

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

October 25, 2010

Via Electronic Transmission

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

Dear Secretary Donovan:

First, I would like to thank you for arranging to have your staff brief members of my staff on two separate occasions regarding, among other things, the database that is used by the Department of Housing and Urban Development (HUD/Department) to score Public Housing Authorities (PHAs). The two briefings were very helpful.

As the senior Senator from Iowa and ranking member of the Committee on Finance, it is my constitutional duty to conduct oversight of the Executive Branch, including the operation and activities of HUD. In that regard, I am again writing to inquire about the salaries and compensation of Executive Directors of the PHAs, as well as other issues that HUD has not yet addressed. I am sure you will agree, it is essential that together we ensure that federal tax dollars are spent judiciously, including the salaries and compensation of those paid with taxpayer money.

As my inquiry into HUD and the PHAs continues, I remain concerned about the significant amount of taxpayer funding and Stimulus money provided to PHAs with little or no Departmental oversight. My concerns are compounded by the abysmal situation at the Philadelphia PHA that appears to have gone on for years without HUD correcting many of the problems plaguing that organization. Therefore, I am seeking answers from the Department regarding the following ongoing problems.

1. PHA Executive Director Compensation

Based upon the staff briefings and HUD's response to my previous letter, I am shocked to learn that HUD does not know the salaries and other compensation received by the Executive Directors at the 3,100 PHAs across the United States.

In my August 23, 2010 letter (*Attachment A*) to HUD, I raised concerns about a disturbing situation where the Philadelphia PHA Executive Director received an annual compensation of over \$350,000, more than the Philadelphia Mayor and Pennsylvania Governor combined. This included an annual salary of more than \$305,000, and a bonus totaling more

than \$44,000. In that same letter, I requested the following information regarding the Executive Director's compensation at the Philadelphia PHA and other PHAs across the country:

- 1) The annual salaries, allowances, and bonuses paid to the executive directors at all "troubled" PHAs based on the 2009 and 2010 lists of troubled PHAs.
- 2) The annual salaries, allowances, and bonuses for the Executive Directors of the top 20 largest PHAs, if that information is not included in the information provided in the response to question 1.
- 3) A detailed explanation of who determines PHA Executive Director salaries and compensation, as well as the criteria for determining the levels of salaries and compensation when federal funds are involved.
- 4) Justification for any and all annual bonuses paid to the Executive Directors and provided in the responses to questions 1 and 2.

HUD's October 5, 2010 response (*Attachment B*) to my August 23, 2010 letter failed to adequately address these requests. Instead, HUD said:

In response to your questions related to Executive Directors 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. [Emphasis added]

I would greatly appreciate responses to my requests. More importantly, I would appreciate receiving direct responses when I write to you, instead of receiving non-responses from one of your subordinates.

In light of the troubling fact that HUD does not know the salaries of any PHA employees, including the Executive Directors, I question whether HUD plays any role in regulating salaries and compensation packages paid to PHAs. Furthermore, I have been informed that it is the responsibility of third party auditors to review PHA Board minutes regarding the reasonableness of, among other things, the salary and benefits paid to Executive Directors. I also understand that these auditors are paid directly by the PHAs, and HUD merely receives a copy of the final financial statement audit. Accordingly, I would appreciate responses to the following questions:

- 5) What, if any, salary and compensation parameters are provided by HUD to the PHA Boards of Commissioners across the country?
- 6) What are the parameters that HUD considers to determine whether or not a salary or other compensation package is "reasonable?"

- 7) Please identify any statutory restrictions on HUD’s regulation of the salaries and other compensation paid to PHA staff, including the Executive Directors.
- 8) Is HUD permitted to discuss financial statement reports directly with the independent third party auditors when it is evaluating a particular PHA; and if so, how often is that done?

2. Executive Directors Paid More than Governors

In light of HUD’s inability to answer my questions about Executive Director compensation, I instructed my staff to directly contact a sample of the 3,100 PHAs throughout the United States. Specifically, my staff contacted the 26 PHAs that provide the greatest number of housing units, or had documented fiscal problems. My staff asked each of the 26 PHAs for the salaries, bonuses, and any other compensation—including agency vehicle(s)—provided to their respective Executive Director.

The chart below summarizes the information that my staff collected from those PHAs that responded to my inquiry. I have also included the amount of Stimulus funding HUD has obligated to each of these PHAs which, combined, totals over \$1.7 billion.

Based upon the information set forth below, I remain concerned that HUD has distributed millions in taxpayer-funded Stimulus dollars to PHAs, some of which are designated by HUD as “troubled.” I also find it remarkable just how many of the Executive Directors in charge of PHAs enjoy salary and compensation levels that exceed those received by the state governors.

Name of PHA	Executive Director	Salary (2010)	Car (Y/N) or Car Allowance (amount)	Bonuses/ Other	Salary Of State Governor (2010)	Total Amount of Stimulus Money Awarded to PHA
New York City, NY	John Rhea (Chairman of board of commissioners)	\$197,364	\$3,300 (car and driver)	\$0	\$179,000	\$423,786,516
Puerto Rico	Miguel Hernandez-Vivoni	\$109,992	N	30 days vacation/18 sick	\$70,000	\$312,000,000
Chicago, IL	Lewis Jordan	\$185,000	*	*	\$177,500	\$211,411,969
Philadelphia, PA	*	*	*	*	\$174,914	\$127,000,000
Boston, MA	William McGonagle (interim)	\$130,628	\$780	\$0	\$140,535	\$73,540,974

Name of PHA	Executive Director	Salary (2010)	Car (Y/N) or Car Allowance (amount)	Bonuses/ Other	Salary Of State Governor (2010)	Total Amount of Stimulus Money Awarded to PHA
Cleveland, OH	George Philips-Olivier	\$185,000	Y	200 hours paid vacation	\$144,269	\$71,070,977
Baltimore, MD	Paul Graziano	\$121,740	N	N	\$150,000	\$66,611,254
Washington, DC	Adrienne Todman	*	*	*	\$200,000	\$61,426,483
Alaska Housing Finance Corporation	Dan Fauske (Executive Director and CEO)	\$320,760	N	\$0	\$125,000	\$53,789,047
Los Angeles, CA	Rudy Montiel	*	*	*	\$173,987	\$53,253,737
Seattle, WA	Tom Tierney	\$214,261	N	\$0	\$166,891	\$45,214,900
Miami-Dade, FL	Greg Fortner	\$216,000	N	\$14,875 in Executive Benefits	\$130,273	\$35,896,675
San Francisco, CA	Henry Alvarez	*	*	*	\$173,987	\$33,323,190
Newark, NJ	Keith Kinard	\$222,000	Y	*	\$175,000	\$27,470,874
Atlanta, GA	Rene Glover	*	*	*	\$139,339	\$26,579,168
Cincinnati, OH	Ted Bergh (interim)	\$150,000	N	*	\$144,269	\$19,028,521
Milwaukee, WI	Antonio Perez	\$124,515	Y	\$0	\$137,092	\$18,550,771
Detroit, MI	*	*	*	*	\$177,000	\$17,275,908
Portland, OR	Steven Rudman	*	*	*	\$93,600	\$15,458,612
Charlotte, NC	Charles Woodyard	\$186,345	\$600/ Month	\$16,605	\$139,590	\$13,708,295

Name of PHA	Executive Director	Salary (2010)	Car (Y/N) or Car Allowance (amount)	Bonuses/ Other	Salary Of State Governor (2010)	Total Amount of Stimulus Money Awarded to PHA
Oakland, CA	Jon Gresley	\$238,999	\$6,347; \$1,725 mgt. package	*	\$173,987	\$11,163,617
Hartford, CT	*	\$146,000	Y	*	\$150,000	\$10,120,326
Albany, NY	Steven Longo	\$139,481	\$2,656 (2009)	\$1,750	\$179,000	\$6,121,043
Rochester, NY	John Accorso (Interim)	\$153,660	Y	\$7,514	\$179,000	\$5,921,130
Lackawanna, NY	Robert McManus	\$86,065	Y (currently declined to use)	*	\$179,000	\$1,459,353
Benton Harbor, MI	*	*	*	*	\$177,000	\$635,000

* Denotes requested information that PHA failed to provide

I am also very concerned that a large number of the PHAs I contacted elected to ignore my request for information, information that should be in the public domain. If Congress cannot obtain this information directly from the PHAs, and HUD does not have it, what accountability can there be? In your July 23, 2010 response to my June 16, 2010 letter with Senator Bond, you said that the Department fully understands the importance of transparency and accountability and that you were going to ensure that federal funds are spent appropriately. But HUD simply cannot fulfill these goals without some of the most basic information about PHAs, such as how much money Executive Directors are paid.

Let me also highlight a very disturbing fact that was brought to my attention regarding one of the PHAs identified in the table above. Based upon material in my possession, HUD executed a Memorandum of Agreement (MOA) with the Lackawanna, NY PHA in 2009, in which it appears that Lackawanna currently (or in the immediate past) pays 100% of the cost for health, dental, and vision for all of its employees. In addition, the material I have states that it also provides full health insurance for retirees with 20 or more years of service. Is this typical among PHAs? Lastly, I understand that this PHA was found to have outdated and/or missing financial policies and its current per diem rate was determined to be excessive. At the same time, this PHA received almost \$1.5 million in Stimulus dollars.

In light of the information presented above, I would appreciate your response to the following questions:

- 9) Given what seems to be exorbitant salaries and benefits for Executive Directors that are paid with federal funding but controlled by local officials, please describe in detail what steps HUD intends to take to gain greater control over salaries and benefits at PHAs across the country.
- 10) Did the Lackawanna PHA correct all of the concerns identified above prior to receiving Stimulus money? If not, why not?
- 11) What, if any, criteria were employed to determine the amount of Stimulus funding provided to “troubled” PHAs and what measures have been established to determine the effectiveness of the Stimulus funding obligated to these “troubled” PHAs?
- 12) Please provide a list of the current Board of Commissioners members for each of the 26 housing authorities listed in the chart above.

3. HUD Real Estate Assessment Center System and Availability of PHA Information

The HUD briefings mentioned earlier also included a briefing on the Real Estate Assessment Center System (REACS). I want to especially thank the knowledgeable staff member at HUD for providing an excellent overview of the REACS database components and usage. It is my understanding that it is the REACS that underpins the scoring that is done for all PHAs and that it contains the following information:

- 250,000 PHA inspections, conducted by both HUD staff and contractors, over the previous 12 years;
- 50,000 to 60,000 audited and unaudited financial statements, submitted by the PHAs;
- Multi-family housing audited financial statements;
- List of 12 management indicators for each PHA;
- Resident surveys;
- Family eligibility information;
- Enterprise Income Verification System used to match records with other federal agencies;
- Operations and expenditures information for 1.15 million housing units;
- Housing unit characteristics;

- Voucher Management System used to retain PHA information on the voucher system; and
- Tables containing hundreds of pieces of information used to develop PHA composite scores.

a. PHA Information Being Made Public

In my June 16, 2010 letter to the Department, I provided a list of suggested information that should be posted with all PHA scores on the HUD website. In the Department's July 23, 2010 response to my inquiry, I was informed that my suggestions would be taken into consideration and the information would be posted on the HUD website by the end of this calendar year: December 2010. This is surely a step in the right direction and I was glad to hear that, at a minimum, the following information will be included online: Name and code of PHA, PHAs' composite scores, and the Financial, Physical, Management and Resident survey. If this is not accurate, I would appreciate any clarification that you can provide.

b. Resident Survey

In addition, PHAs are to provide residents with housing that is safe, decent and sanitary. To assess whether or not residents' needs are being met, HUD conducts a resident survey. However, HUD has not conducted one of these surveys in at least three years, which makes me question how HUD is able to ensure that PHAs are providing residents "safe, decent and sanitary" housing.

In light of the information set forth above, I would appreciate a response to the following questions:

- 13) Please provide copies of PHA inspections and audited financial statements for all "troubled" PHAs for the previous 3 years.
- 14) Please provide copies of all Memorandums of Agreement (MOAs) between HUD and the PHAs covering the previous 3 years.
- 15) Please provide copies of the corrective action plans executed during the previous 3 years, including the present status of the corrective action plans identified for each "troubled" PHA.

I look forward to receiving your response to the questions set forth in this letter by no later than November 8, 2010. If you have any questions on this matter, or if you or a member of your staff would like to speak with a member of my staff regarding this matter, please call Brian Downey or Janet Drew of my staff at (202) 224-4515. All written responses should be sent in electronic format to my attention at Brian_Downey@finance-rep.senate.gov.

Sincerely,



Charles E. Grassley
Ranking Member

cc: The Honorable Patty Murray
Chairman
Subcommittee on Transportation, Housing and Urban Development
U.S. Senate Committee on Appropriations

The Honorable Christopher S. Bond
Ranking Member
Subcommittee on Transportation, Housing and Urban Development
U.S. Senate Committee on Appropriations

The Honorable John W. Olver
Chairman
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
U.S. House of Representatives Committee on Appropriations

The Honorable Tom Latham
Ranking Member
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
U.S. House of Representatives Committee on Appropriations

Attachments

Attachment A

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

August 23, 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. I write to you today because I remain concerned about waste, fraud and abuse of taxpayer dollars being given to PHAs that have a track record of these problems, and I am therefore contacting you with additional questions regarding the program funding.

A recent article in the *Philadelphia Inquirer* (Attachment A) described one situation where the Philadelphia PHA Executive Director is receiving an annual compensation of over \$350,000, more than the Philadelphia mayor and Pennsylvania Governor combined. This includes an annual salary of \$306,370, as well as a bonus, which totaled more than \$44,000. Additionally, the *Philadelphia Daily News* (Attachment B) reported that the Executive Director established a fund which he "dubbed the "Pennsylvania Institute of Affordable Housing." According to the report, "Roughly 300 PHA staffers pa[id] \$2.12 each week to the fund" and "[T]he \$2.12 fee, automatically deducted from paychecks of nonunion PHA staffers, does not include an additional \$300 to \$600 that senior staffers say they're expected to kick in each year for gifts and events...."

Even more alarming, this Executive Director is responsible for spending \$127 million in Stimulus funds for 1,200 housing units. As Secretary of HUD, discretion for awarding Stimulus funds has been left to you. I am concerned, especially given the financial issues I raised regarding distribution of Stimulus funds to troubled PHAs, that fraud, waste, and abuse of these funds may extend beyond just troubled PHAs. (Attachment C) Therefore, please provide the following information:

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

- 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.
- 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.
- 4) What, if any, complaints were filed by employees regarding problems at the Philadelphia PHA for the period of FY 2008 to the present? For each complaint please provide a summary and the actions taken by HUD to address the complaint.

Further, in a recent article appearing in the Florida newspaper *The Ledger* (Attachment D), it was reported that the Executive Director of the Lakeland PHA enjoys an annual salary of over \$182,000, as well as a benefits package including an \$18,000 car allowance and a generous eight weeks of paid vacation. *The Ledger* article states that the "housing authority executive pay is based on the number of public housing and Section 8 units they oversee." However, according to the article, other PHA directors in the area oversee far more housing units but have lower salaries without an exorbitant car allowance.

While I appreciate that cities want to pay competitive salaries to ensure that they get top quality personnel, I am much more concerned that Stimulus dollars appear to be spent on exorbitant salaries. Therefore, I am requesting the following information:

- 1) The annual salaries, allowances and bonuses paid to the executive directors at all troubled PHAs based on the 2009 and 2010 lists of troubled PHAs.
- 2) The annual salaries, allowances, and bonuses for the executive directors of the top 20 largest PHAs, if that information is not included in the information provided in the response to question 1.
- 3) A detailed explanation of who determines PHA director salaries and compensation, as well as the criteria for determining the levels of salaries and compensation when federal funds are involved.
- 4) Justification for any and all annual bonuses paid to the executive directors and provided in the responses to questions 1 and 2.

Thank you in advance for your prompt attention to this matter. I would appreciate receiving your response to this matter by September 10, 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 M. Donohue, Sr.
Inspector General
U.S. Department of Housing and Urban Development

Attachments

Attachment B



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 should be noted that a number of law enforcement agencies are also conducting investigations of the housing authority. However, we have no additional information to provide about those investigations.

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

is a part of the ongoing audit of PHA's financial and management operations.

- 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.**

Consistent with the Recovery Act monitoring and oversight strategy, which was detailed in our responses to you dated May 14, 2010 and July 23, 2010, the Office of Public and Indian Housing (PIH) implemented a standardized process for both the troubled and non-troubled PHAs which includes both remote and on-site reviews consisting of comprehensive and substantive reviews 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 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.

- 4) **What, if any, complaints were filed by employees regarding problems at the Philadelphia PHA for the period of FY 2008 to the present? For each complaint please provide a summary and the actions taken by HUD to address the complaint.**

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.

The letter also included a speculation that Mr. Greene had his own Real Estate Agency and other real estate interests that had nothing to do with the Housing Authority that would seem to cause a conflict of interest. Section 19 of the ACC established clear standards for procurement or other contracting actions by a public housing agency and if the PHA is found in violation of section 19, the Department could find the PHA in violation of this section and take action. Additionally, while personnel decisions and employment policies are subject to State and local laws, under the ACC, public housing authorities must comply with Tribal, State and Federal laws so to the extent that there are repeated violations of State

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