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United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

October 3, 2017

Via Electronic Transmission

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Mnuchin:

The Special Inspector General for the Troubled Asset Relief Program (SIGTARP) recently released a report raising concerns about waste in the Hardest Hit Fund (HHF) program.¹ SIGTARP found that over \$3 million was wasted on improper expenditures, on top of the \$8 million wasted by Nevada that SIGTARP uncovered last year.² I want to ensure that the Treasury Department fulfills its responsibility to recover the funding outlined in the report and ensures that the states take appropriate action to correct the administrative deficiencies that led to the waste of millions of taxpayer dollars.

In September 2016, I sent a letter to then Treasury Secretary Lew (attached) regarding questionable spending of HHF funding after SIGTARP found Nevada wasted \$8 million on bonuses, employee gifts, expensive restaurant meals, country club visits, employee massages, and a \$500 per month company Mercedes. At that time, I also asked SIGTARP to conduct a review of the HHF expenses for all program participants.

The resulting audit report provides a litany of state agency spending on extraneous expenses for meals, including those attended by Treasury officials, employee parties and gifts, cash bonuses and parking expenses. In Florida for instance, HHF funds were used to pay “nearly \$443,000 in employee bonuses and a \$52,000 dinner.”³

¹ https://www.sigtar.gov/Audit%20Reports/Unnecessary_Expenses_Audit_8.25.17.pdf

² https://www.sigtar.gov/Audit%20Reports/HHF%20Nevada_090916.pdf

³ https://www.sigtar.gov/Audit%20Reports/Unnecessary_Expenses_Audit_8.25.17.pdf, p. 33.

Meanwhile, Florida reportedly only provided assistance to “20% of homeowners who applied to modify their loan.”⁴

This is not the first time that state agencies’ use of HHF funds to pay for unallowable expenses has been called into question. In 2010, “Treasury applied the Comptroller General’s three-part test to determine whether an expense is necessary.”⁵ As such, the expense had to be: 1) “reasonably related to the purpose for which the appropriation was made;” 2) not “prohibited by law;” and 3) “must not fall within the scope of another appropriation.”⁶

In responding to the report, Treasury reiterated its stance that state housing finance agencies (HFAs) would be required “to repay HHF when Treasury identifies improper expenditures.”⁷ Yet Treasury has only recovered \$113,592 so far this year,⁸ a paltry one percent of the total taxpayer dollars wasted. These wasted millions should have been used to help homeowners keep their homes, not lavish meals, employee bonuses or luxury vehicles. This is unacceptable.

In light of the amount of waste found by SIGTARP, I ask that a Treasury review of HHF spending in all 19 states, including the District of Colombia, be conducted to recoup all the improperly used funding and to determine who is responsible for what happened. Once that determination is made, there should be an appropriate measure of accountability, including potential disciplinary action. The management and funding of this program should be used as a prime example of the need to head off this waste.

Please provide a response to my office October 18, 2017. Should you have any questions, please do not hesitate to contact Janet Drew of my staff at (202) 224-5225.

Sincerely,



Charles E. Grassley
Chairman
Senate Committee on the Judiciary

Cc: The Honorable Dianne Feinstein
Ranking Member
Senate Judiciary Committee

⁴ Id.

⁵ Ibid. at 5.

⁶ Id.

⁷ Ibid. at 84.

⁸ Id. The total was derived from adding \$33,592 identified in report SIGTARP-17-002 and \$80,000 identified in report SIGTARP-16-004.

Special Inspector General Christy Goldsmith-Romero
SIGTARP

The Honorable Shelley Moore Capito, Chairman
Subcommittee on Financial Services and General Government
Committee on Appropriations

The Honorable Christopher A. Coons, Ranking Member
Subcommittee on Financial Services and General Government
Committee on Appropriations

The Honorable Patrick J. Toomey, Chairman
Subcommittee on Financial Services and Consumer Protection
Committee on Banking, Housing and Urban Affairs

The Honorable Elizabeth Warren, Ranking Member
Subcommittee on Financial Services and Consumer Protection
Committee on Banking, Housing and Urban Affairs