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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

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March 8, 2013

Via Electronic Transmission

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

Dear Secretary Donovan:

I read with interest your February 5, 2013, letter to the Senator Mikulski as well as your recent testimony before the Senate Appropriations Committee concerning the effects of the sequester on the Department of Housing and Urban Development (HUD). You stated sequestration would force public housing authorities (PHAs) to defer routine maintenance and capital repairs, prevent communities receiving HOME grants from helping low-income families, and result in significant cuts to community development funding.

Public assistance should be targeted at helping the poorest and most vulnerable. **Better oversight of irresponsible PHAs and eliminating unnecessary bureaucracy would ensure HUD can comply with sequestration without evicting families from their homes or cutting services for those truly in need.**

For years, HUD has awarded millions of dollars to slumlords and to PHAs that overpaid executive directors and board members. Sadly, the tenants are the ones who suffer from the horrible conditions and total mismanagement even though the funding is available to fix the substandard conditions.

There has been a string of fraud and neglect at the New York City Housing Authority (NYCHA), which serves 400,000 residents at 334 developments, for instance.¹ Leaky roofs, broken door locks, rat and mice infestations were just some of the issues residents faced.² For years, NYCHA has been sitting on nearly \$1 billion in federal funds precisely appropriated to maintain NYCHA

properties.³ Further, safety at certain developments known for violence was neglected. The NYCHA failed to install security cameras even though \$42 million was in their coffers earmarked for these problems.⁴

Despite having the funds, routine maintenance and capital repairs were already being neglected at the NYCHA, *not* because of sequestration but because of mismanagement and neglect. In some cases, the agency pointed to the difficulty of navigating HUD's regulations as a source of delay.⁵

PHA problems occur across the country. A PHA executive director in Massachusetts was indicted for underreporting his salary for years. This salary was approaching \$360,000, and he was in line for a pension of up to \$278,000 a year.⁶ At the same time, his PHA received millions of dollars in grants to modernize low-income housing for 950 residents, but the money was never used for that purpose.⁷

In 2011, I highlighted other examples of waste at PHAs in *Back in Black*, my report on opportunities for savings in the federal budget.

Perhaps most prominent was the excessive spending at the Philadelphia Public Housing Authority (PHPA) where the former executive director received a salary over \$300,000 and multiple vehicles for his personal usage and threw extravagant parties for PHPA employees.

The department's Inspector General has highlighted a number of cases including two brothers of the former executive director of the Housing Authority of the City of Los Angeles who stole over \$520,000 of government money. The brothers secured HUD funds meant to fix units occupied by disabled residents. They then used shell companies to divert HUD funds while also double-billing the authority for work that was performed by another construction company.

In yet another case, the former executive director of the Jacksonville Housing Authority in Texas stole over \$35,000 from program funds. She used the authority's credit cards for personal items including fuel, a computer and rental cars while also increasing her own salary.

I applaud the Inspector General for pursuing these cases and pursuing justice on behalf of those who live in these communities. **The department should determine if these issues are more widespread, so HUD can award federal funds in the most effective and efficient way possible.**

There are about 4,000 PHAs across the country participating in HUD's public housing and/or voucher programs, managing over \$24 billion in federal aid. Opportunities to improve finances across these programs are vast. The benefit is protecting services for the most vulnerable. Over

700 PHAs were scored just last year by HUD as having substandard management or finances.⁸ The agency also needs to examine every option possible to encourage local PHAs to consolidate and streamline their administrative costs to better serve public housing needs.

Further, the Inspector General identified \$8.7 billion in HUD funds that could have been better spent to meet the agency's goals.⁹ Yet, funds actually put to better use (and recoveries and receivables) totaled just \$1.5 million.¹⁰ Instead of leaving misused resources in the hands of slumlords, HUD must eliminate these abuses and root out any culture of corruption at PHAs and other local organizations.

In your testimony you said, "It is my hope and all of our hope in the administration that Congress can find a bipartisan solution to our budget and deficit concerns without risking our economic recovery and imposing the kind of serious damage that the sequester makes inevitable."

Performing a top to bottom examination of your department and its programs needs be part of the solution. HUD rewards entities year after year despite dismal track records.

It is clear from these case studies that there is opportunities achieve savings and limit the impacts of sequestration on needed services. To serve the less fortunate, the department needs to prioritize and hold accountable the entities that receive HUD funds. These programs will not suffer if HUD vigorously roots out the waste, fraud and abuse currently existing throughout the department.

Sincerely,



Tom A. Coburn, M.D.
Ranking Member

¹ Larry McShane and Greg B. Smith; "NYCHA board sitting on nearly \$1 billion in fed cash"; *New York Daily News*; August 1, 2012. Accessed at: <http://www.nydailynews.com/new-york/nycha-board-sitting-1b-fed-cash-article-1.1126326?localLinksEnabled=false>

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ Andrea Estes and Sean P. Murphy; "Ex Chelsea housing chief will plead guilty, assist probe"; *The Boston Globe*; Accessed at <http://www.bostonglobe.com/metro/2013/02/16/chelsea-housing-authority-chief-michael-mclaughlin-will-cooperate-with-federal-investigators/D4XL0FhumZCNCrcz3PK63O/story.html>

⁷ Sean P. Murphy and Scott Allen; "US may tell Chelsea to repay \$7m in grants"; *The Boston Globe*; Accessed at <http://www.bostonglobe.com/metro/2013/01/28/federal-officials-say-chelsea-housing-misused-million-grants-and-they-want-money-back/sJ9ZYSEhS1DmxSekhvonM/story.html>

⁸ “The Latest Public Housing Assessment System Scores,” Website of the Department of Housing and Urban Development, updated July 19, 2012, http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/reac/products/prodphas/prodphas-scores.

⁹ “Semiannual Report to Congress, April 1, 2012, Through September 30, 2012,” HUD Office of Inspector General, SAR 68. Available at <http://www.hudoig.gov/pdf/sar/sar-68.pdf>.

¹⁰ *Id.*