

# United States Senate

WASHINGTON, DC 20510

October 23, 2014

## Via Electronic Transmission

The Honorable Julian Castro  
Secretary  
U.S. Department of Housing and Urban Development  
451 7th Street S.W.  
Washington, DC 20410

Dear Secretary Castro:

The Moving to Work (MTW) program was designed to give public housing authorities (PHAs) flexibility to more effectively help citizens in need. While the original purpose and requirements of the program retain merit, recent evaluations have raised concerns about HUD's ability to ensure that the program is always meeting those goals.<sup>1</sup>

The Center for Tax and Budget Accountability (CTBA) recently released a report documenting how the Chicago Housing Authority (CHA) was able to use the financial flexibility granted under the MTW program to divert millions of dollars in federal voucher funding to build that agency's reserves rather than provide housing services.<sup>2</sup> The CTBA report found that for the last 10 years the CHA allocated a significant portion of its annual federal voucher funding to cover a "non-cash" item—depreciation.<sup>3</sup> Since there is no actual out-of-pocket expenditure associated with depreciation, use of this non-standard accounting practice allowed CHA to increase its net annual cash reserve. However, in the MTW reports CHA filed with HUD, it appeared as though the federal voucher funding diverted to CHA's reserves had actually been spent on providing public housing, when in fact it was not spent on any housing services.<sup>4</sup>

According to the CTBA report, between FY2008 and FY2012, CHA diverted "an average annual amount of \$107 million" in federal funding for vouchers to build CHA reserves, resulting in "\$432 million in available reserves."<sup>5</sup> Rather than build reserves, the CHA could have issued over 13,500 vouchers annually to help those Chicago families who needed affordable housing assistance. Meanwhile, over 30,000 Chicago residents are waiting for voucher assistance.<sup>6</sup>

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<sup>1</sup> <http://www.gao.gov/assets/660/655521.pdf>, pp. 2-3.

<sup>2</sup> [http://www.ctbaonline.org/sites/default/files/reports/ctbaonline.org/file/ajax/field\\_report\\_file/und/form-SozfZHckLwj0\\_BzMRBmZQspEY6FGXyzK1QNvQoY8jSk/1407874531/R\\_2014.07.30\\_A%20Fiscal%20Review%20of%20the%20Chicago%20Housing%20Authority.pdf](http://www.ctbaonline.org/sites/default/files/reports/ctbaonline.org/file/ajax/field_report_file/und/form-SozfZHckLwj0_BzMRBmZQspEY6FGXyzK1QNvQoY8jSk/1407874531/R_2014.07.30_A%20Fiscal%20Review%20of%20the%20Chicago%20Housing%20Authority.pdf) (referred hereafter as CTBA report).

<sup>3</sup> CTBA report, p. 1.

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> Chicago Housing Authority, FY2014 Comprehensive Budget Book (Chicago: March 17, 2014), 178-179.

Lax HUD oversight and the general lack of any meaningful accountability or transparency can facilitate financial abuse by housing authorities in the MTW program. For example, CHA and the other MTW housing authorities are given the flexibility to consolidate federal funding into a single General Fund. CTBA found that under MTW, “funding for the CHA’s three major programs – public housing, housing vouchers, and capital construction – does not have to be kept in segregated accounts by program type. ...[T]he CHA can spend the money in its General Fund at its discretion. This allowed the CHA to divert federal funding ostensibly received to support the issuance of housing vouchers, for example, to other programs.”<sup>7</sup>

Some other MTW housing authorities have used this discretion on how to spend their federal funding to feather their own nests. The Atlanta Housing Authority has at least twenty employees receiving annual compensation ranging between \$150,000 and \$300,000 per year. The former executive director explained that these high salaries are necessary “to both ‘attract and retain’ competent staff.”<sup>8</sup> In addition to a high salary, the former executive director of the Philadelphia Housing Authority threw lavish parties, provided patronage to friends and supporters, and secretly paid sexual harassment claims. Again however, the purpose of the MTW program is to help residents find housing not to allow back-door raises for housing authority employees.

Audits by the HUD Inspector General (OIG) and the Government Accountability Office (GAO) have also found significant problems with HUD oversight of the MTW program. The OIG found that HUD has no procedures to verify agencies’ self-reported performance data and was not aware of the requirement to perform annual program risk assessments.<sup>9</sup> HUD has no program-wide performance indicators that would allow it to assess program results.<sup>10</sup> Worse yet, HUD has failed to perform program evaluations that would determine if the agencies complied with their MTW agreements and whether the agencies should continue to participate in the program.<sup>11</sup>

In their audit, GAO found that each MTW PHA establishes its own performance measures which has resulted in over 1000 metrics<sup>12</sup>, but HUD has never developed procedures to analyze overall program effectiveness. The PHAs “self-certify that they are in compliance with three statutory requirements,”<sup>13</sup> and each MTW agency is required to describe the impact of each PHA activity in their annual reports. GAO found though that most information reported by the PHAs doesn’t reflect program outcomes and HUD doesn’t require the data to be quantifiable. After almost two decades with no metrics or annual assessments, we are concerned that HUD is not interested in ensuring that the MTW program works effectively.

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<sup>7</sup> CTBA report, p. 1.

<sup>8</sup> Email to Grassley Staff, April 11, 2013.

<sup>9</sup> <http://www.hudoig.gov/sites/default/files/documents/2013-PH-0004.pdf>, p. 4.

<sup>10</sup> Ibid, p. 6.

<sup>11</sup> Ibid, p. 7.

<sup>12</sup> <http://gao.gov/assets/600/590226.pdf>, p. 13

<sup>13</sup> Ibid, p 8.

As Congress examines the MTW program, it is critical for HUD to address these concerns and abuses. To that end, please provide the following information:

1. What provisions has HUD incorporated into the MTW program to penalize housing authorities for violating the provisions of their MTW agreement?
2. What steps are being taken by HUD to reduce the amount of money held in the CHA reserve fund to ensure that funding is used for its intended purpose?
3. What financial oversight has HUD conducted to determine how many MTW housing authorities have diverted funding from their intended purposes?
4. Has HUD made any changes to the MTW program to increase the transparency and accountability? If so, what has been changed? If not, why not?
5. Does HUD plan to audit MTW agreements to determine if participating entities are complying with their MTW agreements? If so, when? If not, why not?
6. What steps are being taken to implement all HUD OIG recommendations resulting from their MTW audit?

Please provide your response to this matter by November 7, 2014. Should you have any questions regarding this matter, please do not hesitate to contact Janet Drew of Senator Grassley's staff at (202) 224-5225 or Bryan Blom of Senator Kirk's staff at 202-224-2854.

Sincerely,



Charles E. Grassley  
United States Senator



Mark Kirk  
United States Senator

Cc: The Honorable David A. Montoya  
Inspector General  
Office of the Inspector General