

**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.”<sup>1</sup> 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.

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<sup>1</sup> 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 24<sup>th</sup> 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](mailto: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