the termite inspections and termite treatments were being performed by Knox Pest Control and J.J.S.K. Solutions, Inc., which are the same entity. Therefore, the United States contended that it had certain civil claims against Knox Pest Control arising from claims for termite inspection and treatment services performed on HUD homes. On June 2, 2016, Knox Pest Control entered into a settlement agreement with the Federal Government to pay \$91,377 in three equal installments of \$30,459. Knox Pest Control and the Federal Government entered into the settlement agreement to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. The settlement agreement is neither an admission of liability by Knox Pest Control nor a concession by the United States that its claims are not well founded.

## **RECOMMENDATION**

We recommend that HUD's Office of General Counsel, Office of Program Enforcement,

- 1A. Acknowledge that the attached settlement agreement for \$91,377 represents an amount due HUD.

As of June 2, 2016, the settlement agreement of \$91,377 was reached, and it represents an amount due HUD. Included in the settlement agreement is a repayment agreement explaining that Knox Pest Control will pay \$91,377 in three equal installments of \$30,459 by electronic funds transfer with the final payment expected by March 6, 2017. In accordance with HUD Handbook 2000.06, REV-4, the final action target date will be set at April 5, 2017. At issuance of this memorandum, HUD OIG will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with any supporting payment information received to date.