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United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

BRUCE A. COHEN, *Chief Counsel and Staff Director*
KOLAN L. DAVIS, *Republican Chief Counsel and Staff Director*

October 17, 2012

Via Electronic Transmission

The Honorable Patty Murray
Chairman
Subcommittee on Transportation, Housing,
and Urban Development, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Susan M. Collins
Ranking Member
Subcommittee on Transportation, Housing
and Urban Development, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairman Murray and Ranking Member Collins:

Since March 15, 2010, I have been investigating the Department of Housing and Urban Development (HUD). During those two years I have been writing to HUD Secretary Shaun Donovan regarding concerns about waste, fraud, and abuse of taxpayer money by Public Housing Authorities (PHAs). Many of those letters have gone unanswered, and I ask for your help to receive responses from HUD. I have attached copies of the most recent correspondence for your review.

Many PHAs continue to receive funding despite having a long track record of such problems. Over the weekend the *Boston Globe* reported on numerous issues that plague PHAs in Massachusetts, and I have attached the article for your review. These problems have been found at PHAs large and small across the country. Most recently, I have raised concerns about HUD conference spending, PHA take-home vehicle abuses and the need for greater transparency of PHA executive director compensation packages.

Given your responsibilities as Chairman and Ranking Member of the Appropriations Subcommittee with jurisdiction over HUD funding, **I'm seeking your help.** These issues need to be investigated thoroughly, **and it is your subcommittee's responsibility** to ensure that tax dollars meant to provide housing to the poor are not further wasted or diverted to other purposes. Ultimately, it is the residents of public housing who are being cheated and abused as a result of this mismanagement.

Thank you for your prompt attention to these important issues.

Sincerely,



Charles E. Grassley
Ranking Member

Attachments

Attachment 1

The Boston Globe

Source: The Boston Globe

Date: 10/14/2012

Section: Metro

Page: A.1

Sean P. Murphy; Scott Allen

By Sean P. Murphy and Scott Allen Globe Staff

Easton's former housing director spent hours at work sending flirtatious e-mails to various men, then resigned before an audit last June showed she had badly neglected the apartment buildings she was supposed to manage. By then, Susan Horner had a new job: teaching other housing officials how to improve their performance.

The housing director in Winchester has a second full-time job as a courthouse lawyer, requiring him to be away from the housing authority for 31.5 hours a week the last three years. When the law office learned about Joseph M. Lally's second job, it froze his pay and launched an audit of his work. But Winchester officials did nothing, saying they're satisfied Lally gets his town work done on nights and weekends.

Peabody's former housing director resigned after TV cameras caught him spending much of the work week in local sports bars and social clubs in 2009. Nonetheless, the housing authority board let Frank Splaine stay on the payroll for five extra months, helping to boost his pension, and gave him a \$27,000 severance check to boot.

Housing directors face remarkably little accountability for their work managing housing for more than 300,000 elderly and low-income people in Massachusetts, a Boston Globe investigation has found. Though the federal and state governments pump \$1.2 billion a year into local housing budgets, oversight comes from local boards mainly chosen by mayors or in little-noticed elections. All too often, no one is sharply focused on how money -- or time -- is spent.

In the worst cases, tenants pay the price for inattentive or indifferent management, enduring leaky roofs, bad heating, rodent infestation, and other hardships.

"Housing authorities are off the books, as far as state and local scrutiny is concerned," said Barbara Sard, a former senior policy adviser to the US Department of Housing and Urban Development now with the Center on Budget and Policy Priorities, a liberal think tank in Washington.

The scandal in Chelsea, where former housing director Michael E. McLaughlin is suspected of diverting millions from renovation funds to pay for his lavish salary and other perks, may be the most serious breach of trust in public housing since 2004, when Springfield housing director

Raymond Asselin and four members of his family went to prison for running a \$1 million system of bribes and kickbacks.

The scandals in both cities speak to the vulnerability of housing authorities to fraud and abuse, sometimes taking advantage of regulators who seem to be looking the other way. Until the Globe revealed McLaughlin's \$360,000 salary in November 2011, he consistently earned "high performer" awards from HUD, which entitled him to reduced oversight of his work. The agency showered similar accolades on the Medford Housing Authority under director Robert Covelle, who resigned last spring amid charges that he illegally funneled work to friends and family.

Likewise, Horner, the former Easton housing director, had been named Massachusetts "member of the year" by the state's public housing officials in 2009, the year before she resigned after her racy work-time e-mails were revealed. HUD officials had raised concerns about Horner's poor leadership as early as 2005, but did little more than ask her to submit improvement plans -- something she apparently never did.

An Easton housing board member, Thomas Downey, said the state was no help either. Downey said he tried for years to get the state Department of Housing and Community Development to pay attention to the festering problems, including Horner's frequent absences and the deteriorating condition of the apartments. But he couldn't even persuade state officials to appoint a state representative to the five-member Easton board as the law requires, thus denying the board the potential tie-breaking vote on firing Horner. The position remained vacant for seven years.

"They knew" what a bad job Horner was doing, said Downey, who was elected to the Easton board in 2007. "It went on for a long time before I began making noise . . . The state knew and allowed it to go on."

Contacted at her home, Horner declined to comment.

But state officials say they have limited influence over housing directors, who owe more allegiance to their local boards and political sponsors than to state bureaucrats and often regard themselves as political powers in their own right.

McLaughlin, the former Chelsea chief, forged close political ties to Lieutenant Governor Timothy P. Murray, hosting fund-raisers and urging his employees and tenants to attend political events for Murray and Governor Deval Patrick. Now, two grand juries are investigating whether McLaughlin broke the law -- Murray himself had to answer questions under oath as part of the state investigation -- since housing directors are legally banned from political fund-raising.

For years, McLaughlin's work for Murray gave him a powerful ally he could turn to for favors -- such as helping his son obtain a state job -- or advice, exchanging nearly 200 cellphone calls with Murray in 2010 and 2011.

In Easton, state housing officials proved to be deferential to Horner. They pointedly say it was up to the local board -- not them -- to fire Horner if they were unsatisfied. However, the Housing

and Community Development Department officials also concede that the problems reflect a bigger issue.

"There is clearly a need to reform the public housing system to increase accountability at local housing authorities for executive directors and board members in order to protect taxpayer dollars and ensure that residents are getting the services they need," it said in a statement.

Since the Chelsea controversy erupted, state auditor Suzanne Bump has intensified her review of housing authority finances, issuing several tough reports over the past year, including the audit of Easton that found 23 problems, ranging from unsanitary apartments to money missing from the laundry room.

But the watchdog agency is trying to overcome a troubling history: Bump's predecessor, A. Joseph DeNucci, failed through repeated audits over a decade to detect enormous financial irregularities in Springfield under Asselin or in Chelsea under McLaughlin.

Critics say that part of the problem in Massachusetts is the huge number of housing authorities -- 242 -- each run like a separate fiefdom, with its own board and a chief often selected for political rather than managerial skills. Only the state of Texas has more housing authorities than Massachusetts, making state or federal oversight of each individual authority challenging.

The vast number of authorities also strains the leadership talent pool, requiring 1,210 board members statewide. Many board members provide little real oversight -- the five-member Chelsea board, which resigned en masse in 2011, didn't even know how much they were paying McLaughlin -- while others show signs of serious dysfunction.

At the tiny Georgetown housing authority, the executive director and two board members nearly came to blows during a 2010 confrontation in director Diane Jodoin's office over how checks were being handled. Jodoin and Bertha Foster, then 78, and Kay Ogden, then 61, ended up swapping charges of kidnapping, harassment, and assault and battery in Haverhill District Court.

"I thought they were going to kill me," Jodoin testified, explaining that she used her hands to move Foster aside when the pair tried to block her from leaving.

"She loses her temper," Foster countered in an interview. "She just shoved me out of the way and slapped away my hand. She has a temper; let's face it."

To defuse the crisis, state officials placed Jodoin on paid leave while they conducted a 17-week investigation that blamed both sides for being "frequently confrontational." Jodoin was reinstated, though investigators faulted her for withholding key information from her board. The criminal charges were dropped.

But that didn't end Georgetown's dysfunction: In 2011, board chairwoman Martha Robertson, a close ally of Jodoin, had to resign after pleading guilty to her third operating under the influence offense.

Robertson came to meetings reeking of what smelled like alcohol, board member Ed Kiley said.

"She was kind of silly at meetings," Kiley recalled. "She had a plastic cup and a straw. When you got up close, you could smell it."

Robertson could not be reached for comment. Local police who reviewed meeting videotapes said they could reach no conclusion on Robertson's condition.

But when Patrick, furious over McLaughlin's conduct in Chelsea, attempted to increase the professionalism of housing authorities by reducing their numbers, the idea was rejected almost immediately by the panel Patrick assembled to consider housing reforms. Patrick argued that a smaller number of regional authorities would be more cost-effective and accountable.

"The interests are just too entrenched to make it happen," said one commission participant, who asked not to be identified for fear of alienating others on the panel. "You would have a thousand commissioners calling their state reps and senators complaining bitterly."

Patrick settled for recommending more training for board members and a proposal to set up a new agency that could provide administrative support for authorities with fewer than 200 units, including Georgetown.

The Patrick administration plans to file a comprehensive bill on housing authorities governance in January.

Whatever the cause, Massachusetts now has numerous public housing directors who apparently have considerable time on their hands: McLaughlin worked only 15 full days in the office in 2011, based on a Globe review of cellphone records. In Peabody, WHDH-TV filmed former director Splaine frequenting Champions Pub and the Italian American Club on five days in 2009 when he claimed to be working.

Splaine did not return telephone calls. A lawyer for McLaughlin declined to comment.

McLaughlin's close friend Kenneth Martin, meanwhile, has time enough to be the full-time housing director in Methuen and part-time director in Ayer, jobs that require a combined 57.5 hours a week and allow him to get around the statewide \$160,000 cap on director's pay. The two authorities pay Martin a combined \$184,000 and, under his contracts, neither can dismiss him without paying him several years' salary.

Joseph Lally in Winchester claims to work even more than Martin: a stunning 69 hours a week over the last three years between his \$73,000 job in Winchester and his \$82,000 post representing low-income people in court for the Committee for Public Counsel Services.

Lally, 59, acknowledged in an interview that his schedule is exhausting, but he insisted he is "fulfilling my obligations" to both the housing agency and his clients.

And Lally's board said it sees no reason to question Lally's second job as a lawyer.

"He's a hard worker," said Laura Glynn, the Winchester board chairwoman. "I really don't care what he does in his off hours so long as" the agency is well-run.

But the public defenders' office apparently did not know that he was also a housing director, and officials there immediately began an investigation when they found out.

The Committee for Public Counsel Services "has withheld all payments and all new case assignments to Attorney Lally pending completion of our audit," wrote William E. Shay, director of audits at the public defenders' office in a statement to the Globe on Oct. 4.

That same day, Lally called Glynn to announce his retirement after 11 years on the job -- effective Oct. 5.

Susan Horner's nearly 20-year tenure as housing director in Easton came to a similarly abrupt end when her husband provided board members with the text of e-mails using the screen name "EastonHA."

"She is using Easton's e-mail address to meet men for sexual relations and is doing it during company time," wrote Mark Horner in January 2010 to board member Downey. The couple has since divorced.

The e-mails, obtained by the Globe, cover the last few months of 2009, showing Horner engaged in extensive discussions of sex and dating with several men.

"I want to go someplace with you where I can touch you, talk to you and even steal a kiss, but can't truly have you," wrote Horner to one man on Oct. 2, 2009.

Horner quietly resigned in April 2010, admitting only that she had "misused" authority property.

"When we came in, the place was a total disaster," said -Michael Forbes, the Mansfield housing authority executive director who is now managing the Easton agency in addition to his own duties under a contract with Easton that pays him \$20,000.

"The records were a mess, the housing in disrepair, employees demoralized, and tenants extremely unhappy," said Forbes, noting that Easton recently was ordered to repay HUD \$17,475 for Horner's poor record-keeping.

Mark Horner suggests Susan Horner's misdeeds may have been more serious than inattentiveness: He showed a reporter a tractor with a "property of Easton Housing Authority" sticker on it at the North Attleborough home the couple once shared.

Authority records show that it was purchased for \$7,500 in 2001 and "disposed" later for a sale price of zero. Greg Horne, the housing agency's maintenance director, said he had no idea what happened to the tractor, but Mark Horner said it had been at his house for years, used to cut the grass and clear snow. He said his ex-wife claimed it was surplus.

Forbes said HUD regulators should have stepped in long ago, based on regular reports by Horner herself. But Forbes said he understood why they did not take action.

"For an agency the size of HUD, this was a tiny agency, almost irrelevant to them," he said.

HUD officials say they've changed their ways since the scandals surrounding Horner, Covelle in Medford, and McLaughlin in Chelsea.

"The way things were done before -- well, we do things differently now," said Rhonda Siciliano, a HUD spokeswoman, about Easton. "There is follow-up. We take very seriously the money Congress appropriates for public housing. We want to ensure that the money is being properly spent."

But Senator Charles Grassley of Iowa, the ranking Republican on the Judiciary Committee, is unconvinced. He said HUD's problems in Massachusetts reflect its larger failure to properly monitor thousands of housing authorities across the country.

"Lax oversight has created an environment for corrupt managers to flourish. HUD needs to step up its oversight," Grassley said in a statement. "Transparency would help flush out the bad actors who have exploited the vacuum of scrutiny at the expense of the taxpayers and the people who need decent housing."

Sean P. Murphy can be reached at smurphy@globe.com. Scott Allen can be reached at allen@globe.com.

Attachment 2

PATRICK J. LEAHY, VERMONT, CHAIRMAN

HERB KOHL, WISCONSIN
DIANNE FEINSTEIN, CALIFORNIA
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TOM COBURN, OKLAHOMA

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

BRUCE A. COHEN, *Chief Counsel and Staff Director*
KOLAN L. DAVIS, *Republican Chief Counsel and Staff Director*

June 5, 2012

Via Electronic Transmission

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
Robert C. Weaver Federal Building
451 Seventh Street
Washington, DC 20410

Dear Secretary Donovan:

Last night, my staff was briefed by Department of Housing and Urban Development (HUD/Department) officials regarding the release of compensation data for public housing authority (PHA) top wage earners. Over the past two years, my investigations have found exorbitant compensation along with waste, fraud, and abuse at PHAs large and small across the country. Many PHAs have operated with nearly zero oversight, allowing a culture of corruption to rule. A few of the problems include: outlandish bonuses, nepotism, and large law firm/consultant billings that have become the norm at far too many PHAs.

In August 2011, HUD requested compensation data for the top five highest compensated employees at PHAs across the country (HUD form 52725). While this action was encouraging, I also urge HUD to make this data public for greater transparency and accountability to the taxpayer. Specifically, HUD should post all salary and compensation data on their website. In a December 15, 2011, response from HUD, the Department stated that it “notified all PHAs in late August that they will be required to report, on an annual basis, the compensation paid to their top five paid employees. This information will be posted on a HUD website, consistent with applicable law. We are now in the process of collecting this information for the first time, and expect that it will be posted during the first quarter of the year.”¹ Unfortunately, the Obama administration has chosen to only make aggregate data public.

It is my understanding that HUD has some concerns regarding the release of the compensation data but making this data public would greatly increase transparency and might deter some bad actors. Meanwhile, more examples of waste, fraud and abuse at PHAs around the country continue to pop up. According to *The Associated Press*, at least two PHA executives

¹ Letter from the U.S. Department of Housing and Urban Development to Senator Charles E. Grassley. December 15, 2011.

made more than \$600,000 each in 2010.² It appears the outrage over certain salaries has finally moved HUD into taking action. In the beginning of 2012, Congress imposed a one-year cap of \$155,500 on the federal funding that a PHA could use towards executive salaries. This was a good start but I am concerned about a loophole that allows for large bonuses and other compensation that are not covered by the one-year cap.

To further learn how HUD plans to make all 2010 data, along with the upcoming year's data, available to the public, I request the following:

- 1) When will the executive compensation information of each PHA be posted on the HUD website?
- 2) How many PHAs have not yet submitted the required HUD form 52725? Please provide a complete list of non-compliant PHAs. What steps are being taken by HUD to enforce this regulation?
- 3) HUD Form 52725 does not require the PHA to differentiate forms of compensation including such compensation as vehicle and housing allowances, retention bonuses, and deferred compensation – provided to employees. Instead the PHAs are only required to report a lump sum. Explain how HUD will capture and make transparent all forms of compensation.
- 4) What, if any, review of the compensation reporting is being conducted by HUD to ensure that the PHAs have provided accurate information?
- 5) Congress recently included a provision in the FY2012 HUD appropriations bill which limits federal funds from being used to pay housing authority employee salaries that exceed specific limits. How is HUD enforcing this new provision of the law? Has any action taken place due to noncompliance? If yes, please explain the instances.
- 6) What action is HUD taking to ensure the bonus loophole will be addressed? Does HUD know the total amount of bonuses awarded by PHAs in fiscal year 2010?
- 7) Will HUD post PHA compensation data collected for upcoming years on its website?
- 8) Has HUD collected the yearly amount PHAs spend on outside law firms/consulting groups? If not, why not?

² Jim Kuhnenn. "Obama administration sets housing agency pay caps." *The Associated Press*. June 4, 2012. Found at: http://www.washingtonpost.com/politics/congress/obama-administration-sets-limits-on-housing-agency-pay-following-furor-over-high-compensation/2012/06/04/gJQAO17gEV_story.html

Thank you in advance for your prompt attention to these matters. I would appreciate receiving a response by no later than June 19, 2012. Should you have any questions, please contact Brian Downey or Janet Drew of my staff at (202) 224-5225.

Sincerely,



Charles E. Grassley
Ranking Member

cc: The Honorable David A. Montoya
Inspector General
Office of the Inspector General
U.S. Department of Housing and Urban Development

Attachment 3

PATRICK J. LEAHY, VERMONT, CHAIRMAN

HERB KOHL, WISCONSIN
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United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

BRUCE A. COHEN, *Chief Counsel and Staff Director*
KOLAN L. DAVIS, *Republican Chief Counsel and Staff Director*

July 25, 2012

Via Electronic Transmission

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
Robert C. Weaver Federal Building
451 7th Street S.W.
Washington, DC 20410

Dear Secretary Donovan:

The HUD Office of Inspector General (OIG) recently released an audit report regarding financial and management problems at the Port Arthur (Texas) Housing Authority (PAHA).¹ It identified nearly \$6 million in questionable spending. Unfortunately, rather than accepting responsibility, the PAHA submitted a combative 16 page response.

First, the OIG raised concerns about the lack of cooperation it received from the PAHA during the audit. PAHA **management and attorneys refused to provide “full and free access to its offices, facilities, books, documents, and records” which is a direct violation of its Annual Contributions Contract.** PAHA responded to all audit requests through an outside law firm and required that outside lawyers were present when OIG auditors interviewed PAHA staff members. I have raised concerns about similar tactics used by law firms at the Philadelphia Public Housing Authority that cost taxpayers over \$35 million.

The OIG raised concerns that the PAHA lacked basic management and financial controls that may have allowed irregular compensation payments to employees and commissioners. Further problems included invoice payments that lacked proper authorization, and failure to properly maintain procurement and contract files. In fact, the OIG believes that these violations may also be so egregious as to put the PAHA in violation of its Annual Contributions Contract and federal appropriations laws.

¹ http://www.hudoig.gov/Audit_Reports/2012-FW-1008.pdf

Like other housing authorities I have been investigating, PAHA used federal funding – in this case, both Community Development Block Grant and tax credit program funding - for questionable expenses. According to the OIG report, these **included**, “thousands of dollars spent on **unnecessary equipment for commissioners, parties, excessive travel, local restaurant charges, and gifts.**” (Emphasis added) The OIG found that PAHA paid the executive director thousands of dollars for accrued sick leave, in direct violation of HUD personnel policies.

Additionally, the OIG raised a number of concerns about the movement of funding, federal and otherwise, from the PAHA to its wholly owned subsidiaries and nonprofit affiliates. In the past, I have asked for the names of the nonprofit affiliates and have been told by individual housing authorities that none exist only to receive confirmation of affiliated nonprofits from other sources. Such information should be public and the housing authority's **use of** these entities should be transparent.

For these reasons, I am requesting the following information regarding the PAHA, including the Port Arthur Affordable Housing Corporation, and the Port Arthur Housing Opportunities Corporation, from 2007 to present. If documents are not in HUDs possession I request HUD to collect them from the PAHA.

- 1) **Provide a copy of the current Executive Director's employment contract and all** financial statements filed by the PAHA, and/or its instrumentality, to HUD, including any statements made about executive director salary and all benefits.
- 2) Attached is a copy of HUD Form 52725, submitted by PAHA, which contains salary and compensation information for the top five wage earners. The OIG report documented over \$40,000 in unused sick leave. However, that compensation for unused sick leave is not reflected on the Form 52725. Please explain this discrepancy and document how the PAHA executive **director's salary** and compensation package of \$237,156 was determined.
- 3) Provide the names of all nonprofit affiliates with ties to PAHA. Please include the names of all officers and their salary/benefit packages.
- 4) Provide the HUD issued regulations governing nonprofit affiliates, including salary and benefit requirements, reporting requirements, and conflict of interest waiver requirements.
- 5) Provide copies of all PAHA financial statements, audits and the management representation letters provided by the auditors.
- 6) How much stimulus funding was provided to the PAHA and how the funding was used?

- 7) What additional oversight is HUD conducting at PAHA, and/or its instrumentality, to ensure that all federal funds, including stimulus funds, are protected against waste, fraud and abuse? Please be specific.
- 8) Provide any Conflict of Interest waivers filed by PAHA and Board of Commissioners with HUD.
- 9) Provide all legal bills and professional fees paid by PAHA.
- 10) Provide all travel and vehicle usage records for employees at PAHA as well as the PAHA Board members.
- 11) What is the total number of credit cards issued at the PAHA as well as the names of the PAHA employees and board members eligible to use those cards?

Please provide responses by no later than August 8, 2012. If you have any questions regarding this letter, please have your respective staff members contact Brian Downey or Janet Drew of my staff at (202) 224-5225.

Sincerely,



Charles E. Grassley
Ranking Member

cc: The Honorable David A. Montoya
Deputy Inspector General
Office of the Inspector General
U.S. Department of Housing and Urban Development

Enclosure

Instructions for Preparation of Form HUD-52725

Information for the Public Housing Agency's (PHA) five highest compensated employees will be collected annually. This form is to be prepared to report compensation (including taxable benefits) for the five highest compensated employees for the most recent full calendar/tax year. For example, if the PHA is completing the Form in July 2011, information reported on the Form will be from compensation received during CY 2010. This form is a requirement for PHAs administering a public housing or a housing choice voucher program. Only those PHAs that operate a housing choice voucher only program and receive less than fifty percent (50%) of their funding for employees from the Department of Housing and Urban Development are not required to complete this form. PHAs administering a housing choice voucher only program and receive greater than fifty percent (50%) of their funding for employees from the Department of Housing and Urban Development are required to complete this form.

Section I

Name of Housing Authority and PHA Code - Using the dropdown box, select the PHA Code of the PHA for which the five highest compensated employees are being reported. (The "Name of Housing Authority" field will automatically be populated.)

PHA Program - Indicate which program(s) your Agency operates by selecting the appropriate choice of "Public Housing & Section 8 Combined", "Public Housing Only" or "Section 8 Only".

Section II

Column A (Name) - Enter the last name of the employee in the first column. Enter the first name and middle initial of the employee.

Column B (Title) - Enter the employee's title or position with the PHA.

Column C (Reportable Compensation from the PHA and Related Organizations) - Report compensation for the calendar year ending within the PHA's fiscal year. For example, if a PHA's fiscal year is the 12-month period ending June 30, 2011, the PHA employee must report compensation for the calendar year ending December 31, 2010. Reportable compensation amounts required to be reported shall be derived from IRS Form W-2, box 1 (Wages, Tips and Other Compensation) plus IRS Form 1099-MISC, box 7 if the employee is also compensated as an independent contractor. If the employee received compensation from the PHA and a related organization add both sources of compensation to populate the data field.

Column D (Contributions to Employee Benefit Plans and Deferred Compensation From the PHA and Related Organizations) - Report the following items of deferred compensation and benefits.

- a) Employer contributions to a qualified retirement plan, including defined benefit, 401K and/or other retirement plans(s).
- b) Employer contributions to Health Care Benefit Plans and any associated costs on behalf of respective employee. For this purpose, health benefits provided by the employer include payments of health benefit plan premiums, medical reimbursement, and flexible spending programs. Health benefits include medical, dental, optical, drug and medical equipment benefits. They do not include disability or long-term care insurance premiums or allocated benefits for this purpose.
- c) Employer contributions to a Social Security Trust Fund.

Column E (Other Compensation or Allowances)

- a) Employer contributions towards bonus and awards not otherwise recognized as part of Salaries and Wages.
- b) Any other compensation not captured above (e.g. car allowance, life insurance premium).
- c) The fair market value of any non-cash compensation (e.g. use of company vehicle).

Column F (Total Compensation and Benefits) - The form will populate automatically by adding Columns C, D & E.

Following the information for the five highest compensated is a certification line where the individual completing the form will type in their name to certify the accuracy of the information provided.

Operating Budget Schedule of Positions and Compensation	U.S. Department of Housing and Urban Development Office of Public and Indian Housing OMB Approval No. 2577-0272 (exp. 08/31/2014)					
<p>Public Reporting for this collection is estimated to average twenty minutes (.33 hours) per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. Under current law, nonprofit organizations receiving federal tax exemptions are required to report to the IRS annually the names and compensation of their five current highest compensated employees. Public housing authorities receive significant direct federal funds, and to promote similar public transparency and to enhance oversight by HUD and by state and local authorities, the same information should be made available as to public housing authorities. Responses to the collection of information are required to obtain a benefit. The information does not lend itself to confidentiality.</p>						
<p>List the Public Housing Agency's (PHA) five highest compensated employees who received reportable compensation and benefits from the organization and any related organizations for the most recent and completed calendar year. Upon completion, an appropriate representative shall sign and certify the the information provided in true and correct. See following page for complete instructions on completing the form.</p>						
Section I:						
Name of Housing Authority	Housing Authority of Port Arthur					
PHA Code	TX034 ▼					
PHA Program(s) <input checked="" type="radio"/> Public Housing & Section 8 Combined <input type="radio"/> Public Housing Only <input type="radio"/> Section 8 Only						
Section II:						
(A)* Last Name	First Name, Middle Initial	(B) Title	(C) Reportable Compensation from the PHA and Related Organizations	(D) Contributions to Employee Benefit Plans & Deferred Compensation From the PHA and Related Organizations	(E) Other Compensation or Allowances	(F) Total Compensation and Benefits
		Executive Director	\$ 194,044	\$ 35,895	\$ 7,217	\$ 237,156
		Director of Finance/Adm	\$ 63,187	\$ 46,269	\$ 172	\$ 109,628
		Services Coordinator	\$ 69,839	\$ 24,568	\$ 391	\$ 94,798
		DHAP Coordinator	\$ 58,967	\$ 19,641	\$ 487	\$ 79,095
		Section 8 Interim	\$ 44,203	\$ 17,418	\$ 172	\$ 61,793
The following individual hereby certifies that the above information is true and correct (Please type your name):						
HUD will prosecute false claims and statements. Such false statements and/or entries may be subject to criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802).						
*The Department of Housing and Urban Development does not intend to publish the names of individuals reported on this form.						

Attachment 4

PATRICK J. LEAHY, VERMONT, CHAIRMAN

HERB KOHL, WISCONSIN
DIANNE FEINSTEIN, CALIFORNIA
CHARLES E. SCHUMER, NEW YORK
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JOHN CORNYN, TEXAS
MICHAEL S. LEE, UTAH
TOM COBURN, OKLAHOMA

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

BRUCE A. COHEN, *Chief Counsel and Staff Director*
KOLAN L. DAVIS, *Republican Chief Counsel and Staff Director*

August 3, 2012

Via Electronic Transmission

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
Robert C. Weaver Federal Building
451 7th Street S.W.
Washington, DC 20410

Dear Secretary Donovan:

Recently I wrote to you regarding questionable spending by the New York City Housing Authority (NYCHA). I appreciate receiving your response, as well as a copy of the letter HUD sent to NYCHA requesting documents pertaining to those funds. However, I remain concerned about NYCHA finances due to recent newspaper reports about other questionable financial and management decisions by the highly paid NYCHA Board of Commissioners (NYCHA Board).

According to an August 1, 2012, article in the *New York Daily News*, the NYCHA Board has over \$950 million in unspent modernization funds while failing to address the needs of the residents.¹ Since 2009, NYCHA has received \$1.2 billion from HUD for modernization projects but, instead of updating the current housing stock and making much needed repairs, the NYCHA Board is apparently sitting on the money. Housing developments across the city desperately need funding to fix **“leaky roofs, broken elevators, moldy walls and busted playground equipment.”**

More egregious is that the Board has reportedly ignored security needs by failing to install a single security camera, even though \$42 million in federal funds was allocated for that specific purpose. Meanwhile, the *New York Daily News* article states that NYCHA Board members are each receiving significant six figure salaries plus perks such as a NYCHA-owned car and driver.² According to news reports, the Chairman of the Board, John Rhea, is paid a yearly salary of \$197,364. Two board members, Emily Youssouf and Margarita Lopez, each receive a yearly salary of \$187,147. All of these

¹ Larry McShane and Greg B. Smith; “NYCHA board sitting on nearly \$1 billion in fed cash”; *New York Daily News*; <http://www.nydailynews.com/new-york/nycha-board-sitting-1b-fed-cash-article-1.1126326?localLinksEnabled=false>

² Ibid.

salaries are well above the limits enacted by HUD salary regulation outlined in HUD memo PIH-2012-14 (HA).

In my June 19, 2012, letter to HUD, I raised concerns that NYCHA paid Boston Consulting Group (BCG) \$10 million to document and report on problems at the NYCHA but has refused to make the subsequent report available to the public. City Controller, John Liu has also requested the release of this report, as well as a justification for why NYCHA is trying to borrow \$500 million **when they haven't even** spent the money HUD provided.³

To get a better understanding of the financial and administrative situation at NYCHA and what HUD is doing to ensure the safety and well-being of its tenants, I request that your office answer or provide the following:

- 1) A HUD review of the NYCHA federal funded programs to ensure that taxpayer dollars are being used as required by all HUD regulations.
- 2) Full public disclosure of all funding violations and the amounts needed to be recouped by HUD.
- 3) What additional oversight is HUD conducting at NYCHA, to ensure that all federal funds, including stimulus funds, are protected against waste, fraud and abuse? Please be specific.
- 4) Full disclosure of NYCHA Board and executive salaries and benefits, including perks such as a car and driver.
- 5) Provide the names of all nonprofit affiliates with ties to NYCHA. Please include the names of all officers and their salary/benefit packages.
- 6) Provide all travel and vehicle usage records for employees at NYCHA as well as the NYCHA Board members.
- 7) Provide the HUD issued regulations governing nonprofit affiliates, including salary and benefit requirements, reporting requirements, and conflict of interest waiver requirements.
- 8) Provide copies of all NYCHA financial statements, audits and the management representation letters provided by the auditors.
- 9) How much stimulus funding was provided to the NYCHA and how the funding was used?

³ Ibid.

- 10) The immediate release of the \$10 million report provided by BCG but not made available to the public.
- 11) The release of all BCG documents HUD's New York State Office requested from NYCHA in their June 15, 2012 letter.

Please provide responses by no later than August 17, 2012. If you have any questions regarding this letter, please have your respective staff members contact Brian Downey or Janet Drew at (202) 224-5225.

Sincerely,



Charles E. Grassley
Ranking Member

cc: The Honorable David A. Montoya
Inspector General
Office of the Inspector General
U.S. Department of Housing and Urban Development

Attachment 5

PATRICK J. LEAHY, VERMONT, CHAIRMAN

HERB KOHL, WISCONSIN
DIANNE FEINSTEIN, CALIFORNIA
CHARLES E. SCHUMER, NEW YORK
RICHARD J. DURBIN, ILLINOIS
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MICHAEL S. LEE, UTAH
TOM COBURN, OKLAHOMA

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

BRUCE A. COHEN, *Chief Counsel and Staff Director*
KOLAN L. DAVIS, *Republican Chief Counsel and Staff Director*

August 23, 2012

Via Electronic Transmission

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
Robert C. Weaver Federal Building
451 Seventh Street
Washington, DC 20410

Dear Secretary Donovan:

Over the past few months the spending habits of the General Services Administration (GSA) have raised concerns about the spending habits of all governmental departments and agencies, including the Department of Housing and Urban Development (Department/HUD). This oversight is warranted as the GSA has spent millions on lavish conferences and now, according to a *USA Today* article, \$30 million in undisclosed bonuses to employees.¹ The magnitude of the unnecessary and extravagant spending has been **shocking and reaffirms the importance of Congress' role** to conduct oversight of federal agencies.

In Memorandum M-11-35, dated September 21, 2011, the Office of Management and Budget (OMB) directed heads of executive departments and agencies to eliminate unnecessary or wasteful spending, including such spending as it relates to conferences. **Congress has a duty to ascertain the costs and benefits of each Department's conference-related expenditures and information about each Department's related cost-control efforts.**²

As American taxpayers are experiencing a period of uncertainty and hardship, federal employees are getting raises and bonuses, as was discovered at the GSA. I want to ensure that the Department in charge of helping those with the greatest need for safe housing is not putting **its own employees' interests** ahead of those who cannot afford basic shelter. Unfortunately, that has been the case time and again at federally financed public housing authorities across the country. Housing officials use public money for large salaries, bonuses, cars and drivers, and even housing stipends for themselves.

¹ Michael Winter. "Probe finds GSA paid additional \$30M in undisclosed bonuses." *USA Today*. July 31, 2012. available at: <http://content.usatoday.com/communities/ondeadline/post/2012/07/gsa-paid-additional-30m-in-undisclosed-bonuses/1#.UBIDtgMWpLc>

² Jacob J. Lew, Memorandum to the Heads of Executive Departments and Agencies, M-11-35 (Sept. 21, 2011), *available at* <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-35.pdf>

Accordingly, I request that HUD respond to the following questions and requests for the years 2008 to present:

- 1) Provide, in Excel format, a categorical breakdown for each conference reported **for each fiscal quarter. Please also describe the Department's procedures in** verifying the reasonableness of conference expenditures.
- 2) For each conference, please provide the following in Excel spreadsheet form:
 - a. A detailed itinerary of each conference, including all scheduled programs, speakers, and activities.
 - b. The total number of HUD employees who attended each conference and the subtotals for each category of employees by title.
 - c. The total amount paid for the use of conference facilities, including room rental, food, drink, hospitality room expenses, and all other expenses charged by the facility.
 - d. Conference attendees are often given gifts and other items for attending, commonly **referred to as "swag."** **Please provide a detailed list of all swag,** gifts and other attendance items given to all attendees, as well as an itemized list of the costs for each item.
 - e. A list of the expenses, incurred by each attendee that were paid by or reimbursed with federal taxpayer dollars, including but not limited to: hotel room, transportation (including mode of transportation), meals and incidentals, as well as a complete list of swag provided to the attendees.
 - f. A complete list of all outside speakers who attended each conference, the expenses incurred by each speaker, and an explanation of how each speaker fit into the purpose of the conference.
- 3) **What are the Department's procedures for reviewing the travel costs of its** employees, particularly with respect to amounts claimed for Meals & Incidental Expenses (M&IE), to ensure that meal expenses were not claimed and paid to employees attending conferences in which one or more meals were provided as a part of the conference? What Department procedures are currently in place to identify and mitigate increases in the average M&IE claimed per person per day for conferences?
- 4) **What are the Department's "business case" procedures and criteria and how are** they documented when determining whether a conference should be attended or **developed, including the conference's purpose, location, targeted attendees,** length, costs, and any other factors used in such determination?

- 5) Document all fees paid to conference planners, facilitators and travel companies. How does the Department determine if a conference planner or facilitator's services are necessary? Are there any minimum conference criteria (number of attendees, conference duration, location, etc.) required before these services can be contracted?
- 6) Provide the total number of Department employees who have received \$20,000 or more in overtime payments. Please list the total amount of overtime pay each of those employees received per year.
- 7) Provide the amount of bonuses and performance awards received by each employee for each year. Please document how each bonus and performance award is earned and the potential yearly amounts that can be earned by an employee.

Thank you in advance for your prompt attention to these matters. I would appreciate receiving a response by no later than September 12, 2012. Should you have any questions, please contact Brian Downey or Janet Drew of my staff at (202) 224-5225.

Sincerely,



Charles E. Grassley
Ranking Member

cc: The Honorable David A. Montoya
Inspector General
Office of the Inspector General
U.S. Department of Housing and Urban Development

Attachment 6

PATRICK J. LEAHY, VERMONT, CHAIRMAN

HERB KOHL, WISCONSIN
DIANNE FEINSTEIN, CALIFORNIA
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TOM COBURN, OKLAHOMA

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

BRUCE A. COHEN, *Chief Counsel and Staff Director*
KOLAN L. DAVIS, *Republican Chief Counsel and Staff Director*

October 10, 2012

Via Electronic Transmission

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
Robert C. Weaver Federal Building
451 Seventh Street
Washington, DC 20410

Dear Secretary Donovan:

For over two years, I have been investigating the many problems found at public housing authorities (PHAs) across the country. Most recently, I asked you to explain reports of high salaries and fringe benefits at PHAs, questions about New York City Housing Authority (NYCHA) spending, questionable activities at the Port Arthur (TX) Housing Authority, and conference spending by HUD. I have not yet received responses to these inquiries and have not been told when to expect them.

Additionally, it appears that a significant number of executive directors and other PHA officials have abused the take-home vehicle perk. Managers, Board members, and even some family members have been allowed to use PHA vehicles with little or no oversight. Officials have stated that the vehicles are necessary in order to respond to emergencies, but these officials have never responded to or, due to their position, have no reason to respond to an emergency. Additionally, the PHAs have been lax in enforcing the required driving logs that would provide a comprehensive picture of vehicle use.

Earlier this year, the *Modesto Bee* reported that the Stanislaus County Housing Authority “spent more than \$165,000 in four years buying new cars and pickups for its eight managers.”¹ The *Modesto Bee* had a difficult time obtaining the necessary logs, let alone reviewing them to determine vehicle usage. According to the article, “[S]ome of the vehicle logs were nearly illegible or incomplete. There were only three months of vehicle logs for the deputy director of the housing choice voucher program and no logs for the deputy director of asset management.” Though scant, the logs showed that only one property manager ever responded to an emergency call, yet the housing authority picks up the annual vehicle expenses for all managers.

¹ Kevin Valine; “Stanislaus Housing Authority spends big on vehicles for managers”; *Modesto Bee*; <http://www.modbee.com/2012/04/05/2146281/stanislaus-housing-authority-spends.html>

Further, according to a recent article in the *Philadelphia Inquirer*,² the Philadelphia Public Housing Authority (PPHA) only recently cracked down on the number of agency vehicles it provided to employees as take-home vehicles. The Interim Executive Director recently took a long-overdue step of recalling an additional 40 vehicles which brought the total down to 19. More incredible than the 200 vehicles available for PPHA employees to use as they pleased, the PPHA paid employee gas and maintenance charges. The article states that the president and administrator of the Resident Advisory Board respectively, have charged over \$3,000 for gas this year and over \$4,000 for repairs since 2010.

The type and prices of many of these take-home vehicles also raises questions about whether they are a necessity or simply a high-priced status symbol. According to a recent article in the *Houston Chronicle*,³ the Harris County (TX) Housing Authority **executive SUVs sold at auction included: “a 2008 Chevrolet Tahoe, a 2011 Jeep Cherokee formerly driven by ousted CEO Guy Rankin IV, a matching 2011 Cherokee driven by Rankin’s right-hand man, David Gunter (who resigned in March after being placed on administrative leave), and a 2011 Chevrolet Avalanche driven by former chairman Casey Wallace.” The housing authority also donated five brand new Chevy Tahoes to the Office of Emergency Management following Hurricane Ike. The vehicles were described by the county fleet director as “\$50,000 Tahoes – really nice, LTZ, top-equipped.”**

With PHAs across the country facing significant financial challenges now and in the coming years, I continue to be concerned about questionable spending for unnecessary vehicles draining precious resources from the core mission of providing safe and affordable housing for those in need. Therefore, I am requesting the following information for each of the 25 largest PHAs included in Attachment 1 along with information from HUD headquarters:

1. Provide the HUD regulations pertaining to the purchase and use of take-home vehicles by public housing authority and HUD headquarters employees.
2. Document the total number of take-home vehicles for each PHA and at HUD headquarters.
3. Document the make, model, model year and cost of each take-home vehicle for each PHA and at HUD headquarters.

² Jennifer Lin and Mark Fazlollah; “No more free cars at the Philadelphia Housing Authority”; *Philadelphia Inquirer*;

http://www.philly.com/philly/news/homepage/20120803_No_more_free_cars_at_the_Philadelphia_Housing_Authority.html

³ Mike Morris; “County Housing Authority unloads executive SUVs”; *Houston Chronicle*;

<http://blog.chron.com/houstonpolitics/2012/07/county-housing-authority-unloads-executive-suvs>

4. Document the total number of employees at each PHA and at HUD headquarters with take-home vehicle privileges, as well as the reasons for this privilege.
5. Document the total number of fuel cards currently issued to each PHA and HUD headquarters, and the individuals with the authority to use the cards.
6. Document the total expenses for take-home vehicles paid by the PHA and HUD headquarters, including fuel, insurance and maintenance.

In addition, please provide an estimate of the date on which you will reply to my previous letters outlined above. Thank you in advance for your prompt attention to this matter. I would appreciate receiving your response to this matter by October 31, 2012. 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.

Sincerely,



Charles E. Grassley
Ranking Member

cc: The Honorable David A. Montoya
Inspector General
Office of the Inspector General
U.S. Department of Housing and Urban **Development**

Attachment