

United States Senate

WASHINGTON, DC 20510

January 11, 2011

Via Electronic Transmission

Arthur Makadon
Chairman
Ballard Spahr Andrews & Ingersoll, LLP
1735 Market Street
Philadelphia, PA 19103

Dear Mr. Makadon:

As a member of the United States Senate, I have a duty to conduct oversight into how federal entities spend taxpayer dollars, especially when fraud, waste, or abuse might be involved. I have been conducting oversight of the U.S. Department of Housing and Urban Development (HUD) and the Philadelphia Public Housing Authority (Philadelphia PHA) since the information about excessive pay for the Executive Director and other questionable activities first surfaced in the Philadelphia newspapers in August 2010.

As you might imagine, I was surprised to read a September 4, 2010, article in the *Philadelphia Inquirer*, the Philadelphia PHA suspended “all contracts with outside consultants and lawyers until further notice.” As part of the ongoing investigation, the newspaper reported that approximately \$33 million in federal funding has been paid to law firms doing business with the Philadelphia PHA. Additionally, the PHA sent a letter to 22 businesses on Thursday, September 2, 2010, requesting that they submit all billings for the previous three years, to include all supporting documents verifying the work conducted and completed.

Subsequently, I sent a letter to HUD asking for information on stimulus funds being used to pay for legal fees, as well as the list of public housing authorities using stimulus funds to pay legal fees and the amounts paid out to date. Additionally, I requested the total amount of federal funds used to pay for legal expenses by the Philadelphia PHA since 2003. HUD responded that stimulus funds can be used for legal expenses related to development costs. However, HUD does not maintain records regarding these payments but instead are supposed to be maintained by the PHA (see attached letters).

I am very concerned about reports of at least four sexual harassment complaints involving the Philadelphia PHA Executive Director, three of which have been purportedly settled with the complainants allegedly using payments from the PHA’s insurance carrier. It is my understanding that the fourth sexual harassment complaint filed against the Executive Director is currently pending and additional complainants are just now coming forward with still more allegations. Based on publicly reported information, at least \$648,000 has been paid to settle three sexual harassment cases, while an offer of \$250,000 is pending in a fourth and at least two more women have come forward with

sexual harassment claims. Additionally, these payments were structured to ensure that they were made without either the Board or HUD's knowledge or approval.

Most recently, the *Philadelphia Inquirer* reported the sad situation surrounding the death of Mildred Barnes who was crushed to death in the demolition of Abbottsford Homes in 2005. The PHA crew in charge of tearing down Abbottsford Homes did not inspect the interior of the building prior to demolition or they would have found Ms. Barnes, who suffered from dementia, inside what she thought was still her home. It is my understanding that the Philadelphia PHA settled with Ms. Barnes' family in 2008 for \$115,000 because the PHA didn't want the incident to tarnish its reputation. And again, the PHA management purposely never notified the PHA Board of Commissioners that the insurer paid the settlement to the family.

Given the questions being raised about the finances at the Philadelphia PHA, it is necessary for Congress to gather additional information about Ballard Spahr Andrews & Ingersoll, LLP's representation in order to more fully understand the circumstances. Accordingly, please provide written responses to the following questions:

- 1) What is the total amount of fees that Ballard Spahr Andrews & Ingersoll, LLP has billed the Philadelphia PHA for the years 2003 to present? What is the total amount is collected for the same period?
- 2) Did Ballard Spahr Andrews & Ingersoll, LLP produce any written summaries or reports of its work during the same time period? If so, please provide copies, including any attachments or exhibits, and a description detailing when they were initially delivered and to whom.
- 3) Please provide a list of the attorneys at Ballard Spahr Andrews & Ingersoll, LLP who performed any work and a summary description of the amount and type of work each attorney performed.

Thank you in advance for your prompt attention to this matter. I would appreciate receiving your response to this matter by January 31, 2011. Should you have any questions regarding this matter, please do not hesitate to contact Janet Drew or Brian Downey of my staff at (202) 224-5225. All documents responsive to this request should be sent electronically in PDF format to Brian_Downey@judiciary-rep.senate.gov.

Sincerely,



Charles E. Grassley
United States Senator

Attachments

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

September 17, 2010

Via Electronic Transmission

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

Dear Secretary Donovan:

Thank you for your most recent response regarding the Department of Housing and Urban Development's (HUD) distribution of American Recovery and Reinvestment Act (Stimulus) funding to troubled Public Housing Authorities (PHA) across the United States. Today I am writing to you because I remain concerned about waste, fraud and abuse of taxpayer dollars being given to PHAs that have a track record of problems, and I am therefore contacting you with additional questions regarding the program funding.

On July 23, 2010, HUD provided a response to my June 16, 2010 letter regarding Stimulus funding obligated to PHAs that were determined to be "troubled" by HUD due to financial and/or management problems. The HUD response (Attachment 1) stated that, "HUD's commitment to transparency and accountability is not only demonstrated through its comprehensive monitoring and oversight of Recovery Act funds for all PHAs, including those that are troubled, but also through its high recipient reporting rate in the Federal Reporting system. (p. 2)" That response also stated that, "HUD's monitoring process detects compliance issues in order to facilitate resolution of any problems. (p. 2)"

A. Philadelphia PHA Management

Given the stated amount of oversight and auditing conducted by HUD, as well as the "transparency and accountability" of Stimulus funding documented in the HUD response, I am concerned about the continuing revelations of possible financial and administrative misconduct at the Philadelphia PHA, the fourth largest PHA in the country. In fact, many of the troubling findings surrounding the Philadelphia PHA have been exposed through newspaper accounts, rather than HUD oversight.

In light of this, please respond to the following questions:

- 1) What additional oversight is HUD conducting at the Philadelphia PHA to ensure that all federal funds, including Stimulus funds, are protected against waste, fraud and abuse? Please be specific.

- 2) Given the questionable financial and management practices being exposed at the Philadelphia PHA, why was it not designated a troubled PHA by HUD?
(Attachment 2)

Additionally, in my August 23, 2010 letter to HUD regarding the financial and management activities at the Philadelphia PHA, I requested answers to my concerns about alleged questionable practices conducted by the Executive Director. I also raised additional questions about the salaries and benefits packages of the Philadelphia PHA Executive Director, as well as a number of other PHA executive directors across the country. To date, I have not received a response and request that responses to my questions be provided immediately.

Furthermore, a review of HUD's website revealed that HUD maintains a public housing assessment system. According to that website the PHAS "effectively and fairly measures the performance of a public housing agency." The site also says that it's a "centralized system that electronically collects individual subsystem score, produces a composite PHAS score and communicates the results that represents a PHA's management performance." I would appreciate obtaining a copy of this database as soon as possible. My staff also requested this information from the Assistant Secretary for Congressional & Intergovernmental Relations a day or two ago.

B. Whistleblower Complaints about Philadelphia PHA

Over the past several weeks, my office received information from several whistleblowers that have provided me with additional insight into the way the Philadelphia PHA and the housing projects are managed. Specifically, these whistleblowers told my staff that they reside either near Section 8 housing or have worked for the Philadelphia PHA in the past.

One whistleblower stated that they had contacted local housing authorities repeatedly about serious problems plaguing the Philadelphia PHA. This whistleblower reported that the properties were not being maintained properly; tenants were violating program rules; and drug sales and gang problems were rampant. In response to these complaints, the whistleblower advised my staff that they were to provide their concerns in writing and include contact information including home phone numbers. Upon doing so, the whistleblower said that they subsequently began receiving harassing phone calls. These same whistleblowers also noted that the case managers and investigators who received their respective complaints did nothing in their opinion to resolve their complaints and even closed cases without conducting an investigation.

Also, former Philadelphia PHA employees advised my staff that the Philadelphia PHA was spending up to \$100,000 for each housing unit repair being done. Is this an accurate figure?

C. Philadelphia PHA Conflicts of Interest

Since my August 23rd letter to HUD, a great deal of information about additional alleged violations involving the Executive Director, as well as the PHA Board of Commissioners, has come to light. A series of articles in both the *Philadelphia Inquirer* and the *Philadelphia Daily News* raised concerns about a lack oversight by the PHA Board of Commissioners (Board). It appears, based on these articles, that the five member Board, which is comprised of political appointees (two appointed by the Mayor and two by the City Controller), routinely authorize what some may view as excessive payments to local law firms. Interestingly, some former Philadelphia PHA employees also told my staff about what they viewed as excessive payments to law firms allegedly valued at about \$5 million each.

For example:

- The Philadelphia PHA paid out more than \$33 million in legal fees since 2007. More than half the legal work went to two firms.
- Nellie Reynolds, a public housing resident on the Board since 1984, according to news articles, is chauffeured to meetings by a housing security officer in a PHA car. A \$21 million public housing complex is named for her. Her son is employed by the PHA and receives about \$60,000 a year. Additionally, her daughter formerly worked at the PHA; receiving \$100,000 a year, while at the same time receiving a \$250-a-month utility allowance, and paying \$650 a month in rent to live in a PHA complex.

Additionally, the Executive Director may have required special payments from contractors that failed to meet contracting requirements to perform work on PHA facilities. Newspaper reports stated that Mr. Greene advised the contractors to make the payments to the “Carl Greene Achievement Scholarship Program...set up by the Tenant Support Services Inc.(TSSI), a nonprofit agency under contract with PHA to provide tenant services.”¹ Newspaper reports further state that the TSSI director was instrumental in having Mr. Greene hired in 1998 and received an annual salary of \$101,170 while paying rent of \$659 per month in subsidized housing. Upon further review of TSSI (see attachments 3 and 4), my staff found that:

- TSSI received at least \$17,997 in Stimulus funds for tenant outreach, according to information contained in the Recovery.gov website.
- Philadelphia PHA board Commissioner, Nellie Reynolds, mentioned earlier in this letter, also serves as a board member for TSSI.

¹ Catherine Lucey & Barbara Laker; “Carl Greene and his scholarship fund: Pay to play?”; *Philadelphia Daily News*; <http://dailyme.com/story/2010082500001223/carl-greene-scholarship-fund-pay-play.html>; accessed September 13, 2010.

- The Executive General Manager of Operations at the Philadelphia PHA, Linda Staley, is listed as the Treasurer of TSSI on IRS tax forms.

In my August 24th letter, I raised concerns about the Executive Director requiring non-union employees to have funds automatically deducted from their weekly salaries which were then deposited into a fund known as the Pennsylvania Institute of Affordable Housing Professionals (PIAHP). These funds, as I understand it, were used to pay for parties and gifts to the Executive Director of the Philadelphia PHA. During a review of PIAHP, my staff found that prospective landlords wanting to participate in the Housing Choice Voucher Program with the Philadelphia PHA were required to attend a training session run by the Institute of Real Estate Management (IREM). Interestingly, attendees of the IREM were directed to make \$200 fee payments for the training session payable to PIAHP. (Attachment 5) In light of this seemingly interwoven group of entities I am requesting copies of any and all financial information regarding PIAHP and the IREM.

Additionally, a *Philadelphia Inquirer* report of September 16, 2010, detailed a class action suit that has been filed regarding the mandatory pay deductions from employee paychecks to fund the PIAHP. According to the article, the suit alleges that the PIAHP was established as a fund to lobby against funding cuts by HUD. Such activity would directly violate the principles included in Office of Management and Budget Circular A-122 which prohibit nonprofit organizations receiving federal grants, contracts or cooperative agreements from using those funds to lobby.

The entire situation surrounding the Philadelphia PHA is disturbing and it is becoming increasingly more apparent that transparency and accountability were not high on the priority list. Despite all this, the Philadelphia PHA received \$127 million in Stimulus funding.

In light of the above, I am requesting the following:

- 3) Do PHAs and HUD track conflicts of interest? Please explain in detail and provide conflict of interest documents, if available for each of the troubled housing authorities listed in Attachment 2.
- 4) Is it HUD's position that Stimulus funds can be spent on legal fees/retainers? Is HUD aware of any PHAs spending Stimulus funds on legal fees? If so, please provide a list of those PHAs and the amounts paid out to legal firms to date.
- 5) Please list, in chart form by law firm, the total amount of federal funds used to pay legal expenses by the Philadelphia PHA since 2003.
- 6) Please list, in chart form, the names of all individuals required to attend the IREM course, the dates attended, and the total amounts paid to PIAHP since 2003.
- 7) Please provide all documents regarding the use of PIAHP funds for lobbying efforts. Further, is HUD aware of any other PHA non-profits that lobby? If so, please list the PHA, the organization and the amount of funds used since 2003.

- 8) Please provide copies of the Philadelphia PHA's financial statement audits for the years 2007 to the present.
- 9) Please provide the name and address of the internal auditor assigned to the Philadelphia PHA for the years 2007 to the present.
- 10) Please provide the resume of the Assistant Executive Director of Finance and Administration Dianne Rosenthal of the Philadelphia PHA.

D. Sexual Harassment Allegations

I am also concerned about reports of at least four sexual harassment complaints involving the Philadelphia PHA Executive Director, three of which have been purportedly settled with the complainants allegedly using payments from the PHA's insurance carrier. It is my understanding that the fourth sexual harassment complaint filed against the Executive Director is currently pending and additional complainants are just now coming forward with still more allegations. Based on publicly reported information, these payments were structured to ensure that they were made without either the Board or HUD's knowledge or approval. Is this accurate? If this is the case, is the Philadelphia PHA required to reimburse the Federal Government for any federal funds used to pay these obligations?

Given that the overwhelming majority of PHA funding is provided by taxpayers, I am requesting additional information regarding PHA management:

- 11) Please provide, in chart form, all contractor payments made to TSSI for the Carl Greene Achievement Scholarship Program since 2003.
- 12) Please provide the amount of federal funds used by the Philadelphia PHA to settle or otherwise address sexual harassment claims made against anyone including the Executive Director of the Philadelphia PHA since 2003.

Thank you in advance for your prompt attention to this matter. I would appreciate receiving your response to this matter by September 30, 2010. Should you have any questions regarding this matter, please do not hesitate to contact Janet Drew or Brian Downey of my staff at (202) 224-4515. All documents responsive to this request should be sent electronically in PDF format to Brian_Downey@finance-rep.senate.gov.

Sincerely,



Charles E. Grassley
Ranking Member

cc: The Honorable Kenneth H. Donohue
Inspector General, U.S. Department of Housing and Urban Development



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

The Honorable Charles E. Grassley
United States Senate
Washington, DC 20510-6075

OCT 27 2010

Dear Senator Grassley:

On behalf of Secretary Shaun Donovan, thank you for your letter of September 17, 2010, concerning the use of American Recovery and Reinvestment Act (Recovery Act) funding at the Philadelphia Housing Authority (PHA). In your letter, you requested responses to several questions relating to the PHA and its use of Federal funds.

On October 5, 2010, the Department of Housing and Urban Development provided a response to your August 23, 2010, letter (copy enclosed). Please note that several of the questions in your September letter were answered in that letter. Accordingly, we will refer to those responses in this letter when appropriate. As noted in the October 5 letter, HUD has dispatched a team of Certified Public Accountants to conduct an audit of the PHA's financial and management operations. HUD does not have information relating to some of the items you requested; however, this team may obtain relevant documentation as part of its review. Please note that other investigations related to possible criminal activity are also ongoing. If we obtain additional information that we can provide to you, we will keep you apprised.

In response to the specific questions in your letter related to the PHA we offer the following responses:

A. Philadelphia PHA Management

1. What additional oversight is HUD conducting at the Philadelphia PHA to ensure that all federal funds, including Stimulus funds, are protected against waste fraud and abuse? Please be specific.

As noted in the October 5, 2010, correspondence, the Office of Public and Indian Housing has implemented a standardized review process for both the troubled and non-troubled PHAs which includes both remote and on-site reviews consisting of comprehensive and substantive examinations of a number of areas, including but not limited to, grant initiation activities, adherence to program requirements, environmental compliance, procurement and grant performance.

Specifically related to the PHA, HUD conducted a remote review for each of the grants received (one formula grant and six competitive grants). HUD will continue to monitor these grants as remaining Recovery Act funds are expended. The Philadelphia Field Office will also conduct a program review based on its risk analysis.

2. Given the questionable financial and management practices being exposed at the Philadelphia PHA, why was it not designated a troubled PHA by HUD?

While the PHA was designated a troubled agency in the early 1990s, it was removed from the troubled list and is considered a standard performer. The PHA has been audited annually by an Independent Public Accountant (IPA) and there have not been any findings in those audits. Additionally, the Office of the Inspector General (OIG) has recently begun a review of the PHA's scattered site developments, where some Recovery Act funds were used. The OIG also conducted two audits of its Housing Choice Voucher program, which yielded some minor concerns. The General Accountability Office (GAO) has also conducted a review at the PHA, but no report has been issued.

B. Whistleblower Complaints about Philadelphia PHA

Is the Philadelphia Housing Authority spending \$100,000 per unit for repairs?

In some instances, the PHA is indeed spending more than \$100,000 per unit for repairs. For Philadelphia, as a higher cost area, the allowable Total Development Cost (TDC) for a 2-bedroom walkup unit is \$215,982. A 2-bedroom single family or detached unit is considerably more (\$257,269). Under both the Recovery Act and conventional Capital Fund programs, public housing can be rehabilitated at up to 90% of the TDC limit, which in the PHA's case is well above \$100,000. Please note that approximately one-third of the PHA's portfolio of public housing units consists of scattered site units, many of which are single or duplex dwellings. Many of these buildings have been boarded up for years, awaiting sufficient funding for renovation.

C. Philadelphia PHA Conflicts of Interest

Copies of any and all financial information regarding the Pennsylvania Institute of Affordable Housing Professionals (PIAHP) and the Institute of Real Estate Management (IREM).

As these are direct expenses of a local agency, HUD does not have any documentation relating to PIAHP or IREM. Both organizations are nonprofit organizations; in the case of IREM, it is an institute of the National Association of Realtors, and is not a HUD grantee. As noted above, the audit team may obtain additional information as part of its review.

3. Do PHAs and HUD track conflicts of interest? Please explain in detail and provide conflict of interest documents, if available for each of the troubled housing authorities listed in Attachment 2.

Section 19 of the consolidated Annual Contributions Contract defines conflict of interest in connection with projects under the ACC, and obligates PHAs to report any such conflicts to HUD. When such disclosures are made, they may be accompanied by a request for a good cause waiver to permit the conflict. If such a waiver is requested, there is a specific process for examining and approving such requests, however there is no centralized tracking system.

4. Is it HUD's position that Stimulus funds can be spent on legal fees/retainers? Is HUD aware of any PHAs spending Stimulus funds on legal fees? If so, please provide a list of those PHAs and the amounts paid out to legal firms to date.

Recovery Act funds can be spent on legal expenses related to development cost. As these are direct expenses of a local agency, HUD does not maintain information on funds paid to law firms by local housing authorities, but the PHA is required to maintain appropriate records of these expenses as required by Section 15 of the Consolidated Annual Contributions Contract.

5. Please list, in chart form by law firm, the total amount of federal funds used to pay legal expenses by the Philadelphia PHA since 2003.

As these are direct expenses of a local agency, HUD does not maintain information on funds paid to law firms by local housing authorities, but the PHA is required to maintain appropriate records of these expenses as required by Section 15 of the Consolidated Annual Contributions Contract.

6. Please list, in chart form, the names of all individuals required to attend the IREM course, the dates attended, and the total amounts paid to PIAHP since 2003.

HUD does not have any information relating to specific individuals attending the IREM course.

7. Please provide all documents regarding the use of PIAHP funds for lobbying efforts. Further, is HUD aware of any PHA non-profits that lobby? If so, please list the PHA, the organization and the amount of funds used since 2003.

HUD does not have information regarding the use of PIAHP funds for lobbying efforts, nor is it aware of any PHA nonprofits that lobby. Please note that grantees are prohibited from using Federal funds for lobbying purposes. As noted above, the audit team may obtain additional information as part of its review.

8. Please provide copies of the Philadelphia PHA's financial statement audits for the years 2007 to the present.

HUD has provided the IPA audits for 2007, 2008, and 2009 with this letter.

9. Please provide the name and address of the internal auditor assigned to the Philadelphia PHA for the years 2007 to the present.

HUD does not assign any auditors to specific housing authorities. The PHA has had an internal inspector general position for some time, but this position has been unfilled since July 2009.

10. Please provide the resume of the Assistant Executive Director of Finance and Administration Dianne Rosenthal of the Philadelphia PHA.

HUD does not have this information.

D. Sexual Harassment Allegations

The settlement payments by the PHA and its insurance carrier appear to have been structured to ensure that they were made without either the Board or HUD's knowledge or approval. Is this accurate? If this is the case, is the Philadelphia PHA required to reimburse the Federal Government for any federal funds used to pay these obligations?

At this point HUD has no direct evidence regarding the payment of settlements by the PHA. However, if Federal funds were paid without HUD's approval, HUD believes there is a basis for reimbursement. HUD did not approve the use of Federal funds for any settlements and would argue that sexual harassment is a violation of Federal law. As noted above, the audit team may obtain additional information as part of its review. If it is determined that Federal funds were used for settlement for the sexual harassment complaints, it will assess the specific facts and take appropriate action.

11. Please provide, in chart form, all contractor payments made to TSSI for the Carl Greene Achievement Scholarship Program since 2003.

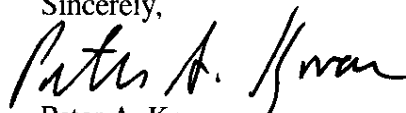
HUD does not have payment information from PHA to TSSI. As noted above, the audit team may obtain additional information as part of its review.

12. Please provide the amount of federal funds used by the Philadelphia PHA to settle or otherwise address sexual harassment claims made against anyone including the Executive Director of the Philadelphia PHA since 2003.

At this time HUD does not have information that Federal funds were used for settlement claims; however, the audit team may obtain additional information as part of its review.

Thank you again for your interest and for sharing your concerns regarding the Recovery Act and the PHA. HUD is closely monitoring the situation at the PHA and will ensure that it is complying with the appropriate Federal requirements in the administration of its grant funds. If I can be of further assistance, please let me know.

Sincerely,



Peter A. Kovar

Assistant Secretary for Congressional
and Intergovernmental Relations

Enclosures



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

OCT 05 2010

The Honorable Charles E. Grassley
United States Senate
Washington, DC 20510

Dear Senator Grassley:

On behalf of Secretary Donovan, thank you for your letter of August 23, 2010, concerning the use of Recovery Act funds by the Philadelphia Housing Authority (PHA) and questions about Executive Director salaries.

As we have stated in our previous responses, HUD is committed to ensuring that American Recovery and Reinvestment Act funds (Recovery Act funds) are administered in accordance with the requirements and goals of the Act. HUD has been proactive in the administration of these funds to ensure that they are not only expended in a timely manner to promote economic growth, but also that they are administered in accordance with the statutory and regulatory requirements.

In response to the specific questions in your letter related to the Philadelphia Housing Authority, we offer the following responses:

1) **To what extent was HUD aware of the questionable financial activities at the Philadelphia PHA?**

As referenced in HUD's May 14, 2010 response, an important tool critical to the detection of waste, fraud and abuse of funds is the annual financial audit performed by independent auditors. The annual financial audit performed by the independent auditor for PHA has not resulted in any findings related to apparent questionable financial activities.

However, in light of recent allegations made against PHA, HUD has dispatched a team of three CPAs with extensive Public Housing experience to conduct an audit of PHA's financial and management operations. The team will provide preliminary findings of PHA's financial and management operations to determine if a deeper forensic audit is necessary. It is important to note that the team's findings will be made available to the public as soon as they are available. HUD is committed to transparency and accountability in the use of Recovery Act funds.

2) **Was HUD aware of the Pennsylvania Institute of Affordable Housing and the nature of the PHA Executive Director's relationship to that fund? If so, is HUD taking any action to address the situation? Please explain in detail.**

Investigating the recent allegations about the Pennsylvania Institute of Affordable Housing

3) **What oversight has HUD conducted on the Philadelphia PHA expenditure of Stimulus funds? Please explain in detail and provide copies of any evaluations, reviews, reports or other materials prepared by HUD or a third party contractor.**

Specifically related to PHA, HUD conducted a remote review for each of the grants they received (one formula grant and six competitive grants). In addition, an on-site review was conducted for the formula grant where a number of deficiencies were identified related to missing forms and documentation, a missing Board resolution for a procurement action, as well as missing daily inspection reports and daily logs of construction activities. However, the Housing Authority was able to provide the information to resolve the deficiencies. The one deficiency that is outstanding will be closed upon receipt of a fire code compliance certification and a certification of compliance with local codes concerning installation of door thresholds. The activity associated with the Recovery Act funds will continue to be monitored through the duration of the grants to ensure that funds are expended appropriately in accordance with the Recovery Act rules and requirements.

A review of the records indicates that there have been two employee complaints received related to the Philadelphia Housing Authority (PHA) during the time period requested. In February 2009, a Maintenance Supervisor wrote a letter to Secretary Donovan indicating that since the appointment of Mr. Greene as Executive Director, there have been massive layoffs, lack of promotions, lack of overtime, and hiring of employees from the private sector that have minimal knowledge of housing operations.

10/29/2010 8:25AM

or Federal law, the Department could find the PHA in violation of this provision, and take action.

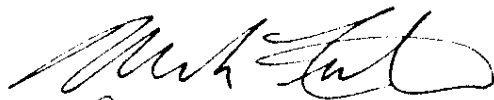
With respect to the speculation of outside real estate interests that could possibly pose a conflict of interest, the supervisor was directed to forward any substantive allegations to the Director of the Office of Public Housing in the HUD Philadelphia Regional Office. No such allegations were provided to that office for investigation.

The other employee complaint that was received on September 3, 2010 regarding some back pay that was due a former PHA employee and allegations about safety issues, possible asbestos exposure and questionable PHA practices. This complaint is currently being reviewed by the Office of Public Housing in the HUD Philadelphia Regional office and by the Office of Inspector General (OIG) for Investigation since some of the allegations are the subject of an ongoing OIG investigation.

In response to your questions related to Executive Director salaries, currently HUD does not regulate compensation for housing authority Executive Directors. However, in light of what has taken place with PHA, HUD is working closely with our Office of General Counsel to assess this policy.

Thank you again for your interest in ensuring the appropriate use and stewardship of federal funds. If you have additional questions or we can be of further assistance, please let me know.

Sincerely,



for, and on behalf of,

Peter A. Kovar

Assistant Secretary for Congressional
and Intergovernmental Relations