

HUD MANAGEMENT OF TENANT INITIATIVE PROGRAMS

HEARING BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTH CONGRESS SECOND SESSION

FEBRUARY 29, 1996

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HUD MANAGEMENT OF TENANT INITIATIVE PROGRAMS

THURSDAY, FEBRUARY 29, 1996

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES AND
INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:35 p.m., in room 2247, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Souder, Morella, Davis, Martini, Towns, Barrett, Green, Fattah, and Collins.

Also present: Representative Conyers.

Staff present: Lawrence J. Halloran, staff director and counsel; Demi Greatorrex, and Robert Newman, professional staff members; Thomas M. Costa, clerk; Ron Stroman, minority deputy staff director; and Cheryl Phelps, minority professional staff member.

Mr. SHAYS. I'd like to call this hearing to order. I apologize to our witnesses for the delay in starting caused by votes.

We may have additional votes this afternoon. We will be adjourning and attempting to return quickly. I also apologize to our guests for the cramped quarters.

This is our second hearing to examine management of public housing tenant initiative programs by the Department of Housing and Urban Development, HUD.

On November 9th last year, we heard testimony about HUD's role in the National Tenants Organization's, NTO, 1995 conference in Puerto Rico that raised many more questions than answers.

As a result, we asked the Inspector General to investigate HUD's active, visible and taxpayer-funded support for a convention advertised as a vacation.

Today the Inspector General will provide her findings and recommendations. Ms. Gaffney and her staff have conducted a thorough examination of the facts and circumstances leading to the expenditure of over 300,000 Federal tax dollars on the NTO conference.

We appreciate the time, effort and resources the Inspector General has devoted to this task and are grateful for all her work to improve the performance of HUD programs.

The central question before us is this: Has the tenant initiative program been corrupted by mismanagement, lax oversight and political agendas? It's troubling to think that may be the case.

I believe in tenant management. I want to say it again. I believe strongly in tenant management. It's essential to improve public housing and the lives of those who live there. When this subcommittee went to Chicago, I saw the hope of public housing in Cora Moore and the residents of 1230 North Burling, who are shaping a better future for themselves amidst the bleak landscape of Cabrini Green.

Last November, Bertha Gilkey of the National Tenants Union, NTU, literally—and persuasively—preached the message of tenant initiative and self-sufficiency to us.

Because these programs are so important, even the appearance of abuse or waste is unacceptable. Training considered eligible for payment under the Tenant Opportunity Program called TOP must be substantive and thorough. And HUD must know it before authorizing the expenditure.

HUD participation in private meetings and conferences must serve the public's interest, not the limited agenda of a sponsoring organization.

And HUD must know that is the case before participating in a private event. HUD should verify the legitimacy and financial integrity of the organizations with which it forms ongoing relationships.

When doing business with HUD, an organization that holds itself out as incorporated should be incorporated. And when the organization holds itself out as nonprofit, it should be a nonprofit and have the financial records to prove it.

In our previous hearing, HUD witnesses and others testified that HUD and NTO met these tests. Today we will hear testimony leading to quite a different conclusion. That is very troubling to us.

Troubling not only because previous testimony before this subcommittee was inaccurate and incomplete, but because any failure by HUD to maintain the integrity of its procedures and decisions undermines the agency's efforts to empower tenants.

In this instance, HUD determined that the NTO conference in Puerto Rico was legitimate tenant training based on invalid assumptions about the sponsoring organization and the unsettling premise that the department routinely deems any such conference an eligible expense. That is not satisfactory.

Some might ask why we bother with so small a program. After all, what's \$15 or \$20 million in a \$22 billion HUD budget?

But for those who use tenant initiatives at their path out of isolation and dependency, these programs mean a great deal. It is for them and the taxpayer we demand the highest standards of integrity and performance from the department and its private partners.

The misuse of these funds for a paid vacation is a dagger in the heart of tenant empowerment efforts and if not corrected will result in the complete elimination of a vital program.

The testimony of our witnesses today will help us determine the true scope of this program and what HUD is doing to fix it, and what HUD is doing to fix it. We appreciate their participation today.

And at this time I'd like to invite the ranking member of this subcommittee, someone who has been just tireless in his efforts to

serve this subcommittee on a bipartisan basis, and that's the way this subcommittee functions.

Mr. TOWNS. Thank you very much, Mr. Chairman. I welcome a careful, balanced, and candid review of these allegations.

I share the concerns of the members of this subcommittee to understand the true nature of events. I appreciate all you have done, Mr. Chairman, to make this hearing a fair and open process.

I also believe that we share a commitment to a resolution that strengthens HUD's ability to administer these unique and invaluable resident programs.

But before we begin, I think it's useful that we put this in the appropriate context. After all, this is not about useful multi-billion dollar weapons systems.

It is about trying to improve the quality of life for human beings. The \$25 million Tenant Opportunities Program represents the only Federal housing dollars specified for residents' use.

This \$25 million is one three-hundredth of 1 percent of HUD's \$7.5 billion budget. This is HUD's public housing money which has been redirected to promote self-sufficiency for residents so that some day they won't need public housing.

Failing to use these funds for this purpose does not save money. It just fails to invest it properly. We're in search of an explanation of \$335,000 possibly misspent Federal dollars, which has been alleged.

The math on that is one seventy-fifth of one three-hundredths of 1 percent of HUD's 1995 budget. These funds have somehow taken on the significance of the national debt, perhaps because they pass through the hands of public housing residents.

And then there is those that will say to you, "Well, they had the conference in Puerto Rico," which, to my knowledge, is still a part of the United States, and it's home of the second largest public housing authority, has been viewed by some as too exotic for a public housing conference. In point of fact, Puerto Rico has been recognized for a number of innovative resident programs, including an economic development project which has employed over 500 public housing residents and established 60 resident-owned businesses and franchises.

As a result of these kinds of initiatives, the housing authority in Puerto Rico was enthusiastic about hosting a resident training conference, and I think rightfully so.

Still, I am deeply troubled by the apparent failure of current and former HUD staff to exercise the appropriate control that would have ensured that residents' initiative and training funds were properly used.

I look forward to the candid testimony of all of today's witnesses and thank them for the time and assistance. I particularly wish to thank the Inspector General for her work and the work of her staff.

The IG's views will lay the foundation for our evaluation of later testimony. It is, therefore, critical that clear distinctions are made between fact, conjecture, and theory.

Finally, I would like to say I hope that in our review of these sensitive and difficult matters that we are careful not to send a signal that we doubt the ability and commitment of residents to manage their own lives and their own homes.

At the same time, however, we must demand better performance measures and accountability to ensure that Federal dollars are properly used and make certain that they are not misused. I yield back, Mr. Chairman.

Mr. SHAYS. I thank the gentleman. And I'm going to just caution the audience. This is a hearing. This is not a political event. I invite the audience to respect the fact that this is a hearing. I'll tolerate a few amens, but not many. Mr. Martini.

Mr. MARTINI. Thank you, Mr. Chairman, and thank you for continuing these hearings on this important matter. As you're aware, Mr. Chairman, last summer my office received documents which suggested a highly questionable use of taxpayer dollars to fund the National Tenants Organization's annual convention in San Juan, Puerto Rico.

At that time, when this was brought to my attention, I felt it was my obligation to share these materials with this subcommittee so a full investigation and inquiry could be conducted.

I want to commend you, Mr. Chairman, and the subcommittee staff and Office of the Inspector General at HUD for their swift and thorough action on this matter.

Last August, Gary Schaer, a city councilman from the city of Passaic, notified my office that two residents of the Alfred Spear Village Resident Council had asked the Passaic Housing Authority for a loan of \$2,860 so they could attend the National Tenants Organization's annual convention in Puerto Rico.

The housing authority, to their credit, astutely denied this request, and I commend them for that decision. In fact, Councilman Schaer was absolutely dismayed that HUD funds could be used for what the National Tenants Organization promoted as an unforgettable vacation for public housing residents across the country.

With a public housing waiting list of over 4,000 residents, Councilman Schaer could not nor could I comprehend sending two Passaic residents to this type of a convention.

I am very troubled by the egregious promotion of the NTO's August 20th convention. The event was billed as, "A vacation that will be unforgettable," and we referred to that considerably at the last hearing in November.

The flyer promoting this convention, Mr. Chairman, reflected, and I quote again, that ". . . the convention would promote casinos for dads, exotic shopping, beauty salons for complete pampering for moms and appetizing, savory, delicious foods for family meals."

Despite this, Mr. Moses, the HUD Deputy Assistant Secretary for Community Relations Involvement, in a June 17, 1995, letter stated, "The NTO convention is an allowable training activity for reimbursement under public housing funds including, but not limited to, operating subsidy, comprehensive grant program, a TOP or other HUD funds."

During the November hearing, in summary, as I recall, there seemed to be considerable downplay with respect to this entire inquiry, and, in fact, I think, but for the fact that most of the witnesses seemed to indicate that perhaps the flyer had been inappropriately designed and distributed, there were no other concerns or little concerns with respect to the actual event itself.

The Inspector General's report to this subcommittee has, unfortunately, confirmed some of our worst suspicions about the NTO vacation/conference.

Even more disturbing is the fact that at the last hearing HUD officials offered what appeared to be some conflicting or contradictory testimony to what now is revealed in the Inspector General's report.

At the time in November, the HUD officials testifying insisted that they did not play a significant role in the organization of the NTO Puerto Rican convention, yet the Inspector General concluded, and these are quotes from her very report:

"HUD officials played a significant role in planning and conducting the NTO conference. The role went well beyond a customary public official special engagement, and the HUD support appears inappropriate for a private profit-making activity with a strong emphasis on political lobbying."

According to that same report, the cost of the NTO convention was over \$335,000, 97 percent of which was paid by the American taxpayer. It is also clear that the NTO netted a profit of some \$35,000 from this event, and even more troubling is at the time NTO's tax exempt status was, apparently, revoked by the IRS.

I wish this story could end there, but unfortunately, it only gets worse. According to the Inspector General, the chairwoman of the NTO was proposed for debarment by the HUD's Office of Housing in 1994 based upon poor financial management practices in connection with managing a HUD-assisted multi-family housing project.

That, again, is another disclosure by the Inspector General. They went on to quote, "In settlement of this action, the NTO's chairwoman agreed to voluntary inclusion from participants in HUD multi-family housing programs for a 2-year period beginning November 10, 1994."

Yet, incredibly to me, despite this record, this known track record of financial mismanagement, the HUD officials still approved and actively supported the NTO convention.

Mr. Chairman, when we speak about government that is out of control, this is exactly the type of incident that stirs the American people's apprehension of what is going on in Washington, particularly the Washington bureaucracy.

It is clear that at least three violations of HUD departmental policies did occur, according to the Inspector General, who made inquiries into this matter.

In the interests of saving time, the Inspector General report refers to those three violations. Let me just go ahead and say that having read those, and I'm sure reference will be made to these during the continuation of this hearing, it is my opinion that this is exactly the type of the waste, fraud and abuse that disturbs the American people. I do not believe that the average American feels that their tax dollars should be funding an "unforgettable vacation" for public housing recipients or anyone, for that matter.

And it is very difficult for this Member of Congress to comprehend how an event like this is an acceptable use of taxpayer funds.

Somewhere along the way we seem to have lost sight of the fact that public housing was designed to be helpful to economically dis-

tressed people and to help them get through difficult periods of time in their lives.

And I want to know what HUD officials are doing, and the purpose of this inquiry is to ensure that this type of practice does not occur again.

I would also like to know what disciplinary action HUD intends to take against some of the occurrences that happened with respect to this incident.

Let me conclude my opening remarks by simply saying what began in November, Mr. Chairman, an inquiry into a flyer, in large part, and what appeared to be an inappropriate way of promoting what was told to us to be a legitimate use of HUD funds has now turned into something far more considerable and more disturbing.

What we've subsequently found out by the Inspector General's report is that, in many ways, this event violated the very policies of HUD; that, in fact, the NTO was a for-profit organization; that, in fact, HUD was instrumental in sponsoring and setting up this very event; and that the event itself, while promoted as a convention under the TOP program, which was intended to assist tenants in managing properties and undertaking the administration of those properties has, by the very Inspector General's report, was really more of a social event as well as a political event, both of which are in violation of HUD regulations and policies.

My deepest concern is that there were policies and there were regulations, and yet the people who were entrusted to enforce those and abide by those appear to have violated those policies.

The policies were there, and yet the people that we entrust to insist on conducting the affairs of HUD in a responsible way appear to have discarded those policies based upon—these are not my conclusions—but the conclusions of the Inspector General.

So what appeared to be, on the surface, a somewhat insignificant matter to begin with and was downplayed considerably by the witnesses who appeared here in November, the Inspector General's report indicates quite to the contrary, is a matter which, if we're serious about promoting savings in this Federal Government, if we're serious about providing services in a cost-effective, efficient way and giving our taxpayers the most bang for their dollar, this is certainly not the way to do it.

And finally, let me conclude, the real losers in this situation are not just the American taxpayers but the people who are on these long waiting lists for housing needs that we hear about repeatedly that we would like to serve, and yet, when we see this type of expenditure in such an inappropriate manner, it makes us have to go in and look at the viability of many of these programs such as the TOP program and other programs where there may be waste.

So I'm looking forward to continuing this hearing today, and I thank you for conducting it and having this hearing continued. Thank you.

[The prepared statement of Hon. William J. Martini follows:]

Statement for
Congressman Bill Martini
Subcommittee on Human Resources
HUD Management of Tenant Initiative Programs
February 29, 1995

Mr. Chairman, I would like to thank you for holding today's important hearing.

As you are aware, last summer my office received documents which suggested a highly questionable use of taxpayer dollars to fund the National Tenants Organization (NTO) annual convention in San Juan, Puerto Rico.

I felt it was my obligation to share these materials with the Subcommittee so a full investigation could be conducted. I want to commend the Chairman and the Subcommittee staff, and Office of the Inspector General at HUD for their swift and thorough action on this matter.

Last August, Gary Schaer, a City Councilman from Passaic, New Jersey, notified my office that two residents of the Alfred Speer Village Resident Council had asked the Passaic Housing Authority for a loan of \$2,860.00 so they could attend the National Tenant Organization's (NTO) annual convention in San Juan, Puerto Rico.

The Housing Authority astutely denied this request and I commend them for that decision.

In fact, Councilman Schaer, was absolutely dismayed that HUD funds could be used for what the National Tenants Organization promoted as an "unforgettable vacation" for public housing residents across the country.

With a public housing waiting list of over 4,000 residents, Councilman Shaer could not comprehend sending two Passaic residents to the Caribbean.

I am very troubled by the egregious promotion of the NTO's August 20th convention. The event was billed as, and I quote, "**a vacation that will be unforgettable!**" Taxpayer dollars provided attendees of the convention with and, I again quote, "**Casinos for Dads,**" "**Exotic Shopping, Beauty Salons for complete pampering for Moms,**" and "**Appetizing, Savory, Delicious foods for the family meals.**"

Despite this, Ed Moses, HUD Deputy Assistant Secretary for Community Relations Involvement, in a June 17, 1995 letter, stated, the "**NTO Convention is an allowable training activity...for reimbursement under public housing funds, including but not limited to operating subsidy, Comprehensive Grant Program, TOP, or other HUD funds.**"

The Inspector General's report to this Subcommittee has unfortunately confirmed our worst suspicions about the NTO vacation/conference.

Even more astounding is the fact that at the last hearing HUD officials offered contradictory testimony to the this committee that has since been refuted by the IG report.

At the November hearing, HUD officials insisted that they did not play a significant role in the organization of the NTO Puerto Rican Convention. Yet the IG concluded, and I quote, "HUD officials played a significant role in planning and conducting the NTO Conference. The role went well beyond a customary public official speaking engagement, and the HUD support appears inappropriate for a private, profit-making activity with a strong emphasis on political lobbying."

According to the report, the cost of the NTO convention was over \$335,000. 97% percent of which was paid for by the American taxpayer. It is also clear that the NTO and NTO Chairwoman Maxine Green netted a \$45,000 profit on this event. Even more troubling is the fact that NTO's tax exempt status was apparently been revoked by the IRS.

I wish I could say that the story ends here, but unfortunately it only gets worse. According to the IG, "Maxine Green, Chairwoman of NTO was proposed for debarment by HUD's Office of Housing in 1994, based upon poor financial management practices in connection with managing a HUD assisted multifamily housing project."

"In settlement of this action, NTO's Chairwoman agreed to voluntary exclusion from participating in HUD multifamily housing programs for a two year period beginning November 10, 1994."

Incredibly, despite Maxine Green's known track record of financial mismanagement, HUD officials still approved and actively supported the NTO convention.

Mr. Chairman, this is a debacle of the highest order. When we talk about government that is out of control this is exactly the type of incident that stirs the American people's apprehension of Washington bureaucrats.

While it is still unclear if any federal criminal statutes were violated in this incident, it is clear that at least three violations of HUD Departmental Policy did occur. According to the Inspector General:

"First, no written determination was made that speaking at the convention was in the best interest of the Department, and that the convention was the only avenue for disseminating the information. NTO, it should be noted is both a prohibited source (see 5 C.F.R. Sec. 2635.203 (d) (5) (definition) and, from all indications a for profit organization (at the time of the convention)."

"Second, there is substantial evidence that the Department, though perhaps not technically "sponsoring" the convention, at least "promoted" it. Specifically, the Department knew that NTO's promotional and marketing materials trumpeted HUD's involvement in the convention and approval of it."

"Finally, the fact that a registration fee was charged by NTO underscores that the Department should have documented that no other methods exist to reach the particular audience, and the Department's interest in reaching the particular audience is substantial."

The IG also found that, "The Conference had little substantive "training" value that would enhance the PHA (Public Housing Authority) resident participants' ability to better manage and use their HUD Tenant Opportunity Program (TOP) funding."

This is exactly the type of waste, fraud, and abuse that sickens the American people. I do not believe the average American feels that their tax dollars should be funding an "unforgettable vacation" for public housing recipients or anyone for that matter.

It is very difficult for this Member of Congress to comprehend how an event like this is an acceptable use of taxpayer funds.

Somewhere along the way, we seem to have lost sight of the fact that public housing was designed to be a transitional program to help economically distressed people get through difficult periods of time in their lives.

I want to know what HUD officials are doing to ensure that a boondoggle of this magnitude never happens again. I also want to know what disciplinary action HUD has taken against the key players in this event.

It is my understanding, that Ed Moses, a former HUD official who apparently led HUD's involvement in the NTO convention is now the Executive Director of the Chicago Housing Authority, a position in which the American taxpayer directly subsidizes his six figure salary.

As many of you know, the Chicago Housing Authority is one of the most troubled in the nation. In my opinion, it can ill-afford to foster the "fast and loose" culture that Mr. Moses seemed to have promoted during his time at HUD.

This Committee must demand greater accountability from HUD in the future. As is all too often the case, what may have begun as a well intentioned Federal program has become a telling example of big government that has grown out of control.

In my opinion, it would be much more appropriate for residents to attend regional seminars instead of Caribbean excursions that generate substantial profits for For-Profit entities if it is determined that these so-called seminars/vacations are in fact necessary, then I believe s.

I want assurances that individuals with dubious backgrounds like Maxine Green are not going to be welcome at HUD.

HUD has an obligation to know what kind of people with whom it is doing business. \$335,000 of taxpayer funds have been thrown away. It is my opinion that this funding ought to come out of HUD's FY 1996 budget.

Before I conclude my remarks, I want to touch on another issue that Members of the Subcommittee should examine.

It seems to me that this convention represents another example of a taxpayer-funded lobbying effort.

According to the IG, "the actual NTO Conference events were primarily geared towards...political lobbying/rallying against Republican public housing proposals and for NTO supported program proposals."

In fact the video tape of the NTO convention provide to the Subcommittee reveals that the political rhetoric was so out of hand that a HUD translator had to discontinue his translation because the speaker's comments were completely inappropriate for a HUD sponsored event. Yet political speeches were the norm not the exception for the so called conference.

Mr. Chairman, this type of abuse must come to an end. I am hopeful that today's hearing will begin the process that will allow us to put an end to this flagrant misuse of federal funds.

As we move down the path towards fiscal responsibility and a balanced budget, it is very disheartening to learn about such incidents. In my opinion, this is the federal government at its worst.

Mr. Chairman, I am committed to working with you to ensure that this type of waste, fraud, and abuse does not continue.

Accordingly, I am looking forward to the testimony we are about hear, and appreciate your assistance in getting to the bottom of this important matter.

I now yield back the balance of my time!

Mr. SHAYS. I thank the gentleman. The gentleman from Pennsylvania, Mr. Fattah.

Mr. FATTAH. Thank you, Mr. Chairman. It's obvious that much conclusion has already been reached before the hearing has begun.

So rather than add onto that, I will just yield my time. I want to thank you for your continuing effort to focus in on important issues that this committee needs to look into.

Mr. SHAYS. I thank the gentleman. And I want to say before calling our first witness that it's my hope that this is the last hearing on this matter.

It was my hope that the previous hearing would have been the last hearing. If anyone who testified in the previous hearing wants to retract any statement they made under oath, I encourage them to do so if they feel that statement was not accurate.

This hearing will go on if we don't get the truth. If we get the truth and an answer to the problems, then we will be done with this hearing.

It is really up to our witnesses and up to HUD to determine whether this hearing has a life of its own. I would like to also emphasize before calling any witness that all witnesses will be under oath.

It is likely that someone will get into more trouble by not telling the truth than to tell the truth, however ugly that truth may be.

And I really caution each witness that comes before us to simply tell us the truth, and the truth will be a lot easier for all of us. That's my expectation that that will be the case, and with that, I would call the Inspector General of the Department of Housing and Urban Development, Susan Gaffney. If you'd raise your right hand.

[Witness sworn.]

Mr. SHAYS. I think it's important that you give your statement as you see fit. I'm not going to turn on a clock for 5 minutes, and frankly, I'm not going to do it for any of the other witnesses.

Ms. GAFFNEY. Thank you.

Mr. SHAYS. I'm going to ask you to talk nice and loud and bring that mike as close as possible to you.

Ms. GAFFNEY. OK.

Mr. SHAYS. Thank you.

**STATEMENT OF SUSAN GAFFNEY, INSPECTOR GENERAL,
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Ms. GAFFNEY. Mr. Chairman, members of the subcommittee, you will remember that at your November 9th hearing I promised that we, the Office of Inspector General, would look into the circumstances surrounding the National Tenants Organization's meeting in Puerto Rico that was held in August 1995.

We have indeed conducted an extensive fact-finding inquiry into that meeting, and I am here today to relay the facts as we know them. And I have heard you, Mr. Towns. I'm going to try to stick to the facts as we know them.

There are three parts to my testimony. The first is to relay to you basic information about the meeting in Puerto Rico concerning its attendance, its costs, its funding, and its content.

The second part of my testimony will deal with HUD's role in planning for, supporting and conducting the conference in Puerto Rico.

And the third part of my testimony will deal with HUD's overall relationship with the National Tenants Organization, which I am going to be referring to as NTO.

First of all, basic information about the meeting in Puerto Rico. As a preface, I had anticipated that we would get the basic information about this meeting by issuing a subpoena to the chairwoman of NTO.

We issued such a subpoena. The response was highly untimely, and the information that we received as a result of the subpoena was fragmentary at its very best.

As a result of that, we resorted to other means to obtain basic information. We issued subpoenas to the two hotels in Puerto Rico where the participants stayed.

Based on their information, we, for instance, were able to identify the names of the individuals who participated in the conference. There were some 194 residents who attended the conference.

In order to determine the costs that were incurred by them and by others, we interviewed 169 of those residents and went also to their housing authorities to confirm the information they gave us.

We asked the residents a number of things. We asked them to identify the costs they had incurred, and, if they knew it, how those costs had been funded. We asked them their views of the conference. Was it useful? What was their assessment?

In terms of attendance, there were a total of 260 persons who participated in this conference. Thirty-two of them were speakers from NTO, the Puerto Rican Housing Authority, and HUD. Thirty-four were public housing officials. One hundred ninety-four, as I said, were residents of public housing.

We have estimated the costs of this conference at \$335,000, and what that represents, we used the methodology I just described, getting the names of individuals, going to the individuals and going to their housing authorities.

There were some individuals we could not locate, some 20 or 30. We have no projected costs for those people. So the number that I am giving you represents what I consider to be a minimum cost.

The \$335,000 represents hotels, meals, travel expenses, incidental expenses. It does not include, for instance, salary costs of the HUD people who attended the conference.

Now, a question during the last hearing was: how were these costs covered? What funding sources were used?

TOP grant funds provided \$85,000. Other public housing funds, operating subsidy funds, modernization funds were used to the extent of \$203,000.

Now, I'd like to clarify something here. Some of these other funds, the modernization funds and operating subsidy were used as an advance.

We had at this conference some new recipients of TOP grants. They didn't yet have the grants, and they also couldn't use the funding until they had been to HUD-sponsored training on TOP.

Therefore, the arrangement for some of these people, and I do not know the extent of this, was other housing authority funds—of course they're HUD funds—were advanced to them on the premise that they would later be repaid when the TOP grant funds were available.

However, I would like to go back to something that Mr. Martini said, and that is the Deputy Assistant Secretary for Community Relations and Involvement issued a June 27th memorandum in 1995 where he characterized this meeting as a training conference.

And he specified that it was eligible for any kind of public housing funding. He specified operating subsidy, modernization, TOP or any other kind of funding.

So to the extent these people thought this was intended as TOP-funded, that is not the case based on this June 27 memorandum.

I am continuing with my list of funding sources now. HUD paid about \$2,000 for handouts and, of course, incurred costs that were paid for travel by the HUD participants to the tune of about \$5,600.

NTO, from its own funds, contributed \$3,200. There were a few private people who paid their own way to the conference, and that constituted about \$5,800 in funding.

The last source of funding was \$32,000 in contributions from contractors who work for the Puerto Rican Housing Authority.

The Puerto Rican Housing Authority, by way of explanation, is largely privatized; that is, the operations are conducted by private contractors who work for the housing authority. There are 18 such contractors.

It's important that you understand how it came to be that these contractors contributed \$32,000 to this meeting. There was a meeting on June 26th at HUD among the executive director of the Puerto Rican Housing Authority, the Deputy Assistant Secretary for Community Relations and Involvement and the chairwoman of NTO.

The first hour of that meeting was among those three people only. The second and third hours of that meeting there were two resident leaders from Puerto Rico who were invited to join.

Following that meeting, I should say preceding that meeting, there had been a request from the chair, a written request from the chairwoman of NTO to the Assistant Secretary at HUD saying she needed his assistance in getting attendance for this conference.

Following the June 26th meeting, several things happened, but the most important one was that there was a solicitation from the Puerto Rican Housing Authority, which is in writing, which is confirmed in writing, to the management agents, the private management agents, asking them to contribute \$1,500 each toward the NTO conference.

Of the 18 private agents, 17 made those contributions. They followed the directions from the housing authority and made those deposits directly into an account at the hotel.

There is no question in my mind, based on our interviews of the executive director and three of these management agents, that this solicitation was by the housing authority to private contractors who were under contract to the housing authority.

And the instruction was to the management agents that they should use their HUD-funded management fees to make these contributions.

The bulk of these funds were put in an account at the hotel, and they were used for three luncheons, coffee, and a bar account.

The next funding related issue is gratuities, which is something, Mr. Chairman, you asked about at the last hearing. There were two hotels involved here.

They provided approximately \$3,000 worth of free photocopying and mailing services to NTO. In addition, the El San Juan Hotel provided a free planning luncheon and a suite for 9 nights for the chairwoman of NTO.

That suite, the going rate for that suite was \$850 a night. So these gratuities total in excess of \$12,000.

The next financial area has to do with NTO proceeds from this meeting. NTO charged a registration fee of \$225 per person. Not everyone paid. Notably, the residents from Puerto Rico did not pay the registration fee, as far as we know.

Our estimate of the gross proceeds from these registration fees—and remember the methodology we used to get there was interviewing individual residents and housing authorities on what expenditures were incurred—was \$46,000.

In response to the subpoena that we issued to the chairwoman of NTO, there were a few checks that we obtained. They were for flowers and plaques and that sort of thing. They totaled \$3,207.

That would mean that, if the gross proceeds from the registration fees were \$46,000 and the total NTO expenditures were \$3,200, then NTO derived net proceeds from this meeting of approximately \$43,000.

I would say to you, just recently, because the information that we got in response to our subpoena to the chairwoman was so fragmentary, we subsequently issued another subpoena to the bank wherein NTO's account is maintained.

We've had some difficulty getting those records. We finally have them. Our review of the bank statements, the deposits that were made in August and the checks that were written in August leads us to believe that our original calculation of net proceeds of \$43,000 is almost exactly on the mark.

In terms of the content of the meeting, I think the most important thing that has happened is that we were able to obtain the videotape that was made, with a few lapses, of the entire session.

I think that's so critically important because I don't want to be subjective, either. I can have one view, and you can have one view, but we have a videotape now that's available to all of us, and we can all see what happened, and there doesn't have to be a lot of ambiguity about it.

I would say to you, and this is going to sound subjective, Mr. Towns, but my view about what has happened at this meeting is that there is an amalgam of two different kinds of things happening.

One, this started out as the biennial meeting, the biennial convention of NTO, which is called for in the NTO guidelines, by-laws, and many aspects of what happened in Puerto Rico are like a convention.

Yes, there was political rallying. Yes, there was socializing. Yes, there was talking. It is in the nature of the kind of things that we think about being associated with a convention.

There was another stream of things that happened, and it primarily related to the HUD participation in the conference, and that was a series of presentations by HUD officials which were general programmatic presentations about NTO and resident initiatives and the future of public housing.

It seems to me, in my view, that those two streams are separable. I think there are a couple of important things to mention, though, and that is, as you know, if you have watched the videotape, on the opening day a HUD official, a HUD employee was serving as translator from English to Spanish, because a large number of the participants were from Puerto Rico.

In the middle of a presentation by an NTO official, he ceased, stood up, said he would no longer translate because the message had become so highly political.

The NTO official, essentially, responded that that was all right. He really didn't care whether HUD translated or not because the point was to get rid of Newt Gingrich.

I think another issue that we really shouldn't lose sight of is that the early bird session on organizing techniques and coalition building was, in fact, a fundraiser conducted by NTO officials at which they solicited funds from public housing residents in the name of Jesus so that NTO could buy a computer.

I think perhaps the most important thing you should know is how the residents reacted to the usefulness of the meeting. And again, we interviewed 169 of them.

I would say the majority of them thought it was personally rewarding. It is clear, though, that they felt it was poorly organized and it wasn't worth the money.

That covers the basic information that we have compiled on the meeting. The second issue that I'd like to discuss is HUD's role in planning, supporting and conducting the conference.

As I think I mentioned before, there was a June 20, 1995, letter from the NTO chairwoman to the Deputy Assistant Secretary for Community Relations and Involvement.

The letter says that the chairwoman is enclosing all of the convention material and is asking for the Assistant Secretary's assistance.

A little background here. When NTO started planning this meeting, they were hoping to have 1,000 rooms. It was to be a very major event.

As time went on, they were projecting to have 500 rooms. As time went on, they were having trouble getting the kind of participation they wanted.

So it makes sense that they were turning to people for help. As I said before, on June 26th, the chairwoman of NTO, the Deputy Assistant Secretary for HUD and the executive director of the Puerto Rican Housing Authority met at HUD in Washington, DC.

The next day the Deputy Assistant Secretary issued two memoranda. One was to the chairwoman of NTO, and this was the memorandum that said, "This meeting is a training conference and is eligible for any kind of PHA funding."

The second memorandum that was issued the day following the meeting was to the executive director of the Puerto Rican Housing Authority and to the chairwoman of NTO.

And what this memorandum did was summarize the agreements that they had reached at their meeting the previous day.

Essentially, the agreements they reached were that the Puerto Rican Housing Authority would co-sponsor this conference, and there were a series of other agreements, that the resident committee would be increased by 10 representatives from Puerto Rico, a series of things like that. So it is obvious that that June 26th meeting in which HUD participated was critical.

On July 12, 1995, the Puerto Rican Housing Authority issued a press release, and it announced with great pride that they were going to be co-sponsoring this NTO meeting, and it cited the meeting on June 26th with the Deputy Assistant Secretary and the chairwoman as the vehicle for bringing this about.

On July 28th, the Puerto Rican Housing Authority issued a letter to the NTO chairwoman, and what this letter said was, "Based on our meeting with the Deputy Assistant Secretary on June 26th, this is what we're willing to do.

"We are willing to put up \$30,000 to cover registration fees for residents from public housing in Puerto Rico who will attend this conference, and we will, in addition, put up \$32,000 to be derived from private contributions."

You will remember this is the \$32,000 that, in the end, was contributed by contractors for the Puerto Rican Housing Authority.

HUD provided NTO with mailing lists and labels for the Housing Authority and the resident councils. HUD communicated with resident councils and public housing authorities to clarify that attendance at this meeting was eligible, and there were a fair number of questions raised.

For instance, the director of the Detroit Housing Department was very concerned about the high costs involved, and she had conversations with HUD during which HUD simply, according to her, reiterated this is an eligible cost.

We have copies of correspondence within HUD where HUD staff members questioned whether this was a wise expenditure of HUD funds, and the answer was that attendance at the NTO meeting in Puerto Rico was a priority.

The next fact is that in August, the NTO chairwoman—

Mr. SHAYS. Let me just interrupt you a second. Since this has been thorough, I do want to make sure that all the facts are on the table.

I just want to get a sense of how much longer you think you need to go through to give this.

Ms. GAFFNEY. I'm almost finished.

Mr. SHAYS. OK. I want you to continue as you are. I just wanted to be able to gauge. Thank you.

Ms. GAFFNEY. In August, the chairwoman of NTO issued mailgrams to Senator D'Amato, Andrew Brimmer and Congressman Leach.

They announced the meeting in Puerto Rico and contained the following statement: "We and HUD invite and expect all commu-

nities in States and the District of Columbia to join us and HUD in San Juan.”

The Assistant Secretary for Public and Indian Housing was cc'd on that message, and we have a copy of a fax from the chairwoman to the Deputy Assistant Secretary for Community Relations and Involvement.

In terms of HUD participation in the conference, the initial invitation was to Secretary Cisneros. He was unable to attend. He asked the Assistant Secretary for Public and Indian Housing to attend in his place.

The Assistant Secretary was unable to attend, and so the Deputy Assistant Secretary, Ed Moses, attended instead and served as the keynote speaker.

There were four other HUD officials who attended overall, the Deputy Assistant Secretary, the Deputy Director for Program Development and two HUD staff from the Puerto Rican office.

On the first day, the Deputy Assistant Secretary and—these titles are terrible—and the director of program development, essentially, were the keynote speakers. That was a period of 2 hours.

The next day three HUD staff constituted 5 hours on the agenda. The third day a HUD official had 2 hours on the agenda so that out of 4½ days of this conference about 9 hours, or about 1 day, consisted of presentations by HUD.

One other thing. There is a final indication of this relationship between HUD and NTO about this meeting. The chairwoman of NTO had a problem because she had arranged with someone to videotape this conference. The videotape we have is as a result of that arrangement.

They got into a dispute. As a result of that, the woman who did the videotape would not turn it over to the chairwoman, and the chairwoman wrote to her, essentially, threatening action against her and cc'd HUD's Deputy Assistant Secretary on that correspondence.

The third area I'd like to talk about is HUD's overall relationship with NTO and its chairwoman, Maxine Green. As Mr. Martini indicated before, Maxine Green was proposed for debarment by HUD as a mortgagor and a manager of a multi-family project in HUD.

In October 1994, the settlement was that she agreed and HUD agreed that she would take a voluntary exclusion from participation, a 2-year voluntary exclusion from participation in the HUD's multi-family program.

The reason for the proposed debarment and the reason for the voluntary settlement were two, that the project was in bad physical condition, and two—three, actually.

She had failed to produce financial reports to HUD, and she had failed to produce audited financial statements over a period of 5 years.

When the debarment was being proposed, the Deputy Assistant Secretary wrote to HUD's Office of General Counsel and said, “What does this mean for us? Can we continue to support and participate in NTO workshops, conferences?”

The General Counsel wrote back saying, “There is no debarment. It has only been proposed. Everyone gets due process, but keep in

mind these are serious charges. So you might want to temper your participation.”

When the voluntary exclusion occurred, we find no evidence of similar written communication between the program and the Office of General Counsel.

There is an indication in one of our interviews that one of the PIH staffers went to OGC and was told, “No, no, no. These are two entirely different things. One is Maxine Green, the individual. The other is NTO. So there is no relationship.”

That’s the proposed debarment. The voluntary exclusion is the first thing you should know. The second thing you should know is that when we started this inquiry, we tried to find out what the legal standing of NTO was.

We went to the chairwoman’s attorney and asked, and we were told that NTO is a registered nonprofit corporation in the District of Columbia.

We went to the IRS and asked them, and they said, “That’s true. NTO is a 501(c)(4) tax-exempt corporation based in part on their having nonprofit status in the District of Columbia.”

We then went to the District of Columbia to ask them whether that was the case, and we were told that NTO’s nonprofit status had been revoked in 1981 by the District of Columbia for failure to submit required financial records.

Mr. SHAYS. Did you misspeak when you said 1981? Did you mean 1991?

Ms. GAFFNEY. 1981. Registration as a nonprofit happens at a State level. The tax exemption is a Federal level, but there is a link between them.

We talked to NTO’s lawyer. We, essentially, threatened to issue another subpoena to find out whether registration had occurred in another State, in another jurisdiction other than the District of Columbia after 1981.

And in December, mid- to late December, she told us, I think on December 12, 1995, Maxine Green registered NTO as a nonprofit in the State of Florida.

The third thing that you should know about HUD and its relationship with NTO is that in June 1993, HUD established an Ad Hoc Advisory Committee on Resident Initiatives, and NTO, with Maxine Green as its representatives is one of the five organizations that comprises that ad hoc committee.

So there are periodically meetings at which Maxine Green is able to come to HUD, present her views, and participate in brainstorming.

The last item which may be of interest to you: it is clear to us that when you were holding your November 9th hearing there was concern—and you had called Maxine Green as a witness—there was concern in HUD about what she was going to say and whether what she would say, at least programmatically, would be correct.

And based on the telephone records we have, it is clear that there were extensive conversations between HUD staff and Maxine Green immediately prior to and after that hearing.

Mr. Chairman, that concludes my testimony.

[The prepared statement of Ms. Gaffney follows:]

STATEMENT OF
SUSAN GAFFNEY, HUD INSPECTOR GENERAL
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
UNITED STATES HOUSE OF REPRESENTATIVES
"PUBLIC HOUSING RESIDENT INITIATIVES"
FEBRUARY 29, 1996

Chairman Shays, and members of the Subcommittee, as a follow-up to your hearing of November 9, 1995, I am here today to report on the Office of Inspector General (OIG) review of the National Tenants Organization's (NTO's) August 1995 convention in San Juan, Puerto Rico.

OIG REVIEW OBJECTIVES AND METHODOLOGY

The objectives of our review were to determine: (1) the nature and extent of convention participation, costs and funding sources, (2) HUD's role in planning and conducting the convention, and (3) the propriety and benefits of HUD supported participation in convention related activities.

To pursue our objectives, we subpoenaed all NTO records on the convention. NTO's subpoena responses indicated that adequate records on convention participation, revenue and expenses were not maintained or available. Therefore, it was necessary to reconstruct estimates of such activities from alternative sources. Relevant records were obtained from HUD, the convention hotels, convention attendees, the Puerto Rico Housing Authority (PRHA) as the co-sponsor of the convention, and PRHA contractors who were found to support convention activities. NTO bank account records were also subpoenaed and reviewed. In addition, we interviewed HUD, PRHA, and PRHA contractor officials, as well as 169 PHA resident attendees of the convention. We attempted to interview NTO's Chairwoman, but were not afforded the opportunity. Available video and audio tapes of actual convention events were obtained and reviewed, along with recordings of three television news stories on the convention by Channel 5 in Atlanta.

NATURE AND EXTENT OF CONVENTION ACTIVITY

Participation, Costs and Funding Sources

Based on our reconstruction of convention activities, we estimate that the convention was attended by 260 persons as follows:

● Convention Speakers, Including	
NTO, HUD, and PHA Officials	32
● PHA Officials in Attendance	34
● PHA Residents in Attendance	<u>124</u>
Total Estimated Attendance	<u>260</u>

The cost of the convention is estimated at \$335,000, of which 97% came from federally funded or related sources. Appendix 1 details our estimates of the various sources and uses of funds related to the convention. Most of the NTO Convention expenses were covered by HUD funding sources, contributions or gratuities.

The federal funding sources supporting PHA resident attendance at the convention consisted of direct HUD Tenant Opportunity Program (TOP) grant funds, as well as other HUD grant funds to Public Housing Agencies (PHAs) for operating subsidies and modernization activities. In some cases, PHAs advanced operating subsidies or modernization funds for their residents to attend the convention, under the condition that those funds would be reimbursed by the resident groups when their TOP grant funding was available. This was necessary because resident groups selected for new HUD TOP grants in July 1995 did not have access to their TOP funds in time for the August 1995 NTO convention. New TOP grant recipients aren't given access to their grant funds until they attend required HUD program training to give them a better understanding of their grant management responsibilities and program performance options.

Another source of federally related funding consisted of \$32,000 in contributions to the convention by private project management firms, which had HUD subsidized contracts with the PRHA. Initially, the NTO Convention was being "co-sponsored" by NTO and a private management firm that was under contract with the PRHA to manage portions of its public housing inventory. This management firm paid for the NTO Chairwoman and another NTO official to go to Puerto Rico for a 5 day convention planning tour in November 1994. In May 1995, this firm and a second private management firm deposited \$2,500 at both the El San Juan and Sands Hotels to facilitate NTO's contracting for its August 1995 convention plans. The plans envisioned a convention drawing 1,000 people, with an estimated \$750,000 going for 500 hotel rooms and food expenses.

In the spring of 1995, the PRHA re-competed its contracts for the private management of its public housing inventory, and the two management firm co-sponsors of the NTO Convention learned their PRHA contracts would not be renewed in June 1995. At that time, the two management firms withdrew as co-sponsors of the NTO convention.

On July 12, 1995, the PRHA's Executive Director announced PRHA as a co-sponsor of the NTO Convention, which was scheduled for August 20-24, 1995. As the co-sponsor, the PRHA Executive Director made an August 9, 1995 written solicitation of \$1,500 contributions to the NTO Convention from each of the newly selected project management firms under contract with the PRHA. Seventeen of the new management firms responded with total contributions of \$25,050. The solicitation requested the management firms to make the contributions from the fees or profits provided for under their PRHA contracts. In our opinion, such solicitations run contrary to HUD regulations at 24 C.F.R. Section 85.36(b)(3), which reads:

"The grantee's or subgrantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of value from contractors, or parties to subagreements."

The total management firm contributions of \$30,050, including the \$5,000 from the two original co-sponsors, went into two hotel accounts for use as follows:

El San Juan Hotel and Casino Master Account (\$27,550)

- \$24,777 - Covered the cost of 3 luncheons, coffee and a bar account associated with the convention.
- 2,500 - Was transferred to the NTO Chairwoman's hotel account to cover expenses for herself and guests.
- 11 - Paid for maid services and tips.
- 262 - Was withdrawn by the NTO Chairwoman, thereby closing the master account.
- \$27,550 - Total account contributions accounted for.

Sands Hotel and Casino Account (\$2,500)

- \$ 507 - Covered the cost of "no-shows" on guaranteed reservations.
- 1,993 - Remains as a balance in the account.
- \$2,500 - Total account contributions accounted for.

Several PRHA management firms were subsequently called upon to cover an additional \$1,950 of miscellaneous convention expenses, such as local transportation costs for attendees from Puerto Rico.

HUD provided convention handout materials at an estimated cost of \$1,868. The Sands Hotel and Casino provided NTO with \$3,000 worth of free photocopying and mailing services, and the El San Juan Hotel and Casino contributed a free pre-convention planning luncheon and a complimentary suite for the NTO Chairwoman, valued at \$9,309. The going rate for the complimentary suite provided to the NTO Chairwoman was \$850 per night. The suite was provided for nine nights, while the convention only covered 5 days. The only convention related expenses known to have been paid by NTO amounted to \$3,207 for flowers, award plaques, and hotel expenses of NTO guests.

NTO's required convention fee was \$225 for early registrations, and \$300 for registrations made at the convention site. Given that all but \$3,207 of convention costs were covered by funding sources other than NTO, over \$43,000 of the convention fees collected by NTO represented a clear profit on the convention. This profit figure could have been even higher, as it is known that NTO did not collect the required convention fee from many attendees, including over \$13,000 for resident attendees from the PRHA. NTO also raised \$2,605 in membership fees, as NTO membership was stipulated as a requirement for convention attendance. NTO membership is \$50 for each resident council and \$10 for each individual affiliated member of a resident council. It is estimated that NTO acquired up to 50 new resident council members as a result of the convention.

Convention Agenda and Content

The agenda for the 1995 NTO Convention is provided in Appendix 2. Convention activities began with a 9:00am "Breakfast Board Meeting" on Sunday August 20, 1995, and were scheduled to conclude 5 days later with an NTO "Business Session and Adjournment" at 12:00 Noon on Thursday August 24, 1995. Our analysis of the convention agenda, materials and hand-outs, video and audio recordings, and eyewitness accounts, found that the actual NTO Convention events consisted primarily of:

- internal NTO organizational business and social activity, and
- political rallying against Republican public housing proposals, and for NTO and HUD supported program proposals.

While HUD's Office of Public and Indian Housing (PIH) officials presented some HUD program related information at the convention, it was general in nature and primarily constituted material already provided or available to attendees through other HUD supported means. Opening day speeches by PIH's Deputy Assistant Secretary for Community Relations and Deputy Director for Program Development centered more on explaining and rallying

attendees to support HUD's public housing legislative agenda, than on improving residents' participation in HUD's program implementation.

HUD staff carried the agenda on the second day of the convention, providing general input on organizing resident councils and TOP work plans. Most of the convention attendees were already members of existing resident councils, and were already operating under TOP grant work plans. Many had previously attended similar, or more detailed HUD presentations. The new TOP grant recipients were already required to receive more detailed TOP grant training from HUD, which was later provided in Orlando, Florida from November 28 through December 1, 1995.

HUD officials also participated in the "Town Hall Meeting" session on the third day of the convention. While HUD provided general information on its reinvention activities and the current public housing budgetary and legislative environment, we viewed this session as an open forum to allow convention participants to express their views on public housing issues.

In our interviews of 169 of the PHA resident attendees at the convention, the majority expressed that they found the convention to be informative and beneficial to them personally, but frequent comments were received that the convention was very poorly organized, that the HUD program material duplicated prior presentations, and that the benefits derived were not commensurate with the cost of attendance.

The video recordings of actual convention events show the poor organization and lack of programmatic substance at the convention. One of the most egregious examples of NTO's misrepresentation of the content and substance of its convention agenda was the scheduled 2 hour "Earlybird Workshop" on "Organizing Techniques & Coalition Building." In actuality, this session was a spontaneous, open-mike, fundraising solicitation to purchase a computer for NTO in the name of Jesus. NTO raised \$350 from the PHA residents and other parties attending this session.

The video recordings of convention events also show the political nature of the convention. On the opening day of the convention, a HUD staff person providing English-to-Spanish translation of a speech by NTO's Legislative Committee Chair, refused to further translate because he believed the political nature of the speech was inappropriate for a federal employee's participation.

HUD'S ROLE IN PLANNING AND CONDUCTING THE CONVENTION

Our review indicates that HUD officials played a key role in planning and conducting NTO's 1995 National Convention in Puerto Rico. Available correspondence, telephone records, electronic messages and meeting records indicate that the role of PIH's Deputy Assistant Secretary for Community Relations and Involvement (DAS/CRI), and Deputy Director for Program Development, went well beyond that of a customary public official speaking engagement for an outside entity. These PIH officials had frequent communications with NTO's Chairwoman regarding the convention. In our opinion, the nature, frequency and timing of their communications indicate that HUD staff were readily accessible and available to assist the NTO Chairwoman in assuring the feasibility and success of NTO's 1995 National Convention.

When the original co-sponsors of the NTO Convention pulled out in June 1995, the feasibility of the convention appeared in jeopardy. On June 20, 1995, NTO's Chairwoman wrote to the PIH DAS/CRI, enclosing convention material, laying-out her proposed PIH role in NTO's agenda, and requesting his fullest possible support. There were frequent telephone calls among PIH, NTO and PRHA officials in the later part of June 1995. On June 26, 1995, the PIH DAS/CRI hosted a meeting in his Washington DC offices between himself, NTO's Chairwoman, the PRHA Executive Director, and two PRHA Resident Council Presidents. The PRHA paid for the NTO Chairwoman's travel to the meeting.

At the June 26, 1995 meeting, there was an initial private one hour session between the PIH DAS/CRI, the NTO Chairwoman, and the PRHA Executive Director. Afterwards, the meeting included the two Resident Council Presidents. The two Resident Council Presidents have established that NTO's convention agenda and promotional materials were seen by the PIH DAS/CRI at the June 26, 1995 meeting.

The PIH DAS/CRI wrote to the NTO Chairwoman and PRHA Executive Director to confirm the agreements reached at the June 26th meeting. A copy of that correspondence is provided as Appendix 3. This summary of the HUD held meeting shows that HUD was instrumental in: (1) establishing PRHA support as a co-sponsor of the NTO Convention, (2) brokering additional PRHA Resident Council support for NTO's convention, and (3) brokering possible future NTO involvement in PRHA-resident relations.

On July 12, 1995, the PRHA issued a press release announcing its co-sponsorship of the upcoming NTO Convention in San Juan, and citing the June meeting between PRHA, NTO and the PIH DAS/CRI as a key factor in facilitating this arrangement. This was followed by a July 28, 1995 letter from the PRHA Executive Director to the NTO Chairwoman, which served as PRHA's contractual agreement to: (1) co-sponsor the NTO Convention, (2)

pay up to \$30,000 for PRHA residents to attend the convention, and (3) raise \$32,000 in private donations to support the convention.

Even with the PRHA's substantial support as a new co-sponsor, NTO's planned convention in San Juan was in jeopardy of failure for lack of state-side PHA resident participation. In early August 1995, the hotels were expressing concerns over the lack of registrations for the convention. While the convention was advertised as closed to NTO members, it is unknown to us whether NTO's actual pre-convention membership could have possibly sustained the planned 500 hotel room convention. Regardless, it is apparent that NTO relied on HUD for assistance in raising its convention attendance. They requested and received the following from HUD's PIH staff:

- Mailing lists and labels for PHAs and Resident Councils.
- A June 27, 1995 letter from the PIH DAS/CRI establishing attendance at the NTO Convention as an eligible expense under various HUD program funding sources, including TOP grants.
- Communications with Resident Councils and PHAs to clarify convention attendance eligibility.

As an example of the apparent nature of the NTO-HUD relationship, the following are excerpts from NTO's own "Minutes of 8/6/95 Board Meeting Conference Call:"

"There was discussion on the obstacles that Housing Authorities are putting in the way of tenants in their attempts to make arrangements for the NTO Convention; and tenant groups who received TOP grant funds received phone calls that their funds were locked. These actions were taken by Housing Authorities even though Ed Moses has sent out correspondence stating that this training convention is an allowable expense.

Marjorie made a recommendation that the Chairwoman call Ed Moses the next day (8/7/95) to inform him of the problems tenants were running into with the Housing Authorities, in order that he may advise the Executive Directors that tenants have been approved to participate, and for them to accommodate those wishing to attend. Maxine agreed to make the call early the following morning."

To put this quote in perspective, Ed Moses was the PIH DAS/CRI, Marjorie was an NTO Board Member, and Maxine was the NTO Chairwoman. There is evidence that PIH staff did communicate with various PHAs and Resident Councils to facilitate residents' attendance at the NTO Convention.

As a further indicator of the closeness of the working relationship between PIH staff and the NTO Chairwoman, our review found evidence that PIH staff attempted to coordinate the preparation of HUD and NTO responses to this Subcommittee's inquiries into the NTO Convention and the TOP program, pursuant to the November 9, 1995 hearing.

PROPRIETY AND BENEFITS OF HUD'S CONVENTION SUPPORT

Fostering the organization of resident groups has been a key focus of PIH's Office of Community Relations and Involvement (OCRI). This has included active participation and support for activities of associations of resident groups, such as NTO. NTO was one of four such national associations which PIH periodically convened as an Ad Hoc Advisory Committee to its resident initiatives program activity.

During 1994 and 1995, HUD's Office of General Counsel (OGC) issued three memoranda setting forth legal opinions and Departmental policy guidance on limitations on HUD's participation in conferences by non-federal entities. This HUD guidance goes beyond any specific requirements in the Standards of Ethical Conduct for Employees of the Executive Branch, 5 C.F.R. Part 2635, and is generally intended to avoid the appearance of favoritism or potential conflicts of interest. The guidance establishes the following basic requirements for HUD employee participation in conferences sponsored by non-federal entities:

- The employee's supervisor must make a determination that the presentation is in the best interests of the Department. An Assistant Secretary or DAS may make that determination for themselves.
- If the sponsor of an event is a for-profit organization, a written determination is required, and must demonstrate that the gathering is the only avenue for disseminating the information, and that the Department's interest is substantial. A copy of such determinations must be sent to the Ethics Law Division of HUD.
- The Department's participation may not result in sponsoring or promoting the event, without prior approval of the General Counsel. Event organizers are to be advised not to unduly highlight or emphasize HUD employee participation in any manner which could be construed as to imply a HUD endorsement or sanction of the event. To further this purpose, supervisors are encouraged to review promotional materials, invitations and agendas prior to assigning staff, or themselves, to participate.

- Events charging a registration fee require special consideration to avoid the appearance that HUD is using appropriated funds to support the non-federal entity. In the case of a for-profit, HUD participation will only be permitted if it is documented that the event is the only avenue for disseminating the information, and that the Department's interest is substantial. Participation with non-profits is permitted unless the registration fee is clearly in excess of the services provided by the sponsor. HUD is advised to avoid events which charge registration fees when a large number or percentage of speakers are proposed to come from HUD. This gives the appearance that HUD is financially supporting the event.

Our review found that PIH officials' actions in support of the 1995 NTO Convention were generally not in accordance with the above HUD guidelines for acceptable participation in the conference of a non-federal entity.

First, PIH did not establish NTO's status as a for-profit or a non-profit. In fact, they had no detailed information on the nature of NTO and its membership. PIH staff generally assumed that NTO was a legitimate non-profit, representing a substantial portion of the residents of public housing. We were advised that PIH has generally not verified the status of other organizations for which it provides conference participation.

NTO was unwilling to provide us its membership rolls, and did not provide evidence of its financial standing, or its legal organizational standing during the time of its convention activities. PIH apparently never asked for this information.

As part of our review, we determined that NTO had no apparent legal status as an organization in 1995. Our check with the Internal Revenue Service (IRS) found that NTO was listed as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code, based in part on its establishment of non-profit corporate status in the District of Columbia (DC) in 1972. However, our check of DC's corporate records found that NTO's status had been revoked in 1981, for failure to file required financial statements. In December 1995, NTO provided us evidence that it had just established corporate status as a non-profit in the State of Florida, four months after the HUD supported convention. It appears that the NTO Chairwoman's previous participation and benefit from PIH's resident initiatives was more technically that of a private individual.

We believe PIH officials had special reason to inquire further into the NTO organization, but failed to do so. In April 1994, PIH became aware that the NTO Chairwoman was being proposed for debarment as the President of the National Tenants Information Service (NTIS), for irregularities during NTIS'

tenure as the mortgagor and manager of a HUD FHA multifamily housing project. The pending case cited NTIS with a: (1) failure to maintain the project in good repair and condition, (2) failure to maintain required books and records on project operations, and (3) failure to submit required financial statements for 5 consecutive years. PIH requested a legal opinion from HUD's OGC to ascertain if the pending action should preclude them from participating in future NTO workshops, and from continuing NTO's ad hoc advisory role.

On April 26, 1994, HUD's OGC advised PIH that there was no legal basis requiring the discontinuance of their relations with NTO, pending the final determination of the debarment case. However, OGC cautioned PIH on the significance of the proposed debarment action, and recommended "that Department participation in the NTO workshops be tempered by this consideration."

In November 1994, the President of NTIS signed a settlement agreement calling for a two year voluntary exclusion from owning or managing projects insured or held by HUD, and for owning or managing projects assisted by HUD, for a period beginning on November 10, 1994. This action had no impact on PIH's continued relations and support for NTO.

In summary:

- NTO had no legal status as a non-profit or for-profit corporation,
- NTO charged registration and membership fees, and HUD's heavy role in the proposed convention agenda gave the appearance that PIH was financially supporting this non-federal entity with appropriated federal funds,
- NTO's Constitution and By Laws establish that its National Convention is the final policy-making body of the NTO, as well as the forum for election of NTO's officers -- both of which are inappropriate activities for federal participation,
- NTO and its co-sponsor, PRHA, prominently used the names and titles of HUD officials proposed to appear at the convention in its promotional and marketing materials,
- PIH clearly had other avenues for disseminating the general program information to be presented at the convention,
- The Department's interests in the NTO National Convention were clearly not substantive, and
- The nature of NTO's promotion of the convention as a vacation and a political rallying event was inappropriate

for HUD participation.

As a result of our review, we have the following recommendations:

1. HUD needs to strengthen its internal controls to better assure adherence to its policies on participation in outside conferences and conventions.
2. HUD should send an advisory/reprimand to the governing body for the PRHA regarding the improper solicitation of contractor contributions by the PRHA Executive Director.
3. HUD should sever all relations with NTO until such time as NTO demonstrates: the legitimacy of its non-profit status, the adequacy of its financial management controls, and the nature and extent of its constituency base.
4. HUD needs to strengthen internal controls to assure that individuals and entities debarred or excluded for performance problems in one HUD program area aren't afforded opportunities to repeat similar behavior in other program areas.

Mr. Chairman, that concludes my prepared remarks on the OIG's review of the 1995 NTO National Convention. I stand ready for the Subcommittee's questions.

SOURCES AND USES OF FUNDS

Estimated Conference Funding Sources

FUNDING SOURCES	TOTAL COST
PHAs (e.g., Operating Subsidy, Comprehensive Grant)	\$203,241
TOP GRANTS	85,437
PRHA Management Agent Contributions	32,000
HUD	5,646
NTO	3,207
Other (e.g., private attendees)	5,863
TOTAL	\$335,394

Estimated Uses of Funds

COST AND FEE CATEGORIES	DOLLAR AMOUNTS
FOOD & BEVERAGE (1)	\$24,778
CONFERENCE HANDOUTS (2)	1,868
PARTICIPANT TRAVEL	102,048
PARTICIPANT PER DIEM	63,042
PARTICIPANT HOTEL LODGING	84,484
PARTICIPANT NTO CONFERENCE FEES	47,040
PARTICIPANT NTO MEMBERSHIP FEES (3)	3,655
NTO RELATED COST (4)	6,224
HOTEL ACCOUNT BALANCES	2,255
TOTAL	\$335,394

(1) The cost of food and beverages provided at the convention was covered by PRHA management agent contributions.

(2) Convention handouts were programmatic materials supplied by HUD.

(3) \$1,050 of the membership fees collected were refunded to Detroit resident councils who erroneously paid the \$50 membership fee for individual attendees instead of the \$10 affiliate fee.

(4) The NTO related cost is comprised of hotel expense for guests, as well as for flowers and plaques.

NTO 1995 National Convention
August 20th - 24th, 1995
Agenda

SUNDAY, AUGUST 20TH

<u>TIME</u>	<u>TOPIC</u>	<u>PARTICIPANT</u>
9:00AM - 11:00AM	- Breakfast Board Meeting	NTO
10:00AM - 11:00AM	- Devotional Service	NTO
12:00PM - 1:00PM	- Chairwoman's Luncheon	HUD/NTO
2:00PM - 4:00PM	- Opening Session/Conference Overview	NTO/HUD/PRHA
4:00PM - 5:00PM	- Granny's Gang	NTO
5:00PM - 6:00PM	- State Meetings	NTO

MONDAY, AUGUST 21ST

<u>TIME</u>	<u>TOPIC</u>	<u>PARTICIPANT</u>
7:00AM - 9:00AM	- Early Bird Workshop	NTO
10:00AM - 12:00PM	- The Future of TOP and Resident Programs	HUD
	- Tenant Participation/Organizing Resident Councils	HUD/PRHA
	- Economic Development/Section 3	HUD
12:00PM - 1:00PM	- Lunch Break (on your own)	
1:00PM - 4:00PM	- TOP Work Plan	HUD/PRHA
	- Homeownership	HUD/PRHA
4:00PM - 5:00PM	- Regional Meetings	NTO

TUESDAY, AUGUST 22ND

<u>TIME</u>	<u>TOPIC</u>	<u>PARTICIPANT</u>
10:00AM - 12:00PM	- The Future of Public Housing	HUD/PRHA
	- Resident Management	
12:00PM - 2:30PM	- Women's Luncheon	
3:00PM - 5:00PM	- Town Hall Meeting Continues	

WEDNESDAY, AUGUST 23RD

<u>TIME</u>	<u>TOPIC</u>	<u>PARTICIPANT</u>
8:00AM - 10:00AM	- Security Workshop	PRHA/NTO
12:00PM - 2:00PM	- Awards Luncheon (Guest Speaker)	
2:00PM - 5:00PM	- NTO Elections	CANCELLED
6:00PM - 8:00PM	- Installation of New Officers and Board Reception	CANCELLED

THURSDAY, AUGUST 24TH

<u>TIME</u>	<u>TOPIC</u>	<u>PARTICIPANT</u>
8:00AM - 10:00AM	- Board Meeting Breakfast	NTO
7:00AM - 12:00PM	- Business Session and Adjournment	

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-5000



OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

Ms. Maxine Green
Chairwomen
7701 Lakeland Blvd
Fort Pierce, FL 34951

JUN 26 1995

Mr. Miguel Rodriguez
Executive Director
Puerto Rico Public Housing Administration
POB 363188
San Juan, PR 00936

To All Concerned:

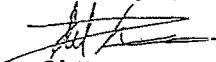
On June 26, 1995, Maxine Green, Chairwomen of the National Tenant Organization (NTO), Miguel Rodriguez, Administrator of the Puerto Rico Housing Authority (PRHA) and Ed Moses, Deputy Assistant Secretary of the Office of Community Relations and Involvement (OCRI) met to discuss the upcoming NTO convention in Puerto Rico, the technical assistance that PRHA will provide NTO on their convention and on general relations between NTO & PRHA. The Following items were agreed to:

- (1) NTO and the PRHA have agreed to work together to unify residents of public housing to assist them in obtaining a better living environment.
- (2) PRHA will co-sponsor the NTO convention in Puerto Rico on August 20 through 24, 1995.
- (3) All parties agreed that the NTO convention committee will be expanded to include 10 resident Presidents selected by PRHA which will bring the committee to a total of 20.
- (4) PRHA will strongly support public housing residents to be given an opportunity to be hired by all management companies under contract with PRHA to manage PRHA properties including, but not limited to, those formerly employed by none successful management firms.

- (5) All parties agree to a meeting of the newly reconstituted convention committee to plan the NTO convention on July 9 though 12, 1995.

Also during the meeting Miguel Rodriguez expressed an interest to be the first Public Housing Executive Director to become an affiliate member of NTO.

Sincerely,



Ed Moses
Deputy Assistant Secretary
Office of Community Relations
and Involvement

Mr. SHAYS. Thank you for your testimony before this committee. At this time the Chair will recognize Mr. Towns to start the questioning off.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Mr. SHAYS. Could I interrupt first? I didn't note the presence of Mr. Barrett, and I apologize. Mr. Barrett came in early on and has been here for a while. We have the gentleman from Virginia, Mr. Davis, as well.

Mr. TOWNS. Ms. Gaffney, first of all, let me thank you for your testimony, and I'm happy that the chairman made the decision not to use the clock so you could really, sort of, lay out all this information. I think it's important.

As I said in my opening statement, I'm very concerned that we're clear on what we know to be fact and what we assume.

I want to dispense with a point with which you have testified to as fact, that the Puerto Rican Housing Authority executive director improperly solicited money from private management companies under contract with the housing authority. How did you determine that he made these solicitations?

Ms. GAFFNEY. There is a piece of correspondence from the Puerto Rican Housing Authority to—they're called administrative managers who are those management agents, and it summarizes a meeting that was held that included representatives from only 2 of the 18 management agents.

And it clearly specifies that the decision was made that the Puerto Rican Housing Authority was asking its management agents to make those contributions.

As I said, we also interviewed three of the management agents who made the contributions, and we asked them, "Why did you do that?"

And their answer to us in all three cases was that they were told to do it not by the executive director himself but by his press assistant.

Mr. TOWNS. Do you have that correspondence? Do you have that?

Ms. GAFFNEY. Records of our interviews? Sure.

Mr. TOWNS. We didn't see that.

Ms. GAFFNEY. I'm sorry. You should have.

Mr. TOWNS. How did you ascertain that the \$32,000 that you referred to by him in his July 28th letter were the same funds that were solicited from the private managers? How did you know that?

Ms. GAFFNEY. Well, I guess you're right that I don't know—but the concept, going back to the June meeting, was \$32,000 in private donations.

Mr. Rodriguez, the executive director, in his statement to us said that he was originally thinking of private donations, for instance, from Pepsi Cola or Coca-Cola or something like that.

We found no record of such donations. The only contributions from private entities that we found were these \$32,000 from the contractors. So I am making an assumption. Perhaps I should not.

Mr. TOWNS. That would be an assumption.

Ms. GAFFNEY. OK.

Mr. TOWNS. I think we would have to say it's an assumption. How would you respond to Mr. Rodriguez's expected testimony that the \$32,000 that you referred to in the letter was to have been

raised from corporations not related to public housing but was never raised and that dissertations from the private managers were administered by an administrative agent, not him?

Ms. GAFFNEY. First of all, I think it's clear. I would agree with Mr. Rodriguez that he told us also that his original intention was to go—

Mr. TOWNS. Maybe I want to ask you an easier question.

Ms. GAFFNEY. OK.

Mr. TOWNS. If the money that you referred to in Rodriguez's July letter was never obtained, would that change your findings?

Ms. GAFFNEY. No.

Mr. TOWNS. It would not?

Mr. SHAYS. Let me just say that for the witness it's important that besides an up or down head or shake this way, the transcriber needs to know.

Ms. GAFFNEY. Sorry. Sorry.

Mr. SHAYS. That's all right. You can do both at the same time.

Ms. GAFFNEY. Mr. Towns, ask me the question again, would you, so that I'm sure I understand what you're getting at.

Mr. TOWNS. If the money that you referred to in Rodriguez's July letter was never obtained, would that change your findings?

Ms. GAFFNEY. No.

Mr. TOWNS. That's the question.

Ms. GAFFNEY. Mr. Rodriguez, in his interview with us, told us that his original thought was to go to Pepsi Cola, whatever, and that his recollection was perhaps one of the management agents came to him with the idea of soliciting the other management agents for contributions.

But from the record, it is the Puerto Rican Housing Authority that actually did that. The violation that it seems to me occurred, is that Federal grantees and subgrantees are not permitted to solicit contributions of any type from contractors working for them. That happened in this case.

Mr. TOWNS. Let me just go back. I want to try to rush through this, Mr. Chairman.

Mr. SHAYS. I have the clock on, but the gentleman is going to be permitted to pursue his questions.

Mr. TOWNS. Thank you very much.

Mr. SHAYS. We may go on through the night.

Ms. GAFFNEY. I hope it's not with me.

Mr. TOWNS. Let me say that you indicated that the incorporation was lost in 1981.

Ms. GAFFNEY. Revoked, yes.

Mr. TOWNS. Revoked in 1981.

Ms. GAFFNEY. Correct.

Mr. TOWNS. But, however, the IRS status was still active and good, according to the information that you received?

Ms. GAFFNEY. Let me explain what I know about that.

Mr. TOWNS. Please do, yes. Let me just, sort of, lay it out here where I'm coming from so you can answer all of it as we go along. How would HUD know this?

Ms. GAFFNEY. I think there is no process whatever in HUD for determining the legal standing of the entities that HUD deals with,

and this isn't limited to resident initiatives or Public and Indian Housing.

I don't think there is any process, and for HUD to have found this out they would have had to have gone through what we went through, which was not an easy process.

Can I answer your question about the IRS?

Mr. TOWNS. Sure. You can.

Ms. GAFFNEY. As I understand the system, and I surely am not an expert in the tax system, there are supposed to be a couple of internal controls.

Ninety-nine percent of the organizations that are tax exempt under 501(c)(4) of the Tax Code are registered nonprofit corporations.

That tends to be an essential link. You get the tax exemption in part because you're a registered nonprofit. Two things are supposed to happen to make sure that that tax exemption is legitimate.

The first thing that's supposed to happen is when there is a revocation at the State level. There is notification to the IRS. It looks as though that didn't happen. It looks as though the District of Columbia either didn't notify the IRS, or the IRS—I can't explain that.

The second thing that's supposed to happen is that tax exempt organizations are supposed to submit an annual form to the IRS, a 990. It would appear that that form was never submitted for NTO after 1981.

So those were checks that would have forced the IRS to consider the continuation of the tax exempt status when the nonprofit registration had been revoked, and they seem not to have been in operation.

Mr. TOWNS. OK. Well, the reason I asked the question, it seems to me that if you didn't know NTO was a nonprofit, then how can you hold HUD accountable for supposed violations of General Counsel memorandum regarding profits? That's the question I'm trying—

Ms. GAFFNEY. I want to say to you I don't know what NTO is legally. I really don't. They are legally not a nonprofit. Whether they are legally tax exempt I think is open to question.

I don't know if that leads us to say they are for-profit, and perhaps we went too far in saying that, but there needs to be a legal standing.

When we were dealing with entities and we are dealing with Federal funds, we should know the nature of the entities that we are dealing with.

Registration as a for-profit corporation or nonprofit brings with it a lot of assurance about how moneys are spent. The primary assurance that registration as a nonprofit brings is that the net proceeds will be used only for specified purposes and that there will be no personal gain as a result of the organization's functioning.

Those are important assurances that you would want to have as an individual. So should, I would think, HUD want to have as an organization.

Mr. TOWNS. I understand that, and I don't want to belabor the point because I want to go to a couple other things, but I think it's

important for the record to reflect that there is some information here that just does not readily meet the eye.

Ms. GAFFNEY. Absolutely.

Mr. TOWNS. And I think that that's the point I want to make.

Ms. GAFFNEY. You're absolutely correct.

Mr. TOWNS. The other thing, should HUD undertake the reforms that you advise, would you still be in favor of terminating the program, as you recommended in your February 1995 report?

Would you still recommend that we end the program? How viable will resident management initiatives be without Federal support? How will they be able to function without that support?

Ms. GAFFNEY. I don't remember testifying that we should end resident initiatives, resident management. I may have said that there is no need for a separate program.

But I think Kevin Marchman has come up with a—

Mr. TOWNS. I interpret that to mean that there is no need for a separate program, you're saying?

Ms. GAFFNEY. I don't remember saying that. Is that what I said?

Mr. TOWNS. Yes.

Ms. GAFFNEY. I can't imagine that I said resident management wasn't a good idea. I may have said that there—

Mr. TOWNS. There is no need for a separate program.

Ms. GAFFNEY. Separate program.

Mr. TOWNS. Right.

Ms. GAFFNEY. But what I really remember saying is HUD shouldn't be running this program itself. If we're going to have this program, it should be run by the housing authorities.

And I remember distinctly saying that there is reason for that. We're not equipped to run programs like this. We're regulators. We're overseers.

And I was very pleased to see in Mr. Marchman's statement that he is recommending to you a legislative change that would allow this program to remain separate but to be administered by the housing authorities. I think that makes a lot of sense.

Mr. TOWNS. Well, thank you very much, Mr. Chairman. You've been very generous, and I appreciate your generosity. When I become chairman, I'll remember this. [Laughter.]

Mr. SHAYS. In the back of my mind I probably think that's true, in 10 years, when he becomes chairman. [Laughter.]

At this time I recognize Mr. Martini.

Mr. MARTINI. Thank you, Mr. Chairman. And thank you, Ms. Gaffney, for your investigation, your conclusions and your testimony, and I compliment you on doing a very thorough job with this matter.

To follow up on Mr. Towns' line of questioning just a moment ago, with respect to determining the status, legal status, of an entity, and I've had some experience in terms of determining the legal status of so-called nonprofits before I came to Washington, and my experience was it's very, very simple.

For instance, if someone is requesting a grant from a private foundation, let's say, it's very simple to ask for your 501(c)(3) or your 501(c)(4) status letter, and without that you don't get the grant.

So I don't understand where my colleague is saying it doesn't readily meet your eye. It would seem to me that that was a procedure HUD should have had in place and probably, I assume, the policies and regulations of HUD probably do indicate something somewhere to confirm the status of an entity.

All you would have to do is make a request for their legal status before you would authorize granting moneys. You are shaking your head yes. I think you understand that process is a very simple one. Is that correct?

Ms. GAFFNEY. I think that's correct. From what I have learned in this instance, you would want two things. You would want not only the tax exempt identifier, but you would want the nonprofit identifier, too.

Mr. MARTINI. Well, from my personal experience in this, I mean, I have seen entities as small as the local boys and girls club who are seeking grants from a private foundation, let's say, and the requirements being submitted, as you said, your tax status and your legal status.

Ms. GAFFNEY. Right.

Mr. MARTINI. And within an hour, those materials are usually provided if they're seeking to have funding. It's a very simple process.

So the suggestion a moment ago that this is some mysterious, difficult matter to accomplish is mind boggling to me because I did it every day for 5 years before I got to Washington, and I had the smallest of nonprofits be able to provide that forthwith.

I think your experience or your knowledge of this now would suggest that that's, in fact, true.

Let me try to summarize some of the matters of issue here that you've touched on. Your conclusions are that there was little or no technical or training information at the alleged convention.

And I believe that was the testimony you offered us a few moments ago, is that correct, that there was little or no technical or training information provided at the convention itself?

Ms. GAFFNEY. That's correct.

Mr. MARTINI. And you also referred to it as largely social and political?

Ms. GAFFNEY. An internal NTO business.

Mr. MARTINI. There is also no mystery to that, either. I think the significant thing about your testimony is that you came to that conclusion based on, largely, this video as well as interviews with many of the attendees there?

Ms. GAFFNEY. Correct.

Mr. MARTINI. All right. So I think we ought to try to dispute the suggestion that these are just your opinions, but rather I think, unlike many instances where you don't have the benefit of a video confirmation, we have a video confirmation supporting what your conclusions are, correct?

Ms. GAFFNEY. That is correct. The one thing I would say to you, though, is on the second day of the conference, for instance, there were 5 hours of presentations by HUD officials.

This is subjective judgment on our part that those weren't training courses as such. They were general presentations about the TOP program.

It is conceivable that someone else could look at those same sessions and label them training.

Mr. MARTINI. With regard to NTO, you indicated several things that even in your response to request for information there was little cooperation, and you were required to issue a subpoena; is that correct?

Ms. GAFFNEY. That's correct.

Mr. MARTINI. And that even in response to the subpoena their response was untimely and lacking even after they were served with a subpoena, correct?

Ms. GAFFNEY. That is certainly correct.

Mr. MARTINI. Do you have in your possession any of the financial records of NTO?

Ms. GAFFNEY. We have issued a subpoena to the bank where NTO maintains its account, and we have had full compliance from the bank.

Mr. MARTINI. But not from NTO?

Ms. GAFFNEY. We have been told that NTO simply doesn't have the records. For instance, they gave us summary bank statements, the monthly kind of bank statements, and said they did not have the canceled checks that went with those statements. They simply didn't have them.

Mr. MARTINI. Have you ever received from NTO anything other than the August 1995 convention minutes which we have the benefit of in our packet here?

Have you ever received from them any other minutes of whatever this is, whether this is a corporation or whatever status it is? Have you ever received any other minutes of organizational meetings?

Ms. GAFFNEY. I don't know. We do have some minutes of organizational meetings. I just can't tell you whether we got them from NTO or elsewhere. I can check. Does anyone know? No. We did not get them from NTO. We got them elsewhere.

Mr. MARTINI. To this day, as you're sitting here and testifying, you still do not know what the legal status is of NTO, correct?

Ms. GAFFNEY. I do not.

Mr. MARTINI. Am I correct in understanding that under HUD policies they would not normally be providing grant funds to a for-profit organization? Is that correct? Or under what conditions would they?

Ms. GAFFNEY. Mr. Martini, it is clear to me that HUD has a relationship with NTO that is based on HUD's believing that NTO was nonprofit.

It is further clear to me, if this is answering your question, that had HUD understood NTO to be for profit, HUD would not have had this relationship.

Because, for instance, NTO is a policy advisor. They're on this ad hoc advisory group. I think you would be very leery about bringing a for-profit organization in to give you guidance about your policy.

Mr. MARTINI. I understand that, and I concur with your assessment of it. Apparently, there is nothing in the records of HUD that would indicate their making an inquiry as to the status of NTO.

When was the last time or is there any record in HUD establishing somewhere in time in the past that they had made an inquiry of what NTO's legal status was?

Ms. GAFFNEY. No, sir, there is not. But I would say to you my impression is that that is not limited to NTO. I have seen no evidence that HUD in any rigorous way is asking the organizations we are dealing with to identify their legal standing.

Mr. MARTINI. This is disclosing something that is even more troubling to me because of my prior experience in this field—how simple it is to make inquiries about the status of the entity that you're doing business with—whether it's in the private sector or whether it's in a nonprofit sector, how simple it is.

Especially, HUD is in a position often of issuing grants and fundings to these organizations, and you've now indicated a very enlightening fact, that there doesn't appear to be a practice or a procedure within HUD to make that very simple determination on a consistent, regular basis as part of its overall administrative process. Is that correct? You're shaking your head yes.

Ms. GAFFNEY. I think that's correct. In the process of doing this inquiry, we found memoranda that had been issued by the General Counsel and HUD dealing with this distinction between for-profit organizations and nonprofit organizations.

But I think what you find is that no one has a clear understanding, or at least the people we've been talking to don't have a clear understanding of what that means legally, what that standing is. They are just words that are used.

Mr. MARTINI. I appreciate your forthrightness in this area, but they are words, but they are pretty clearly defined in the IRS Code, and they are pretty clearly defined in State statutes.

Ms. GAFFNEY. I understand.

Mr. MARTINI. Any practicing lawyer can pretty much determine what are the status of entities based on these criteria.

So if nothing else, and I think considerably more has come out from this hearing, I would certainly urge as one of your recommendations that this policy be implemented forthwith.

It's mind-boggling to me hearing this that this was not an isolated incident, that apparently this is a practice of omission that has apparently been done by HUD for many years now, and I can see this having led to and will lead to revelations of considerable other misuses and abuses in this process down the road that may have happened already or may still be occurring.

Mr. SHAYS. I'd like to just get one more question in. Mr. Fattah has asked for time. You have as much time as you want until the vote.

And we have 10 minutes. Let me just say for the record we have about 9½ minutes until the vote.

Mr. FATTAH. Thank you, Mr. Chairman. You indicated that after these interviews you had that, essentially, I think your verbatim counter was that the collective consensus was that it was poorly organized and not worth the money.

That is a comment we hear a lot about the Congress, and I'm just trying to understand, given the nature of conferences and training sessions and the like, whether there is some subjective criterion that is really being used here.

Now, for instance, when you answered Mr. Martini's question—he phrased it for you. He said, "Well, there was little or nothing in terms of training provided."

When you originally testified, you said a few minutes ago that "It was 9 hours or so." I'm trying to understand.

If you go to an ABA convention, American Bar Association, the lawyers, they come. They take a few training programs while they're there.

They write it off on their taxes, saying that they flew to West Palm Beach or somewhere for training, and they've really been playing golf for most of the day.

I'm trying to understand was there 9 hours of training of some sort that was being provided, or was there nothing that redeemed this effort, in your eyes?

Ms. GAFFNEY. In my eyes, and again, this is going to have to be subjective, there were on the second and third day of the conference a total of—the people who did anything like training were the HUD officials who were there.

Mr. FATTAH. OK. And they did 9 hours' worth?

Ms. GAFFNEY. They did 9 hours' worth of program presentations that you could call training.

Mr. FATTAH. All right. Because I heard the questioning, and I just want to make sure we keep the record clear that there was some training or what could be called training.

Ms. GAFFNEY. I wouldn't call it training, but you could.

Mr. FATTAH. Well, we got to start from where we are, too. Now, from what I know about working with the whole effort of resident initiatives is to try to take public housing tenants and to familiarize them with regulations and rules and laws that most of us can't even understand half the time.

And it takes a little while to bring them along to that. You have to start where they happen to be, and you have to work toward that effort.

So for people to assume that basic understanding of programs is not a beginning process of training, I mean, I have some problem with.

Let me move on, though. You said the IRS determined that this organization is tax-exempt?

Ms. GAFFNEY. Yes, in 1972.

Mr. FATTAH. OK. And they have not since revoked that?

Ms. GAFFNEY. No.

Mr. FATTAH. OK. To this day have they revoked that?

Ms. GAFFNEY. No, sir.

Mr. FATTAH. Then let us be clear, then, that the IRS is the taxing authority in this country. We determine what organizations are tax exempt, and any suggestion that they're something other than what the IRS says flies in the face of that determination.

Now, if they have failed to deal with State registration and have since corrected that, that is not a unique concern in the world of nonprofits from time to time.

So the point I would make is that the IRS makes those determinations, and in every single instance where the government wants to determine whether you're tax exempt they ask for the certification letter from the IRS.

That is the document that is provided with every one of these proposals. The point I really want to get to here is that I think we

have to be careful that we don't hold this effort up to standards that we don't hold other efforts up to.

That is, first of all, we talked about the location in Puerto Rico. There are plenty of government sponsored meetings that take place in Puerto Rico.

Second, as I would understand my colleagues on the other side of the isle, they think it's perfectly fine if for-profit or nonprofits do business with the government.

So I don't know why we got off than anyway, because I'm not sure if there was a for-profit that wanted to provide training to help public housing tenants, I would think that we would all be for it—

Mr. SHAYS. No. If the gentleman would just yield a second, the question is there are different procedures if they're for-profit. That's the issue.

Mr. FATTAH. OK. We're not kicking at for-profits, though.

Mr. SHAYS. No. Absolutely not.

Mr. FATTAH. All right. But anyway, the point is that in many, many conferences that we go to and that other professionals go to people play tennis. They play golf. They do all kind of things in between meetings that take place, and they use it as an opportunity to socialize and to do this.

I'm trying to understand why are we treating public housing tenants in this case different, and why aren't we looking at all of the conventions that HUD has paid for or that other Federal agencies have paid for and what particular occasion.

Ms. GAFFNEY. We looked at this particular occasion for only one reason, and that is because we were asked by this committee to do so.

Mr. FATTAH. OK. Let me ask you one last question. Is there anything that you found that you believe and therefore have acted on by sending to the Justice Department any criminal activity by anyone involved in this, anything other than bad judgment?

Ms. GAFFNEY. Yes, sir. We have consulted with the U.S. attorney's office, and we are proceeding in one matter on his advice.

Mr. FATTAH. The Justice Department is proceeding, or the Inspector General is proceeding?

Ms. GAFFNEY. We are proceeding in accordance with advice from the U.S. attorney in one matter.

Mr. FATTAH. Thank you very much.

Mr. SHAYS. Thank you. We have about 4 minutes to vote. We're going to recess, and we'll be back as quickly as we can.

[Recess.]

Mr. DAVIS [presiding]. If we could get everybody back to the table, we can resume the hearing. Ms. Gaffney, I'm going to start the questioning before I yield to Mr. Barrett. Did HUD officials make plans to contact witnesses before a subcommittee hearing on November 9, 1995?

Ms. GAFFNEY. I'm sorry. Could you say that again?

Mr. DAVIS. Do you know if HUD officials made plans to contact witnesses before a subcommittee hearing on November 9, 1995?

Ms. GAFFNEY. At least one HUD staffer was in touch with the chairwoman of NTO prior to the hearing.

Mr. DAVIS. Do you have any evidence that HUD did provide input to the congressional testimony of the NTO chairwoman and another tenant group official prior to the subcommittee's November 9th hearing?

Ms. GAFFNEY. We have the staffer's statement that she did have discussions with Maxine Green, and it was for the purpose of making sure that the programmatic information in Maxine Green's testimony was accurate.

Mr. DAVIS. In accordance with HUD policy on department participation in nongovernmental conventions, who at HUD was responsible for determining that the NTO convention held in Puerto Rico in August 1995 was in the best interests of the department, and who would have been the responsible official at HUD?

Ms. GAFFNEY. I would assume that that would happen at the—well, actually, that determination can be made either at the Assistant Secretary level or the Deputy Assistant Secretary level.

Mr. DAVIS. Do we know where it was made in this case? Did anybody step up and say, "I was the person"?

Ms. GAFFNEY. I haven't heard that, no. Certainly, Mr. Moses, because he attended must have, in some way, decided it was in the best interest of the government.

Mr. DAVIS. OK. So in terms of who at HUD authorized HUD's participation in the August 1995 NTO convention, clearly Mr. Moses—

Ms. GAFFNEY. Well, as I said, it was Secretary Cisneros who was originally invited. My understanding is he could not attend, and he asked Joe Shuldiner, the Assistant Secretary, to attend for him.

Then, it turned out he couldn't go, and that's how Mr. Moses ended up going. So in a sense, it started with the Secretary.

Mr. DAVIS. Did HUD follow proper procedure in authorizing the department's participation in the August 1995 NTO convention?

Ms. GAFFNEY. It seems to me that the degree of HUD involvement in promoting this conference is not typical, is not usual.

Mr. DAVIS. Not usual, meaning it probably did not follow the proper procedure?

Ms. GAFFNEY. Correct.

Mr. DAVIS. OK. Was the NTO convention held in Puerto Rico in August 1995 the only event at which public housing residents could receive the information provided by HUD and NTO at that conference?

Ms. GAFFNEY. No. That's an important point, and I should have told Mr. Fattah that. The way the TOP program works, for instance, is that you cannot draw down the funds until you have received training, and HUD sponsors training programs for that purpose.

In fact, there was training scheduled, as I remember, in November and December 1995, an actual resident initiative training session sponsored by HUD.

Mr. DAVIS. OK. I think that's all the questions that I have at this time. Mr. Martini, I would be happy to yield to you.

Mr. MARTINI. I thank the gentleman for yielding. Just a couple more questions, if I may. You mentioned, Ms. Gaffney, a moment ago that you looked at this incident because this committee had asked you to?

Ms. GAFFNEY. Correct.

Mr. MARTINI. As a result of that request by this committee, am I correct in saying—well, I guess your inquiry has revealed a number of practices which would need to be improved?

Ms. GAFFNEY. Yes.

Mr. MARTINI. I don't know if you're aware of this, but just handed to me a moment ago there has been a news release issued by Secretary Henry Cisneros basically complimenting you.

In light of your findings, HUD has developed stricter guidance on HUD participation in conferences in which Department funds and programs are significantly involved.

He goes on to say further, "We have taken steps to crack down on improper meal reimbursements," which was an issue you did not touch upon in your testimony but is in your report.

"We have informed the Puerto Rico Public Housing Administration that its solicitation of sponsorship funds may have violated HUD regulations, and most importantly, we are seriously weighing the Inspector General's recommendation that we sever all ties with the National Tenants Organization."

Ms. GAFFNEY. I wasn't aware of it.

Mr. MARTINI. I'm pleased to see this statement by the Secretary, and it compliments you and the fine work you've done in making this inquiry.

And I think those who still want to insist even in this committee today, in making light of this, I'm pleased to see at least the Secretary understands that this committee's inquiry has revealed what now is pretty obvious, some serious flaws in a number of the practices in HUD in this area that need to be addressed and that hopefully now will be addressed not just in this one incident because we asked you to do it, but in a multitude of incidents where HUD funds are going out to organizations that maybe heretofore nobody even knew what the status of them were and who we were dealing with, as I think is pretty apparent here twofold, and then I'll wrap up my line of questioning for this moment.

It's pretty apparent here that, one, no efforts were taken to establish who is NTO in many, many years; and two, even in the face of a debarment proceeding and a voluntary suspension by NTO, someone in HUD felt it appropriate to still expend moneys and to have a relationship with NTO even in the very timeframe within which HUD and NTO had agreed that they would not really have relations in terms of interactions with this organization.

So there are many troubling areas here, but the good news is our efforts have at least initiated some serious, hopefully, reforms so that this will not continue to occur.

I'll yield back the balance of my time at this point.

Mr. SHAYS [presiding]. We have a lot of witnesses, and we're going to be going on pretty long. Now, Mr. Barrett, you do have the floor.

Mr. BARRETT. Thank you, Mr. Chairman. I appreciate your holding a second hearing on this issue. The first time that this whole issue was really brought to my attention was at the first hearing when we saw the flyer that talked about the vacation type setting for this conference.

Any taxpayer, any citizen who saw that I think would have been offended by that, and I compliment the Secretary on responding to that, and I compliment you.

I saw Mr. Cisneros' release today, and clearly he feels that you've done a good job. So I appreciate the work that you have done not only for the department but for this committee as well.

I'd like to explore a little deeper the whole issue of the nonprofit status. My understanding, and correct me if I'm wrong, the reason that that's significant is because funds were going from HUD to the NTO. Is that correct?

Ms. GAFFNEY. That's correct.

Mr. BARRETT. As I was looking through your written testimony, it appeared that in April 1994 HUD's OGC, I assume that's Office of General Counsel, advised PIH that there was no legal basis requiring the discontinuance of their relations with NTO pending the final determination of a debarment case.

Ms. GAFFNEY. Correct.

Mr. BARRETT. I infer from that that PIH had contacted the Office of General Counsel asking for their guidance; is that correct?

Ms. GAFFNEY. The Deputy Assistant Secretary made a written request.

Mr. BARRETT. In connection with this conference or just in general?

Ms. GAFFNEY. NTO workshops, conferences, meetings in general whether, because of the proposed debarment the Office of Public and Indian Housing should limit its support, attendance, participation in those meetings and conferences and workshops.

Mr. BARRETT. As I've looked at your testimony, again, I think you've done an excellent job. The phrase that you use from the General Counsel's correspondence was "that department participation in the NTO workshops be tempered by this consideration."

I went to law school. That looks like a lawyer's statement if I ever saw one.

Ms. GAFFNEY. Well, it was a lawyer who wrote it, that's for sure.

Mr. BARRETT. It was sort of on the one hand, on the other hand. And I didn't infer from that statement that any relationship with NTO should be terminated.

Is there more there that's not in your written testimony that made clear that—

Ms. GAFFNEY. No, not at all. Essentially, and I am not a lawyer, but as I read that response, the response was saying, "After all there is something called due process, and at this point it has only been a proposed debarment. There is still a process to go through, but the charges are serious. So you might want to temper your involvement."

What I would have anticipated is once there was either a debarment or a voluntary exclusion that there would have been other guidance based on the acts having taken place.

Mr. BARRETT. OK. And I think that there is plenty here to be critical of, and I'm trying to figure out where we should be the most critical, I think.

And I question here, though, if I'm one who works for public housing and I am not an attorney and someone tells me to temper my consideration, it tells me nothing.

Ms. GAFFNEY. Exactly. I agree with you, and they didn't. It led them to no action.

Mr. BARRETT. Who do you think had the onus, then, once the debarment took place to take the next step? Was the public housing, or should the General Counsel's Office have contacted them as a followup? What do you think would have been appropriate in this situation?

Ms. GAFFNEY. It seems to me that the most failsafe system would have been that the Office of General Counsel would have been tracking, as they do track, those cases and would notify their client, in this case Public and Indian Housing.

HUD is a very compartmentalized agency, and this action was being brought by the Office of Housing. There is no reasonable assurance that actions by the Office of Housing would be made known to the Office of Public and Indian Housing.

Mr. BARRETT. What is your recommendation with NTO in general?

Ms. GAFFNEY. At this point?

Mr. BARRETT. At this point.

Ms. GAFFNEY. That HUD suspend, cease any dealing, participation with, financial support of NTO until HUD figures out what their legal standing is.

Mr. BARRETT. OK. If NTO filed the necessary documents with the State that it's incorporated in and with the IRS, what would be your recommendation at that point?

Ms. GAFFNEY. I think were I the Assistant Secretary for Public and Indian Housing, I would say to myself this is an organization that has existed for 27 years in a whole series of fronts.

It is clear that this organization lacks organization, lacks management, lacks the basic kind of skills that we expect in entities we deal with, and I would reevaluate my dealings with them even if they were legally established.

Mr. BARRETT. Let me ask the followup question, because I think from your earlier statements that you think that there is a role for a management-tenant organization.

Ms. GAFFNEY. Surely.

Mr. BARRETT. How do you think we should then proceed after this debacle to achieve that goal? Assuming that the Department of HUD would follow your recommendation and cease dealings, how then do we create a tenants organization, or what would you recommend there?

Ms. GAFFNEY. NTO is only one of various tenant organizations. I think the first thing HUD should do is sit back and take a long hard look at each one of them and decide which are really viable, legal entities that are capable of producing substantive results.

Mr. BARRETT. In the course of your investigation, did HUD try to cover up its involvement with NTO at all? Did you see any evidence of that?

Ms. GAFFNEY. Mr. Moses has a view of his relationship with NTO which is at odds with our view based on the record. In interviews with other PIH staff, particularly one staffer, the testimony changed significantly over time even when it was sworn statements.

Mr. BARRETT. OK. And finally, of this whole investigation, what offended you most, I guess, is the bottom line question that I have for you?

Ms. GAFFNEY. What offends me most is that something as important as resident management appears to me to be used as—I don't even know how to describe it—a scam. That's what offends me.

Mr. BARRETT. A scam by whom?

Ms. GAFFNEY. I think there are a number—and I apologize to Mr. Towns, because you're asking for my personal views.

Mr. BARRETT. That's what I'm asking for.

Ms. GAFFNEY. I think there are a number of parties who have participated in this scam over a period of years who have known that a lot of what has happened has not been substantive, and it has been an insider's kind of secret that we just put up with.

Mr. BARRETT. OK. Thank you.

Mr. SHAYS. You've been testifying longer than we expected, but it's very important that you testify. I haven't yet asked questions, and I do want to say something.

We have four separate people testifying, and I do want to make sure the Members ask questions. You're not a member of this subcommittee, correct?

Mrs. COLLINS. No, but I was recognized before you came.

Mr. SHAYS. OK. I'm going to ask my questions. There are a few points that I wanted to be very clear about. Is it illegal for any housing authority to solicit funds from people who do business with a housing authority?

Ms. GAFFNEY. Yes. Contractor, yes.

Mr. SHAYS. It is illegal to do that?

Ms. GAFFNEY. Yes.

Mr. SHAYS. So if, in fact, this was happening, they would have committed an illegal act?

Ms. GAFFNEY. Illegal—no, I'm sorry.

Mr. SHAYS. Against the rules and regulations?

Ms. GAFFNEY. Regulation. Regulation, yes.

Mr. SHAYS. OK.

Ms. GAFFNEY. It violates the regulation.

Mr. BARRETT. I'm sorry.

Mr. SHAYS. Yes.

Mr. BARRETT. Can we clarify?

Mr. SHAYS. Sure.

Mr. BARRETT. Does that mean a criminal act, or would that mean a violation of—

Ms. GAFFNEY. It's an administrative violation.

Mr. BARRETT. Not a criminal act?

Ms. GAFFNEY. That's correct.

Mr. BARRETT. OK. I just wanted to clarify.

Mr. SHAYS. That's a very important clarification. So it would be against the rules and regulations of HUD for a housing authority to solicit funds?

Ms. GAFFNEY. Correct.

Mr. SHAYS. Now, what is the testimony that you have that would substantiate or give an indication that the housing authority in Puerto Rico was soliciting funds from contractors?

Ms. GAFFNEY. There is a memorandum from the press and community relations officer of the housing authority in Puerto Rico which summarized a meeting at which this was discussed, and it includes a determination that was made to solicit contributions from the management agents. And the memorandum was sent to the management agents.

Mr. SHAYS. Now, is it your testimony that money, in fact, was raised by contractors?

Ms. GAFFNEY. We have the checks from the individual contractors that were made out to the hotel. We have copies of the checks.

Mr. SHAYS. And the checks were made out to the hotel?

Ms. GAFFNEY. Correct. And that was the instruction from the Puerto Rican Housing Authority.

Mr. SHAYS. OK. Now, how do you know it was the instruction from the Puerto Rican Housing Authority?

Ms. GAFFNEY. I can't remember the answer to that.

Mr. SHAYS. OK. Well, let me ask you this: You did say that you were told by—this is an important question that we need to establish.

When I was here earlier, I thought you said that the press secretary had substantiated that they had solicited funds.

Ms. GAFFNEY. What I said before is we interviewed three of the management agents, and we asked them, "Why did you write these checks to the El San Juan Hotel?"

And they said, "Because we were instructed to do so," and the vehicle, the conduit for conveying that message was the press assistant to the executive director of the public housing authority in Puerto Rico.

Mr. SHAYS. And it's your testimony that how much money was, in fact, raised?

Ms. GAFFNEY. \$32,000.

Mr. SHAYS. OK. So there was \$32,000 raised from contractors solicited by the housing authority?

Ms. GAFFNEY. Correct.

Mr. SHAYS. Is it your testimony that NTO was given \$225 per participant or per housing authority?

Ms. GAFFNEY. No, per participant at the conference. It was a registration fee.

Mr. SHAYS. That was the registration fee?

Ms. GAFFNEY. Per person.

Mr. SHAYS. OK. And that total registration fee amounted to what?

Ms. GAFFNEY. Approximately \$46,000 based on the work that we did.

Mr. SHAYS. How many subpoenas have you had with NTO?

Ms. GAFFNEY. I think, there has been only one. Correct.

Mr. SHAYS. And it's your testimony that because they were not cooperative you were forced to get information from the tenants who participated in this program themselves? What is your testimony as it relates to the cooperation of NTO?

Ms. GAFFNEY. Two things. One, NTO was very untimely in responding to the subpoena. It was a matter of a couple of months before they got back to us.

When they got back to us, it was with what I have called fragmentary information. Now, I don't know what that means. If we assume that they, in good faith, were trying to respond to the subpoena and they have only fragmentary information, that means a lack of recordkeeping, a lack of records.

What the attorney said is that the chairwoman simply didn't have anything else.

Mr. SHAYS. What kind of information did you request that NTO provide?

Ms. GAFFNEY. For instance, the names of the people who were attending the conference.

Mr. SHAYS. Is that somehow privileged information?

Ms. GAFFNEY. No, no, no. At one point we had asked that NTO identify their membership to us, and their response was that was beyond our purview in this inquiry.

And we agreed with that and asked them only for the people who attended.

Mr. SHAYS. And they did not give you the names of the people who attended?

Ms. GAFFNEY. No. We asked for the financial records. NTO is associated with the conference—

Mr. SHAYS. They did not give you the financial records?

Ms. GAFFNEY. No. Eventually, after some period of time, what they gave us were 3 monthly bank statements for the NTO account.

There were no canceled checks supporting them. We were, therefore, not able to use the information because it's impossible to know. You understand what I'm saying.

Mr. SHAYS. Now, this was advertised as the National Tenants Organization's 1995 Convention, August 20th to the 24th. So it was advertised as the National Tenants Organization's 1995 convention. Is that what it was?

Ms. GAFFNEY. Correct.

Mr. SHAYS. OK. Relate to me how there would be a convention of either a nonprofit organization or a private business, and describe the connection between the use of money from HUD that is for training and development.

Is it the responsibility of HUD to pay people to go to an annual convention of an organization?

Ms. GAFFNEY. I think the answer to that is absolutely not.

Mr. SHAYS. The money is set aside for what?

Ms. GAFFNEY. I think the reason that HUD called this a training conference instead of the biennial convention was because the way you could use the Federal fund appropriately would be for training.

Mr. SHAYS. We have a lot of other witnesses. We have two Members who are not members of this subcommittee. Would either of them like to ask questions? Mrs. Collins.

Mr. CONYERS. Thank you, Mr. Chairman. Good afternoon. Oh, I'm sorry. Did you say Mrs. Collins?

Mr. SHAYS. Yes, I did.

Mr. CONYERS. Excuse me, please. My hearing has become impaired because of many years of service in the House of Representatives. I apologize. [Laughter.]

Mr. SHAYS. Let me just say for the record we are going to be going through this hearing and conducting a thorough investigation.

Members who are members of the full committee are, by invitation, welcome to participate today, but it's at our invitation.

It would be appreciated in the future that the decision to participate would first be made to the chairman before participating.

There has been no dialog between us. We're just trying to gauge the amount of time it's going to take to conduct this hearing. Mrs. Collins, you have the floor.

Mrs. COLLINS. Thank you, Mr. Chairman, for recognizing me and allowing me to participate in this subcommittee hearing.

Before you came in, Chairman Davis had put my name on the list to speak, and I guess he just failed to communicate that to you.

Ms. GAFFNEY, you said that there are other organizations besides NTO. Could you name a couple of them?

Ms. GAFFNEY. Yes. The National Tenants Union is one. National Tenants Education Association, National Association of Resident Management Associations.

Mrs. COLLINS. And they're all active as the National Tenants Organization is?

Ms. GAFFNEY. Yes.

Mrs. COLLINS. It seems to me that you have a lot of concern about NTO, and I just wonder, when you have a community, a grass roots organization that is so much involved in the community activities of public housing that instead of discontinuing relationships that you would seek to educate them or help them tighten up their organizing abilities. Have you ever thought of that, or have you ever thought of recommending that?

Ms. GAFFNEY. I think what has happened is that HUD has had long-standing relationships with these organizations. I am not aware of HUD's trying to get the organizations to tighten up their procedures.

I think it has just been business as usual over quite a long period of time.

Mrs. COLLINS. Has HUD instituted any internal controls in response to this inquiry?

Ms. GAFFNEY. I am told that the Secretary issued a press release today saying that he was doing so. I wasn't aware of that before the hearing.

Mrs. COLLINS. That he was going to start doing that. Are those other organizations as active as NTO?

Ms. GAFFNEY. Yes. There are a number. There are particularly five.

Mrs. COLLINS. And as organized throughout the country?

Ms. GAFFNEY. Yes.

Mrs. COLLINS. Then why does HUD have one relationship?

Ms. GAFFNEY. HUD doesn't have just one relationship. For instance, HUD has an ad hoc advisory committee that consists of nonprofit organizations to advise on resident initiatives. There are five organizations on that ad hoc committee. NTO is only one.

Mrs. COLLINS. What do you think of my suggestion that HUD attempt to get professional help through the educating and organizing of NTO and the way they should function?

Ms. GAFFNEY. I think you're absolutely right. I don't think you necessarily throw the baby out with the bath water. I think the first thing HUD should do is stand back, look at all these organizations, find out what their legal status is, make sure their finances are in shape and we know who we're dealing with.

Assuming we are dealing with good entities, then tighten up. Establish the rules. Say this is how we want it done and then exact accountability. Surely.

Mrs. COLLINS. Thank you. Thank you, Mr. Chairman.

Mr. SHAYS. Yes. Mr. Conyers, I'd love to have you participate, if you'd like.

Mr. CONYERS. Thank you, Chairman Shays. It's good to be here with formerly the Government Operations Committee. I don't have any comments at this time.

This is an interesting subject, and I'm delighted that you'd allow me to sit with you. I'm hoping that through the good offices of yourself and this committee we can find some common ground to get this resolved.

It is not a Federal Government policy to single out some community group and hang them out to dry about accounting discrepancies, assuming that there are some.

I'm just here to honcho this thing along with you, and if you ask me to become the chairman again of the subcommittee, I'd be happy to accept for a limited time for the purpose of this hearing. Other than that, I don't have a thing to offer.

Mr. SHAYS. The challenge, Mr. Conyers, is that we intended only to have one hearing, and we were, basically, told things that weren't true by HUD and by others who participated in the first hearing, and that necessitated further investigation.

The reason why I'm not smiling right now is I'm not happy that we had to have a second hearing. And I want to assure both of you, because I know very sincerely that you believe that tenant organizations need to be empowered and that we need to do more, not less.

It would be hypocritical of any Republican, in my judgment, to suggest that somehow we shouldn't empower people. That's a word that we all use.

The real question is with the limited funds available were they being used properly? That's, hopefully, what we intend to get at.

Mr. CONYERS. Thank you, Mr. Chairman. And I want to assure you that I know that that's what you believe as well as we. Thank you, sir.

Mr. SHAYS. Thank you for saying that. Just one last point, and then we're going to get on to our next witness, unless you have any others.

I know Mr. Davis asked you about the potential that HUD interacted with other organizations to try to complement their testimony before this committee.

I'm interested if you could be more specific. What exactly are you suggesting?

Ms. GAFFNEY. We have a copy of an e-mail message that talks about the advisability of someone from HUD getting in touch with Maxine Green.

Mr. SHAYS. Could you get that memo, and would you read it, please? Let me just ask you if this is the memo. It's an e-mail? Please say who it's from, who it's to and what it is.

Ms. GAFFNEY. This is a message from Patricia S. Arnaudo to Paula O. Blunt.

Mr. SHAYS. And will you identify those people?

Ms. GAFFNEY. Yes. Patricia Arnaudo was the Deputy Director for Program Development in PIH. I don't know Paula Blunt's title. Can someone help me? Acting Deputy Assistant Secretary for Community Relations and Involvement.

"Subject: Testimony. Kris mentioned we should try to at least have input into the testimony of Bertha and Maxine. I know what they're"—and that's misspelled. I suppose it's supposed to be t-h-e-i-r, "they're issues are generally, but want to discuss how we propose what PIH/Kevin wants. Let's discuss."

From that, because of this message that we found——

Mr. SHAYS. Would you identify the last names of the two people, Bertha and so on?

Ms. GAFFNEY. Bertha Gilkey and Maxine Green were the two persons who were to testify at your November——

Mr. SHAYS. So it's the basis of this e-mail. Is there any other——

Ms. GAFFNEY. This e-mail, I'm sorry, was dated 11/2/95.

Mr. SHAYS. Was there anything besides this that led you to believe that there was an attempt to influence the testimony before this committee?

Ms. GAFFNEY. Yes. Well, we have interviewed Pat Arnaudo on numerous occasions, and her statements have changed quite significantly during the course of those interviews.

Her last statement is that, in fact, she was in touch with Maxine Green prior to the——

Mr. SHAYS. She was or wasn't.

Ms. GAFFNEY. Was, for the purpose of making sure that Maxine Green, in her testimony, was being accurate from a programmatic point of view.

We have telephone records both from the office and Ms. Arnaudo's home phone number listing many calls to Maxine Green during the period immediately before the November 9th hearing.

Mr. SHAYS. Thank you. Is there anything else that you would like to say before the committee? I notice that you did not share with us your four recommendations, and I think that given all the work you've done you may want to just share what you recommend.

Ms. GAFFNEY. We have recommended, and I think this goes to many of the comments that were made here, that HUD needs to institute a system of controls over the entities it's doing business with, and over its participation in outside conferences and conventions.

From what we have seen, the system that is in place gives us no assurance that we are spending money wisely in that regard.

We are recommending that HUD issue a reprimand or other administrative action to the Puerto Rican Housing Authority regarding the solicitation of contractor contributions.

We are further recommending that HUD sever all relations with NTO until we establish what its legal standing is, what its tax standing is, what its constituent base is.

Although we haven't made that recommendation explicitly, certainly HUD should be doing that with all of the groups that it is doing business with, not just NTO.

And finally, we're making a recommendation that seems so obvious, and that is that HUD needs to have a system of communicating within HUD, so if action is taken against an individual in one program area and they're doing business in another program area, the other program area at least finds out about it.

Mr. SHAYS. They seem like logical recommendations, and I thank you for them. Let me say I know you have done very thorough work. I know you have worked very hard.

You have made a contribution to this committee, and I also know that this isn't always a pleasant experience for you having to come before a committee and sharing information like this. So with that, I thank you, and we'll get on to our next witness.

Our next panel is Maxine Green and Miguel Rodriguez. Maxine Green is the president of the National Tenants Organization, and Miguel Rodriguez is executive director of Puerto Rican Public Housing Authority.

I'd welcome both witnesses to come to the witness table, and we welcome their testimony. Please remain standing.

If there is anyone from the Public Housing Authority that you would like to have share testimony, I would welcome them to participate, and they would be sworn in as well. We just want to identify who they would be.

Mr. RODRIGUEZ. Mr. Chairman?

Mr. SHAYS. Yes.

Mr. RODRIGUEZ. We have somebody who is going to be by my side just to help me in translation in English.

Mr. SHAYS. All right. I'm uncertain whether an individual like that would be sworn in or not. It would just be for translation purposes?

Mr. RODRIGUEZ. Yes.

Mr. SHAYS. OK. Thank you. If you both would raise your right hand.

[Witnesses sworn.]

Mr. SHAYS. And for the record, we'll note that both have answered in the affirmative and welcome you to sit down. Please be seated.

One time at a HUD hearing I asked a number of questions from someone, and when I saw it on TV that night I cried because I felt that I had been unfair to the witnesses.

I try to remember that some day I might be on the other side of the table. We want to be fair to both witnesses before us, and I say that to you, Ms. Green and to you, Mr. Rodriguez.

I want to make sure that you have time to say whatever you want to say. I also want to say that I don't want to put words in your mouth. You are under oath, and it is important that you be very clear on what you're saying.

I will also say that when we did a major HUD investigation with Tom Lantos, the time people got most in trouble wasn't that they

shared embarrassing information or information that could cause a reprimand.

They got in trouble because they simply didn't tell the truth. I'm just saying that if there is anything embarrassing, better that it be embarrassing than not truthful.

With that, Maxine Green, we'll start with your testimony and welcome you here today, and then we'll go to Mr. Rodriguez.

Ms. GREEN. Thank you.

Mr. SHAYS. One thing I'm going to have to request is that you put the mike a little closer, just so we make sure we hear you.

STATEMENTS OF MAXINE GREEN, CHAIRPERSON, NATIONAL TENANTS ORGANIZATION, AND MIGUEL RODRIGUEZ, EXECUTIVE DIRECTOR, PUERTO RICO PUBLIC HOUSING ADMINISTRATION, ACCOMPANIED BY JIM HAUGHTON

Ms. GREEN. Good afternoon, Mr. Chairman.

Mr. SHAYS. Excuse me. I first want to note that both witnesses answered in the affirmative in terms of the oath, but then I just want to have unanimous consent.

I ask unanimous consent that all members of the subcommittee be permitted to place any opening statements in the record and that the record remain open for 3 days for that purpose. And without objection, so ordered.

And I also ask unanimous consent that our witnesses be permitted to include their written statements in the record. They can summarize. You can read your statement. We're not suggesting what you do, but if you choose to summarize, your written statement will be in the record.

Thank you. I'm sorry to interrupt you.

Ms. GREEN. To the members of the subcommittee, my name is Maxine Green, and I am the chairman of the National Tenants Organization.

I thank you for inviting me here today, but most importantly, I thank God for making it possible for me to be here today so that we might be able to solve this problem and, hopefully, get on with the work of the National Tenants Organization, because the conditions in public and assisted housing are many.

I came here to testify in reference to the NTO 1995 convention that was held in San Juan, Puerto Rico, August 1995.

However, there were many other issues raised here today that I must address. It was raised about the disbarment, and I don't understand how that relates to the convention.

I must state that the disbarment was of NTIS, and prior to the disbarment we were supposed to go to court to solve of problem.

However, NTO was never privy to go to court, and the case was dismissed. In 1993, it was reopened again here in Washington, DC to discuss what had happened to the case previously.

After hearings and depositions and meetings and letters and faxes and et cetera, that case was also considered to be a dismissal based on my not accepting any activities with multi-family management purchasing of properties.

I had absolutely no intentions of purchasing or managing any HUD property. Therefore, I volunteered to be disbarred for that

type of activity for 2 years so that I might function as the chairwoman of the National Tenants Organization.

I understood that to be perfectly satisfactory to all officials of HUD. I worked very carefully with HUD, and the reason for that was we felt that we were building a partnership with HUD, tenants and the executive director throughout this Nation so that we could improve programs that gave tenants greater opportunities to improve their lives.

And that's why I thought we were working in harmony with HUD. I thought we were building that kind of partnership. So of the many questions that have been raised here today that might have not been directed to the convention, I think first of all we must indicate for the records that the National Tenants Organization is not funded by HUD.

We do not directly receive 1 penny from HUD, and they always indicate funding, the letters that I receive. They state, "Because of your funding, because of your requests for fundings," NTO do not receive any funds from the Federal Government.

To question tenants and the amount of money that might be used for each of those participants, as they did question me, I informed the IGs that the information that they requested from me was utterly impossible for me to give them at all because they asked me the amount of money that each HUD participant receives from the Federal Government when they're in trouble.

I'm not aware of what their per diem might be. The only money that NTO is accountable for the amount is the registration for each tenant that attends NTO's convention, conference or workshop.

We must, however, make that clear that we are a not-for-profit organization that is registered in the State of Florida as of 1995.

I must also say that as far as what amount of money tenants are given when they travel, NTO cannot make that information available to the IGs.

I explained quite clearly to the IGs that I was willing to cooperate in any way that I could. However, this information I could not give them.

When they requested that I give them my membership list, I was uncomfortable to do that, because when tenants are members of certain organizations, sometimes and most often they are intimidated and harassed if they go to meetings and would rather not have their names listed as a member of any organization.

And we felt it was the right to associate, and therefore we could not at that time submit the list of members to the IGs.

However, we said, "We have no problem in giving you the list of board members who are elected to represent tenants throughout the country.

"We have no problem in giving you the registration forms of all of tenants who attended the NTO convention, and those counsels who are affiliates of NTO I cannot give you the members because each affiliate council represents the tenants who live in that particular council."

So therefore, all of the members in the State of Michigan, city of Detroit, each of those councils are represented as affiliates, and all of the tenants in the city of Detroit are members of NTO.

And hopefully, Mr. Chairman, we'll be able to solve this problem, and then we can give some tenant assistance to the major problem that is going on in Detroit.

I must also address the concerns of the IG, when she spoke about telephone calls from my house to HUD or to HUD to me.

I would like to ask a question. Is my phone tapped? I'm concerned about that. How does she know who called me? That's a serious concern that I have.

And I do not at any time deny the fact that I talked to Pat Arnaudo on the telephone evenings, afternoons, mornings, sometimes Saturdays.

But all of those conversations were in reference to absolutely nothing that I thought was different, because all of our conversations were in reference to what we might do in some of the workshops, what the agendas might be, who would we have attending and information that was relevant to tenant work that came out of an initiative.

So I don't have any reason to deny that, yes, I talked to Pat Arnaudo on the telephone, but this message that you read here today, I am not very familiar with that one.

I do have a statement I would like to address to you from this partially, and as I go, I might have other references that I would like to make because I think that I might be doing an injustice to tenants around the country if I should not raise some of the major problems that they are confronted with.

And because I was elected to be the spokesperson for tenants who live in public housing, I would like to address their concerns.

Mr. SHAYS. The Chair will show some significant latitude in your testimony, but we do want to address this conference. This is what the hearing is about.

Ms. GREEN. Yes.

Mr. SHAYS. OK.

Ms. GREEN. Well, NTO is very proud of its contribution as a public housing advocate, including its role in the enactment of the Brooke amendment, the procedures for the election of tenants for tenant councils and policies regarding gun control and drug control in public housing.

NTO's membership is composed of local tenant organizations representing residents of the national public and assisted housing units that's administered by the Department of Housing and Urban Development.

And to qualify to be an affiliate of the National Tenants Organization, you must have a democratically elected officers, the majority of whom must be tenants.

NTO has affiliates in all regions of the country, including Puerto Rico and the Virgin Islands. NTO's memberships include tenant groups such as the Citywide Council of Syracuse Low Income Housing Residents, the C.J. Peete Housing Council of New Orleans and the Tenant Council of New Jersey, the Tenant Council of Hartford and others.

Mr. SHAYS. Excuse me. Would you move the mike a little closer to you? That will help.

Ms. GREEN. NTO conventions and other activities are open to all tenants who are members of the NTO affiliates. NTO and its affli-

ates represent thousands of public housing tenants across the Nation.

It is ironic that this hearing occurs at the time when NTO is currently concerned with the massive efforts underway to dismantle the public housing program.

While we understand that the committee's responsibility is to oversee HUD's supervision of all public housing expenditures, we believe that the investigation has distracted HUD's personnel and the NTO Board from focusing on the true problem—literally the survival of public housing.

The board of directors of the National Tenants Organization is elected by its members, and the Board meets regularly in person or by telephone conferences at least once a quarter.

As the chairwoman, I am responsible for carrying out the policies of NTO. I serve as the organization's primary representative and spokesperson.

Because NTO has no salaried staff, I also coordinate all of NTO activities, do all the work for the board meetings, plan conventions and conferences and handle all other administrative matters.

I work for NTO full-time without a salary, and much of that time is spent working with HUD, and we work around the clock talking about policy changes, the improvement of programs and many other activities.

NTO receives no funding from the Federal, State or local government entities. It relies almost exclusively on membership dues and conference and convention registration fees to operate.

NTO works both with tenants and housing authorities across the country to develop and implement strategies to help improve the living conditions of citizens who reside in public and assisted housing.

NTO has also endeavored to work closely with Federal, State and local officials, including Secretaries of HUD from both political parties, to help shape the housing policies, delivery system and other programs developed to assist residents to ensure that tenants are current on all Federal programs, to bring information and give them the kind of information that's necessary to improve their lives.

When we have conferences and conventions and speak about training, we do not endeavor a total training session. So when you talk about training, we must define what training is. Because if we have a conference or a convention and these workshops relate to the issues, such as TOP programs, home ownership, 5H programs, Section 8, Section 3. Particularly, in the last year, we had to talk about the blueprint and the downsizing of HUD and the budgets.

And all of this means tenants must know what's going on, and that's what NTO is about, to inform the tenants throughout this Nation about the kind of programs that are available for them, to get the rules and regulations and all the guidelines from HUD and disseminate that to them, to invite HUD's department to come and speak to the tenants on these kind of programs.

Because I remember when we had our conference in 1994 in Atlanta, it followed the HUD training program for TOP, which consisted of 700 to 800 residents, and that workshop was so large that many of those tenants flowed over to the NTO conference and

asked that we send a letter to the Secretary asking that there be smaller workshops because they were just too big, that NTO should have training programs, training workshops that would give more assistance and understanding to those tenants who had not been involved in any programs before. And that's what we would like to do.

We understand, from your letter of invitation to this hearing, that particular interests were going to be discussed for the 1995 NTO convention held last year in San Juan, Puerto Rico.

At the outset, I advised you that the choice of Puerto Rico originated with the Puerto Rican delegation in 1994 at the conference in Atlanta, their second request. They had asked in the year before but confirmed the following year.

And the reason for that is Puerto Rico has the second largest population of residents. They have, it's my understanding, 60,000, I think, units or 332 developments and a very active group of tenants and a very involved economic development training program.

We were able to visit and find this to be a reality. We were very, very happy that these tenants invited us there, and I know that you have spoken about the invitation that we sent out.

But I think that when the invitation was read, the flyer that you selected to choose to talk about, there was a very, very important part of that flyer that was omitted.

And at the very bottom of that I think it states that, "If you would promise me that you would be on time for the workshops from 9 to 5," because it was important that you be there, that flyer was one of announcement of seven pages.

No one spoke about the page that said, "We promise you the most constructive workshops and information that you will never forget."

We didn't know, of course, at that time that this would be a convention that we would never forget, but I think we ought to think in terms of—you talked about the amount of money that we received, and I think it was less than the amount you have.

But we're talking about a figure of, I think she said, \$35,000, something in that neighborhood, and someone said to me that it was millions of dollars that have been spent on having this hearing.

And Congressman Shays, I hope that's not true. I hope it's not true that that much—

Mr. SHAYS. Ms. Green. Ms. Green.

Ms. GREEN [continuing]. Money could be spent on that convention.

Mr. SHAYS. Ms. Green.

Ms. GREEN. Yes.

Mr. SHAYS. We're going to get nowhere if you even insinuate for a minute that this committee is spending millions of dollars—

Ms. GREEN. No. I'm asking.

Mr. SHAYS. No. You are insinuating. And let me just say something. I'm willing to give you an honest chance, but we're not going to be intimidated by questions like that.

The bottom line is we have had one hearing. We wanted to end that hearing. We did not have you present at that hearing, though you were invited, and we got answers that were simply not true.

Now, this hearing may last longer if we don't get answers, and I want to make sure you keep addressing to the best of your ability, while you are here under oath, please address this hearing and why you are here, and then we're going to get to the next speaker.

We have two other panels after you, and we will be asking you some extensive questions. So as soon as you're finished, we'd like to ask you some questions.

Ms. GREEN. Thank you very much. For the record, I would like to indicate that I was not present at the last conference because I was ill, and I sent that information to you, and I returned your ticket because I was not able to attend.

Mr. SHAYS. That is the reason why we are having a second hearing.

Ms. GREEN. OK. As far as the duplication is concerned, that was brought to my attention. Really, the following paragraph deals with the information you have already as far as the kind of information that you are referring to.

I am, however, going to leave with you a copy of my total and full statement that I would like for the record. The participation of tenant representatives at the NTO conferences is supported by the local housing authorities and private resources often raised from churches and community groups as well.

In 1995, HUD decided in advance of the convention that the costs of the tenants' attendance was an allowable expense for the housing authorities.

Two HUD letters that were related to the allowability of tenants' cost to the Puerto Rican Housing Authority which was co-sponsored by the Housing Authority of Puerto Rico.

The information was distributed with HUD's support to various housing authorities. HUD provided NTO with some mailing labels and 200 to 300 copies of convention announcements, and packages were sent to me in Florida.

Some of the information was faxed relating to the convention to various housing authority directors. HUD officials gave speeches at the convention and conducted training workshops and participated in the convention town hall meeting where they discussed with tenants various HUD initiatives and programs.

HUD provided current descriptions of various HUD programs for distribution to the parts pace of tenants. NTO officers endeavored to plan and conduct a convention that was instructive and informative for the tenant representatives.

Evaluations collected by the HUD Inspector General which NTO obtained through the Freedom of Information Act reflect that the vast majority of the conference participants found the very anxious to be helpful, informative and productive.

And with this background, I submit the statement. I will be happy to respond to whatever questions the committee wishes to ask. Again, I thank you for this opportunity.

[The prepared statement of Ms. Green follows:]

STATEMENT ON BEHALF OF
NATIONAL TENANTS ORGANIZATION

MS. MAXINE GREEN, CHAIRPERSON

STATEMENT

GOOD AFTERNOON, MEMBERS OF THE SUBCOMMITTEE. MY NAME IS MAXINE GREEN. I AM THE CHAIRPERSON OF THE NATIONAL TENANTS ORGANIZATION. NTO WAS FOUNDED IN 1968 BY THE LATE JESSE GRAY, AND PUBLIC HOUSING TENANTS FROM AROUND THE COUNTRY – MYSELF AMONG THEM. THROUGHOUT THE LAST TWENTY SEVEN YEARS, NTO'S MISSION HAS BEEN TO ENSURE THE EXISTENCE OF DECENT, SAFE, AND SANITARY HOUSING AT RENTS THE POOR CAN AFFORD TO PAY. NTO IS PROUD OF ITS CONTRIBUTIONS TO PUBLIC HOUSING, INCLUDING ITS ROLE IN THE ENACTMENT OF THE BROOKE AMENDMENT, THE PROCEDURES FOR ELECTION OF TENANTS FOR TENANT COUNCILS, AND POLICIES REGARDING GUN CONTROL AND DRUG CONTROL IN PUBLIC HOUSING.

NTO'S MEMBERSHIP IS COMPOSED OF LOCAL TENANT ORGANIZATIONS REPRESENTING RESIDENTS OF THE NATION'S PUBLIC AND ASSISTED HOUSING UNITS ADMINISTERED BY THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT. TO QUALIFY FOR

AFFILIATION, TENANT ORGANIZATIONS MUST HAVE DEMOCRATICALLY ELECTED OFFICERS, THE MAJORITY OF WHOM MUST BE TENANTS. NTO HAS AFFILIATES IN ALL REGIONS OF THE COUNTRY, INCLUDING PUERTO RICO AND THE VIRGIN ISLANDS. NTO'S MEMBERS INCLUDE TENANT GROUPS SUCH AS THE CITYWIDE COUNCIL OF SYRACUSE LOW INCOME HOUSING RESIDENTS, THE C.J. PEETE HOUSING COUNCIL OF NEW ORLEANS, THE TENANT COUNCIL OF PATERSON, NEW JERSEY, THE TENANT COUNCIL OF HARTFORD, AND OTHERS. NTO'S CONVENTIONS AND OTHER ACTIVITIES ARE OPEN TO ALL TENANTS WHO ARE MEMBERS OF NTO'S AFFILIATES. NTO AND ITS AFFILIATES REPRESENT THOUSANDS OF PUBLIC HOUSING TENANTS ACROSS THE COUNTRY.

IRONICALLY, THIS HEARING OCCURS AT A TIME WHEN NTO IS CURRENTLY CONCERNED WITH THE MASSIVE EFFORTS UNDERWAY TO DISMANTLE THE PUBLIC HOUSING PROGRAM IN THIS COUNTRY. WHILE WE UNDERSTAND THE COMMITTEE'S RESPONSIBILITY TO OVERSEE HUD'S SUPERVISION OF PUBLIC HOUSING EXPENDITURES, WE BELIEVE THAT THE INVESTIGATION HAS DISTRACTED HUD PERSONNEL AND NTO BOARD MEMBERS FROM FOCUSING ON THE TRUE PROBLEM - LITERAL SURVIVAL OF PUBLIC HOUSING.

THE BOARD OF DIRECTORS OF NTO IS ELECTED BY ITS MEMBERS. THE BOARD MEETS REGULARLY IN PERSON OR BY TELEPHONE CONFERENCE AT LEAST ONCE A QUARTER. AS THE CHAIRWOMAN, I AM RESPONSIBLE FOR CARRYING OUT THE POLICIES OF NTO. I SERVE AS THE ORGANIZATION'S PRIMARY REPRESENTATIVE AND SPOKESPERSON. BECAUSE NTO HAS NO SALARIED STAFF, I ALSO COORDINATE ALL NTO ACTIVITIES, DO ALL THE PREPARATORY WORK FOR BOARD MEETINGS, CONVENTIONS AND CONFERENCES, AND HANDLE OTHER ADMINISTRATIVE MATTERS. I WORK FOR NTO FULL TIME, WITHOUT A SALARY.

NTO RECEIVES NO FUNDING FROM FEDERAL, STATE, OR LOCAL GOVERNMENTAL ENTITIES. IT RELIES ALMOST EXCLUSIVELY ON MEMBERSHIP DUES AND CONFERENCE AND CONVENTION REGISTRATION FEES TO FUND ITS OPERATIONS.

NTO WORKS WITH BOTH TENANTS AND HOUSING AUTHORITIES ACROSS THE COUNTRY TO DEVELOP AND IMPLEMENT STRATEGIES TO HELP IMPROVE THE LIVING CONDITIONS OF THE CITIZENS WHO RESIDE IN PUBLIC AND ASSISTED HOUSING. NTO ALSO HAS ENDEAVORED TO WORK CLOSELY WITH FEDERAL, STATE AND LOCAL OFFICIALS,

INCLUDING THE SECRETARIES OF HUD – FROM BOTH POLITICAL PARTIES – TO HELP SHAPE THE HOUSING POLICIES, HOUSING DELIVERY SYSTEMS, AND OTHER PROGRAMS DEVELOPED TO ASSIST RESIDENTS.

TO ENSURE THAT TENANTS ARE CURRENT ON THE FEDERAL PROGRAMS AND POLICIES THAT AFFECT THEM, MOST YEARS NTO HOSTS THREE REGULAR EVENTS – TWO CONFERENCES AND "SAVE PUBLIC HOUSING DAY." THESE EVENTS BRING TOGETHER REPRESENTATIVES OF LOCAL TENANT ORGANIZATIONS TO LEARN FIRST-HAND ABOUT PERTINENT FEDERAL HOUSING PROGRAMS SUCH AS THE DRUG ELIMINATION PROGRAM, TENANTS LEASE AND GRIEVANCE PROCEDURE, AND ABOUT DEVELOPMENTS IN WASHINGTON THAT MAY HAVE AN IMPACT ON THEIR LIVING CONDITIONS AND RIGHTS. TO THAT END, THE CONVENTIONS AND CONFERENCES FEATURE SPEAKERS FROM THE VARIOUS SECTORS INVOLVED IN PUBLIC HOUSING. THIS INCLUDES MEMBERS OF CONGRESS, HUD OFFICIALS AND PROGRAM OFFICERS, OTHER TENANT GROUPS, AND OTHER ORGANIZATIONS THAT PROVIDE TENANT SUPPORT SERVICES SUCH AS JOB TRAINING, HEALTH SERVICES AND SOCIAL SERVICES. AN IMPORTANT GOAL OF ALL NTO GATHERINGS IS

TO BRING TENANTS TOGETHER TO EXCHANGE IDEAS AND TO LEARN FROM EACH OTHER.

I UNDERSTAND FROM YOUR LETTER OF INVITATION TO THIS HEARING THAT YOU ARE PARTICULARLY INTERESTED IN THE 1995 NTO CONVENTION HELD LAST AUGUST IN SAN JUAN, PUERTO RICO. AT THE OUTSET, I ADVISE YOU THAT THE CHOICE OF PUERTO RICO ORIGINATED WITH THE PUERTO RICAN DELEGATION TO THE 1994 CONFERENCE IN ATLANTA. PUERTO RICO HAS THE SECOND LARGEST NUMBER OF PUBLIC AND ASSISTED HOUSING UNITS IN THE COUNTRY, AND NTO WELCOMED ITS INVITATION AS A GREAT OPPORTUNITY TO LEARN FROM AND EXPAND THE INVOLVEMENT OF AN ENORMOUS NUMBER OF PUBLIC HOUSING TENANTS.

THE AUGUST 1995 CONVENTION FOLLOWED A FORMAT SIMILAR TO OTHER NTO CONFERENCES, WITH WORKSHOPS, PLENARY SESSIONS, AND KEYNOTE ADDRESSES OVER THE COURSE OF SEVERAL DAYS. SPEECHES, WORKSHOPS AND OTHER CONVENTION BUSINESS WAS SCHEDULED FROM AT LEAST 9:00 AM TO 6:PM EACH DAY, AND OFTEN WENT ON LONGER. ALL TENANTS WERE EXPECTED AND ENCOURAGED TO ATTEND ALL SESSIONS. THE HOST COMMITTEE ALSO ARRANGED INFORMAL OPPORTUNITIES FOR THE CONFERENCE ATTENDEES,

INCLUDING REPRESENTATIVES OF PUBLIC HOUSING AUTHORITIES AND OTHER SOCIAL SERVICE PROVIDERS, TO NETWORK AND SHARE THEIR RESPECTIVE EXPERIENCES. THIS HAS BEEN THE PATTERN OF THE CONFERENCES AND CONVENTIONS SINCE NTO WAS CREATED IN 1968.

THE PARTICIPATION OF TENANT REPRESENTATIVES AT NTO CONFERENCES IS SUPPORTED BY THE LOCAL HOUSING AUTHORITIES AND PRIVATE RESOURCES, OFTEN RAISED FROM CHURCHES AND COMMUNITY GROUPS. IN 1995, HUD DECIDED IN ADVANCE OF THE CONVENTION THAT THE COSTS OF TENANTS' ATTENDANCE WAS AN ALLOWABLE EXPENSE FOR THE HOUSING AUTHORITIES. TWO HUD LETTERS RELATED TO THE ALLOWABILITY OF TENANTS' COSTS AND TO THE PUERTO RICAN HOUSING AUTHORITY'S COSPONSORSHIP OF THE CONVENTION WERE DISTRIBUTED, WITH HUD'S SUPPORT, TO VARIOUS HOUSING AUTHORITIES. HUD PROVIDED NTO WITH SOME MAILING LABELS, 200 TO 300 COPIES OF THE CONVENTION ANNOUNCEMENT PACKAGE, AND SENT ONE FAX RELATING TO THE CONVENTION TO VARIOUS HOUSING AUTHORITY DIRECTORS. HUD OFFICIALS GAVE SPEECHES AT THE CONVENTION, CONDUCTED SUBSTANTIVE TRAINING WORKSHOPS, AND PARTICIPATED IN THE CONVENTION'S TOWN HALL MEETING, WHERE THEY DISCUSSED WITH TENANTS VARIOUS HUD INITIATIVES AND PROGRAMS. HUD PROVIDED CURRENT DESCRIPTIONS

OF VARIOUS HUD PROGRAMS FOR DISTRIBUTION TO THE PARTICIPATING TENANTS.

NTO OFFICERS ENDEAVORED TO PLAN AND CONDUCT A CONVENTION THAT WAS INSTRUCTIVE AND INFORMATIVE FOR THE TENANT REPRESENTATIVES. EVALUATIONS COLLECTED BY THE HUD INSPECTOR GENERAL, WHICH NTO OBTAINED THROUGH THE FREEDOM OF INFORMATION ACT, REFLECT THAT THE VAST MAJORITY OF CONFERENCE PARTICIPANTS FOUND THE CONVENTION HELPFUL, INFORMATIVE, AND PRODUCTIVE.

WITH THIS BACKGROUND STATEMENT, I WILL BE HAPPY TO RESPOND TO WHATEVER QUESTIONS THE COMMITTEE WISHES TO ASK. THANK YOU FOR THE OPPORTUNITY TO APPEAR HERE TODAY.

* * * * *

Mr. SHAYS. Mr. Rodriguez, thank you for your patience. You now have the floor.

Mr. RODRIGUEZ. Thank you, Mr. Chairman. With me today is Mr. Antonio Monroig. Thank you for inviting me to testify today. I will be addressing my remarks toward the National Tenants Organization convention held in Puerto Rico.

Within a year of my assuming the position of executive director of the Puerto Rico Public Housing Authority in March 1994, it came to my attention that the 1995 NTO national convention was being planned in Puerto Rico by the NTO with the cooperation of an independent committee formed by the private management agents, who are the private contractors administering public housing developments, and select residents.

PRPHA became involved in the technical aspects of the conference, providing speakers and local expertise prior to and for the convention.

Despite the inference to the contrary made in preliminary finding No. 7 of the HUD IG report, the convention did address substantive and training-oriented topics.

While there may have been attendees in Puerto Rico with their own agendas, I can assure you that participants benefited from our sharing with them the experiences we gained from the many improvements to the public housing in the Island.

Since the beginning, we were careful to restrict our expenditures to allowable uses. PRPHA made clear to NTO that our involvement with this convention would be limited to the payment of registration fees so that the PRPHA tenants could attend seminars and training sessions.

Approximately \$30,000 were to be paid so that 100 PRPHA tenants could attend the convention. Incidentally, this money has never been paid.

Mr. SHAYS. Just to clarify, the \$30,000 has never been paid?

Mr. RODRIGUEZ. Has never been paid, Mr. Chairman.

Mr. SHAYS. And it was to be paid to whom?

Mr. RODRIGUEZ. To the NTO for the expenditures which are allowable, as I mentioned, expenditures related to conference seminars attended.

Mr. SHAYS. And why hasn't it been paid?

Mr. RODRIGUEZ. Not yet, sir.

Mr. SHAYS. And why hasn't it been paid?

Mr. RODRIGUEZ. Because we haven't received an appropriate invoice yet.

Mr. SHAYS. OK. If you do, are you going to be paying it?

Mr. RODRIGUEZ. If the invoice comes according to the Federal and State regulations and does not violate anything—

Mr. SHAYS. OK. We'll pursue that later, but your point is that the \$30,000 was intended payment but hasn't yet been paid. Thank you.

Mr. RODRIGUEZ. At this time I would like to address the allegation that the PRPHA solicited donations from businesses awarded public housing contracts.

Prior to the convention, organizing committee members discussed funding activities for the convention. Pursuant to a request from the private managers, PRPHA participated in these meetings.

At a meeting, a management agent, on his own initiative, suggested that private managers offer to privately sponsor a convention event.

While a member of my staff was present during this discussion, he in no way asked, encouraged nor pressured private managers to donate funds for the event.

Some confusion may have resulted from a misinterpretation of two letters written prior to the convention. The first, written to Mrs. Maxine Green by myself dated July 28th, in which I committed to pay for a lunch with money raised from private donations.

I believe this letter related to a meeting of organizing committee members in July in which it was suggested that private managers should solicit donations from corporations not related to the public housing industry, such as Coca-Cola and Ford Motor Co.

The management agents eventually rejected the idea of raising funds from corporate sponsors due to insufficient time.

A second letter written by Carlos Ruben Rodriguez, a member of PRPHA press staff, has also been misconstrued. In this letter, he provided a summary of the issues discussed, such as the request for private funds, suggested by a management agent representative.

Simply stated, a member of the PRPHA press staff attended a meeting where private funds were solicited by a private contractor and the press secretly wrote a letter summarizing the meeting.

There was never any intention nor desire on the part of the PRPHA to solicit funds from the private contractors. Chairman Shays and members of this committee, this concludes my statement, and I will be happy to answer any questions you may have.

[The prepared statement of Mr. Rodriguez follows:]

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Chairman Shays and Members of the Committee:

Thank you for inviting me to testify today about the management of HUD-funded public housing resident initiatives. I will be addressing my remarks towards the National Tenant Organization convention that was held in Puerto Rico from August 20-24th, 1995 and to the HUD Inspector General Report dated 22 February 1996, which analyzed among other issues, the Puerto Rican Public Housing Authority's involvement with the convention. I have included a narrative which highlights the accomplishments of the Puerto Rican Public Housing Agency, the second largest in this nation, and the role my agency has played in tenant empowerment initiatives.

Under the administration of Governor Pedro Rosselló, the Puerto Rico Public Housing Administration has sought to change obsolete models of service provision in which residents passively receive government benefits. We are no longer willing to accept a role for our agency that only fosters this kind of dependency; instead, we have crafted a new vision for ourselves as a social change agent. In this vision, residents must assume the responsibility for their own social and economic development, while we provide the encouragement, technical assistance, and economic aid of the department. Our goal is to maximize resident self-sufficiency and economic independence. This fundamental re-thinking of the role of a public housing agency has achieved a number of very positive results which I would like to share with you.

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The PRPHA has been very active and successful in organizing resident leadership in its public housing communities. To date, tenants have organized 229 resident councils out of a total of 332 public housing communities, and the PRPHA has certified 117 of these councils. We are also working with an island-wide working group of residents to develop a resident council coordinating organization.

We have helped 12 Resident Management Corporations to assume full responsibility for the management of their public housing communities; together, these Resident Management Corporations manage no fewer than 1,206 units of public housing. We also have 56 communities using TAG dollars to pay for technical assistance that will help them self-administer their developments, create resident-owned businesses, or purchase their own homes. Eight other communities are receiving technical assistance in homeownership as part of the HOPE I program.

Some PRPHA tenants have gone beyond leadership within their own housing developments to make contributions in larger forums. One resident has been named by the Governor to a committee studying a proposal for unicamerality in the state legislature. Another resident serves on the PRPHA's executive advisory board, and a third resident served on a committee to evaluate bids from private firms to manage public housing developments.

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Another area in which we have been very successful is the development of resident-owned businesses. PRPHA residents own and manage corporations involved in manufacturing, electronics, landscaping, retail, construction, and even social services provision. Moreover, the residents employed in these corporations are providing a strong community leadership base as well as positive, working role models for other public housing residents.

Since its inception in 1993, our economic development program has promoted the establishment of 35 active, resident-owned businesses and 25 franchises employing over 500 public housing residents full-time or part-time. Other residents are planning the start-up of 23 new organizations. In a recent survey we conducted, companies with available financial data reported 85 contracts for the coming year valued at over 3 million dollars (\$3,359,776.65) and projected annual wages of almost 2 million dollars (\$1,770,534.98) for 143 full-time and 301 part-time employees. Our program is highly cost-effective. PRPHA estimates that it has spent a total of about 36 cents since the beginning of the program for every dollar that we project residents will earn this year alone.

PRPHA has also worked to develop other kinds of job opportunities for residents. We have helped 1,350 residents find jobs through our resident services program. Hundreds of other residents have also found work with private firms managing our housing

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developments and with construction firms working on the modernization of our housing stock.

The PRPHA also spearheads the Quality of Life Congress, a coordinated effort of 16 state agencies to address the social and economic needs of distressed public housing communities with the participation and direction of residents. Thus far, the Quality of Life Congress has helped almost 23,000 families in 73 distressed communities, putting almost 4,000 dropouts back in school, and rendering services in 77,000 health care visits.

In summary, the PRPHA's achievements in resident management initiatives, social and economic development, and tenant leadership-building make it unique among the housing authorities of this nation. Upon assuming the position of Executive Director of the Puerto Rican Housing Authority, it came to my attention that the 1995 National Tenant Organization's National Convention was being planned in Puerto Rico by the NTO and with the cooperation of an independent committee formed by the Private Management Agents, who are the private contractors administering public housing projects, and select residents. PRPHA became involved in the technical aspects of the conference, providing speakers and local expertise prior and during the Convention. We provided insight on our experiences in the privatization and improvement of public housing and the empowerment

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of public housing residents to improve their quality of life. Both tenant leaders and public housing administrators from my Agency participated in the Convention.

We were able to add essential perspectives on topics such as the Future of Public Housing and Tenant Participation and the Organizing of Resident Councils. We worked hard during the convention and are confident that the other participants were able to benefit from the experiences we gained from the many improvements we have made to public housing in Puerto Rico. Due to the successes of our Public Housing Initiatives, such as the use of the National Guard to combat crime in public housing projects, we were confident that Puerto Rico was a legitimate locale to be selected to host the conference.

Despite the inference to the contrary made in primary finding #13 of the HUD IG report, the Convention addressed substantive and training-oriented topics such as Organizing Techniques and Coalition Building, Tenant Participation/Organizing Resident Councils, The Future of Public Housing, Security in Public Housing, Economic Development and Home Ownership. The statement that conference events were "primarily geared towards either internal NTO organizational business or political lobbying against Republican public housing proposals" is patently inaccurate.

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We were excited that the prospect of a convention being held in Puerto Rico would draw attention to the tremendous innovations and improvements we have undergone with respect to public housing, and we offered our cooperation to the NTO convention. As can be seen by the brochures advertising the convention, we were never listed as co-sponsors, nor did we play a role in the promotion of the activity other than encouraging our own tenants and participants to attend.

Since the very beginning, we were very careful to restrict our expenditures to explicitly allowable uses. PRPHA was very clear in its communications with the NTO with respect to this matter. In a memo dated July 28, 1995, sent by me to Mrs. Maxine Green, I stated "the PRPHA will not pay for any residents' accommodations or hotel expenses." In addition I also expressed that "the PRPHA has not, is not, and will not be held responsible for any or all of the services contracted by the National Tenant Organization." Our involvement with the NTO convention was limited to the payment of registration fees so that PRPHA tenants could attend seminars and training sessions. Approximately \$30,000 were to be paid so that 100 PRPHA tenants could attend the convention.

At this time, I would like to move from a discussion which focused on the planning of the Convention to the allegation that PRPHA and/or myself improperly solicited

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donations from business awarded public housing contracts. In the months prior to the Convention, representatives of the Private Managers and members of the organizing committee began to meet to discuss funding for activities for the Convention. Pursuant to a request from the Private Managers, PRPHA participated in these meetings. During one of these meetings, one of the administrative agents, Frank Maldonado, on his own initiative, suggested that the Private Managers offer to privately sponsor a convention event. While members of my staff were present during this discussion, they in no way asked, encouraged nor pressured Private Managers to donate funds for the event.

The suggestion that PRPHA, in that meeting or in writing, solicited private funds to support the Convention is inaccurate. Some confusion may have resulted from a misinterpretation of two letters written prior to the Convention. The first, written to Maxine Green by myself, dated 28 July, in which I committed to pay for a lunch with money raised from private donations. This letter was the result of a meeting we had with the Private Managers in mid-July, in which it was suggested that the Private Managers solicit donations from large corporations such as Coca Cola and Ford Motor Company. No action resulted from this meeting. The administrative agents rejected the idea of raising funds from large corporate sponsors due to insufficient time. A second letter, dated 9 August 1995 by Carlos Ruben Rodriguez, a member of the PRPHA press staff has also been misconstrued.

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In this letter, Carlos Ruben Rodriguez provided a summary of the primary issues discussed at a meeting attended by 8 administrative agents, one issue being the Administrative Agent's request for private funds. He states that during the meeting it was suggested by a administrative agent (Frank Maldonado) that the other administrative agents make a donation out of their management fee so that the residents would be able to enjoy all of the workshops and seminars to be offered. The private managers determined that it would be in their best interest to provide the funds as a way of promoting the privatization of public housing management. Many of the contractors decided to make a donation and others did not. Their checks were made out directly to the hotel where the Convention was being held.

I would like to clearly state that absolutely no intent to violate any federal regulation existed. PRPHA's participation in this matter was limited. Simply stated, a member of my staff attended a meeting where private funds were solicited by a private contractor. That same member of my staff subsequently wrote a letter summarizing the same meeting. In our investigations we discovered that although the checks were made directly to the Hotel, some checks were sent to my office and delivered to the Hotel by a members of my staff. This became known to me very recently as a result of our internal investigations and preparations for this hearing. Had I known it at the time I would not have allowed it. They say that hindsight is 20/20 and in this particular instance, I now see

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that although our intent was not to violate any regulations, said actions may have given the appearance of a violation, and that is highly undesirable.

I want to emphasize again that the only federal funds that PRPHA spent relating to the Convention went towards registration fees for PRPHA tenants, an allowable expense for training and leadership development.

Chairman Shays, I strongly agree with you that any misuse of funds for tenant empowerment would gravely threaten resident's aspirations to self-sufficiency. I also share your beliefs made clear in your statement dated 9 November that "resident management can improve public housing living conditions and enhance the lives of public housing residents." HUD-funded residents' initiatives programs, when properly implemented, are critically important to attaining these goals. While some conference attendees may have used their TOP funds unwisely, I assure you that the PRPHA's investment in the 1995 NTO convention provided a unique opportunity for our tenants to learn and grow and represented an important step-forward in their journey towards self-sufficiency.

Chairman Shays and members of the committee, this concludes my statement and I would be happy to answer any questions that you might have.

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REVISED

Chairman Shays and Members of the Committee:

Thank you for inviting me to testify today. I will be addressing my remarks towards the National Tenant Organization convention held in Puerto Rico.

Within a year of my assuming the position of Executive Director of the Puerto Rico Public Housing Authority in March of 1994, it came to my attention that the 1995 NTO National Convention was being planned in Puerto Rico by NTO, with the cooperation of an independent committee formed by the Private Management Agents, who are the private contractors administering public housing projects, and select

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residents.

PRPHA became involved in the technical aspects of the conference, providing speakers and local expertise prior to and for the Convention.

Despite the inference to the contrary, made in preliminary finding #7 of the HUD IG report, the Convention did address substantive and training-oriented topics. While there may have been attendees in Puerto Rico with their own agendas, I can assure you that participants benefitted from our sharing with them the experiences we gained from the many improvements to public housing in the Island.

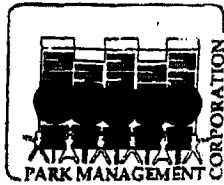
Since the beginning, we were careful to restrict our expenditures to allowable uses. PRPHA made clear to NTO that our involvement with this convention would be limited to the payment of registration fees so that PRPHA tenants could attend seminars and training sessions. Approximately \$30,000 were to be paid so that 100 PRPHA tenants could attend the convention. Incidentally, this money has never been paid.

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At this time, I would like to address the allegation that PRPHA solicited donations from businesses awarded public housing contracts. Prior to the Convention, organizing committee members discussed funding for activities for the Convention. Pursuant to a request from the Private Managers, PRPHA participated in these meetings. At a meeting, a management agent, on his own initiative, suggested that Private Managers offer to privately sponsor a convention event. While a member of my staff was present during this discussion, he in no way asked, encouraged nor pressured Private Managers to donate funds for the event.

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Some confusion may have resulted from a misinterpretation of two letters written prior to the Convention. The first, written to Mrs. Maxine Green by myself, dated the 28th of July, in which I committed to pay for a lunch with money raised from private donations. I believe this letter related to a meeting of organizing committee members in July, in which it was suggested that the Private Managers should solicit donations from corporations not related to public housing, such as Coca Cola and Ford Motor Company. The management agents eventually rejected the idea of raising funds from corporate sponsors due to insufficient time.



February 21, 1996

Two Whom It May Concern:

In August 1995, I participated in the Planning Committee for the NTO National Convention to be held in San Juan, Puerto Rico.

This Committee was responsible for coordinating Puerto Rico's participation during this convention. One of the issues discussed was the need to obtain private sponsorship for the different activities to be offered at this conference. Among the suggestions presented by the Committee was the possibility of requesting donations from the business sector, including the Coca Cola and financial institutions. ~~I indicated that the group of private corporations responsible for managing public housing in Puerto Rico wanted to sponsor this resident endeavor because of their commitment and interest in further developing resident initiatives.~~ Other private managers present agreed with co-sponsoring this event. It is important to clarify that the PRPHA did not solicit donations from the management agents.

In Puerto Rico, the privatization of public housing has been a great success. With the commitment of the management agents to find ways to save public funds and support resident initiatives have improved the quality of life in public housing. The active role of the private managers has been an important step toward resolving the problems of many years of neglect in the public housing.

Organizations such as the NTO, NAERO and CLAPHA offer activities that encourage residents self sufficiency and their professional development. The NTO 1995 National Convention was one of the many ways we could further enhance the quality of life in the public housing communities.

If you have any questions regarding this matter you may contact my office at 725-9521.

Sincerely,



Francisco Malagon



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Mr. SHAYS. Thank you, sir. Mr. Martini.

Mr. MARTINI. Yes. Thank you, Mr. Chairman. Let me begin by directing some of my inquiries to Ms. Green. Ms. Green, this panel was called together to make inquiry on this matter back in the fall.

It all began with the flyer promoting this particular convention, and I think you just mentioned a moment ago—correct me if I'm mistaken in understanding your testimony—but you stated that the NTO had been given about 300 of these flyers to distribute to promote this convention. Is that correct?

Ms. GREEN. No. That isn't what I said.

Mr. MARTINI. I thought that was my recollection.

Ms. GREEN. I said there were duplications of the entire package, not just that. That was part of the package.

Mr. MARTINI. Included in the package was the flyer as well?

Ms. GREEN. That was part of it, yes.

Mr. MARTINI. And those packages were circulated by you to your members as a way of presenting this convention to them, correct?

Ms. GREEN. That is correct.

Mr. MARTINI. Who actually designed the flyer, the actual information? Because that's what began this entire process.

Ms. GREEN. I did. I did.

Mr. MARTINI. You did. OK. And the packet that was utilized was also put together by you?

Ms. GREEN. Yes.

Mr. MARTINI. All right. Who at HUD participated in that process?

Ms. GREEN. No one.

Mr. MARTINI. All right.

Ms. GREEN. No one at HUD participated in putting that together.

Mr. MARTINI. The flyer itself had been reviewed by HUD prior to you putting it in the packet?

Ms. GREEN. I don't know if they reviewed it before it went in the package. I didn't give it to them to review before the package.

Mr. MARTINI. Well, here is where my confusion arises. A moment ago I believe you testified that HUD gave NTO this packet which included the flyer.

Ms. GREEN. Duplicated it. We had already sent it out, and we were in HUD for that meeting that was just talked about where the letter of allowable expense was composed and given to me. And it was duplicated with those two letters.

Mr. MARTINI. You're referring to the letter in June?

Ms. GREEN. That is correct.

Mr. MARTINI. The letter in June. So this flyer, in order for it to be duplicated at that time, the flyer had to be in existence at that time?

Ms. GREEN. That is correct.

Mr. MARTINI. And this was during a meeting in which you participated in getting the authorization letter as well, correct?

Ms. GREEN. The authorization letter of allowable expense, that's correct.

Mr. MARTINI. And during that process, as you've just testified to, this is when the flyer was also available for duplication, correct?

Ms. GREEN. Not at that meeting. Not in the meeting, no.

Mr. MARTINI. When was the flyer first—

Ms. GREEN. Someone might have received it, I don't know.

Mr. MARTINI. You're saying under oath today that the flyer was the product solely of you and NTO, correct?

Ms. GREEN. Yes.

Mr. MARTINI. All right. And you're saying under oath today that HUD did not assist in any way in coming up with or reviewing that flyer?

Ms. GREEN. That is correct.

Mr. MARTINI. All right. And the flyer was in existence, though, in June, during the time of this packet?

Ms. GREEN. Yes, it was.

Mr. MARTINI. You've run many of these conferences before?

Ms. GREEN. That's correct.

Mr. MARTINI. NTO, I should say, has hosted many of these seminars or conferences for tenant training before, correct?

Ms. GREEN. Correct.

Mr. MARTINI. Do you have some recollection approximately of how many seminars or training sessions like this NTO has operated or run since its existence?

Ms. GREEN. How many?

Mr. MARTINI. I'm asking for an approximation.

Ms. GREEN. From 1968, maybe three per year. I'm not sure.

Mr. MARTINI. All right. You understood, did you not, and that's what this letter of June 26th from HUD is all about, that HUD wrote that letter to the tenants indicating that this was an authorized expenditure by the tenants to attend this conference, correct?

Ms. GREEN. That's correct.

Mr. MARTINI. And part of your function in hosting a conference like this is the need to have HUD authorize this and sanction it so that the tenants can, in fact, attend, correct?

Ms. GREEN. We've never had that before.

Mr. MARTINI. Well, this letter—

Mr. SHAYS. I'm sorry. I couldn't hear the response to that.

Ms. GREEN. We never had that before.

Mr. SHAYS. Thank you.

Ms. GREEN. All of the questions about allowable expenses. I think there might have been one letter previously, but that has not been the norm where a letter came out from anyone saying that it was an allowable expense, to my knowledge.

Mr. MARTINI. Just to be specific, the letter that I'm referring to is the one dated June 27, 1995, by Mr. Moses in which he says in the last paragraph, "As HUD has indicated in previous years for such resident training conferences, this NTO convention is an allowable training activity for resident leaders and their housing authority partners for reimbursement under public housing funds including but not limited to operating subsidy, comprehensive grant program, TOP or other HUD funds."

Is it my understanding from your last statement that this was the first time that a letter of this nature was, to your knowledge, anyhow, drafted authorizing tenants to attend with the use of public funds?

Ms. GREEN. It was the only letter of that nature that had ever been given to me, but I don't know if that's the only letter that ever went out to organizations that it was an allowable expense.

Mr. MARTINI. Aside from the letter, let's put the letter aside for a moment, you had an understanding that in order for tenants to attend with the use of public funds, taxpayers' dollars, that you would have to have some approval in whatever form or authorization or certification, in whatever form, verbal or written from HUD, correct?

Ms. GREEN. No. That is not correct. In my understanding, there has been many conferences and many workshops and many activities that tenants travel to, and I'm not aware what kind of allowable letter came out of HUD.

Now, they might have had that kind of a letter and sent it to the housing authority. I'm not sure.

Mr. MARTINI. That wasn't really my question. Let me try to make it even simpler for you. You understood, did you not, that you needed to have some verbal approval in the slightest form from HUD in order to—

Ms. GREEN. No. I didn't understand that.

Mr. MARTINI. Well, you were in conversations with HUD officials before you went ahead with this convention, correct?

Ms. GREEN. No.

Mr. MARTINI. You were never in conversations with Mr. Moses with respect to—

Ms. GREEN. Not before we planned our conference. We had meetings, but no, we were not.

Mr. MARTINI. You had meetings. And what was discussed in the meetings with the HUD officials about your conference that you were scheduling for August?

Ms. GREEN. Would you repeat the question, please?

Mr. MARTINI. My point is you had a convention scheduled for August.

Ms. GREEN. Yes.

Mr. MARTINI. You had meetings prior to August with people at HUD?

Ms. GREEN. Yes.

Mr. MARTINI. What, then, was the purpose and what was the substance of the conversations you had with the officials at HUD?

Ms. GREEN. Whatever the meeting might have been that HUD invited us to attend, such as that steering committee that we had. I don't know. HUD was never responsible with us for planning a conference.

Mr. MARTINI. This letter was addressed to you. The June 27, 1995, letter was addressed to you by Mr. Moses. Is this the first time you have a recollection of ever receiving a letter from HUD with regard to one of your training or conventions or annual training sessions?

Ms. GREEN. Yes.

Mr. MARTINI. That is the first time. In the past, when you held conventions, you never received a letter to this effect?

Ms. GREEN. I didn't.

Mr. MARTINI. Or similar in nature?

Ms. GREEN. Not that kind of a letter.

Mr. MARTINI. Did you have any understanding that at a convention such as this there are limitations in terms of political advocacy that would occur at the convention itself?

Ms. GREEN. I didn't understand this to be a different conference than we have ever had before.

Mr. MARTINI. Based on what you just said, are all of your conferences, the ones you had before would include speeches much of the advocacy that occurred at this convention?

Ms. GREEN. Yes.

Mr. MARTINI. Let me just make reference to the Inspector General's report.

Mr. SHAYS. Would the gentleman just yield one quick second?

Mr. MARTINI. Sure.

Mr. SHAYS. This is a convention you had, but it was billed as a training session funded with HUD dollars.

Ms. GREEN. That is incorrect.

Mr. SHAYS. What is incorrect?

Ms. GREEN. This was a convention, and at the convention those issues were discussed in various workshops.

Mr. SHAYS. So your testimony is this, and I will give back the gentleman's time, your testimony is this: This was a convention of your organization that was funded by HUD through registration fees—

Ms. GREEN. It was not funded by HUD.

Mr. SHAYS. Where do you think those registration fees came from, ma'am?

Ms. GREEN. But we—

Mr. SHAYS. Excuse me. Where do you think those registration fees came from?

Ms. GREEN. Some of them might have come from people who didn't get funds at all from HUD.

Mr. SHAYS. No.

Ms. GREEN. But the most—

Mr. SHAYS. Where they came from was from the taxpayers. They came from the taxpayers in payment out of funds designated for training, and these funds were going to an organization, a convention. That's the point that I just don't want to get lost in this process. I yield back.

Mr. MARTINI. Well, and that's the point I was going toward, Mr. Chairman. The Inspector General said in her report, "The actual NTO conference events were primarily geared toward political lobbying, rallying against republican public housing proposals and for NTO-supported program proposals."

Now, this is my question. This was the Inspector General's report based on her investigation. The question I have for you is did you understand that at a convention such as the one you had, which was supposed to be a training session, there were limits or prohibitions to having political advocacy?

Ms. GREEN. It's my understanding that we had a convention where we had workshops that dealt with the issues that are on that agenda that were addressed in workshops that dealt with particular programs.

And if we could be—maybe you could clear my mind. Define to me what type of training are we referring to.

Mr. MARTINI. Well, I'm not referring to training. I'm referring to the Inspector General's report which concluded that there was clearly an emphasis on political advocacy and not training.

If we want to talk about what her conclusions were, we heard a moment ago her referral to this as a scam. I didn't say it, but that was her conclusion in testimony just a moment ago.

But before we get to that, let me just try to clarify one point—

Mr. SHAYS. Let me just say the gentleman really needs to conclude. We're leaving in 5 minutes.

Mr. MARTINI. If I may, I will conclude in this line of questioning—

Ms. GREEN. I resent the fact that she referred to our convention as a scam, and I would like for her to give a definition to the tenants around this country. What is a scam?

Mr. MARTINI. Ms. Green.

Ms. GREEN. No, no. You asked me that.

Mr. MARTINI. I didn't ask you the question. I didn't ask you that. That was an independent investigator that made that reference a moment ago based on the facts and evidence that she disclosed in the course of a very lengthy, detailed investigation.

You keep insisting that these were not funds from HUD. Let's clarify this for the public out there, because I think it's very important.

Basically, the people who attended that convention, which was supposed to be a training workshop, did so on taxpayers' dollars that came out of HUD's funds, correct?

Ms. GREEN. Yes.

Mr. MARTINI. And, in fact, the letter that I've referred to several times is a letter by Mr. Moses which, in effect, gives some sanction to the program that you were putting on and saying that—it's addressed to you.

Ms. GREEN. Yes.

Mr. MARTINI. It's saying to you that this would be authorized use of those funds, correct? That's what the letter says.

Ms. GREEN. That was what the letter said, yes.

Mr. MARTINI. Did you, when you went out and sent your package to the tenants, did you or did you not in your packet of information tell the tenants that they would have a right to use HUD funds or TOP funds or any other public funds to attend your conference?

Ms. GREEN. Yes. We did that.

Mr. MARTINI. OK. So then, in effect, HUD funds, as you knew, were being used because you had the approval of HUD to use HUD funds, correct?

Ms. GREEN. Yes. We knew that.

Mr. MARTINI. So when you sit here and say repeatedly these were not HUD funds, in effect, HUD funds were the vehicle by which—

Ms. GREEN. That is not what I said.

Mr. MARTINI. In effect, HUD funds were the vehicle by which these people attended this convention which this Inspector General a moment ago concluded, not me, was a scam, correct?

Ms. GREEN. That's what she concluded.

Mr. MARTINI. That's all I'm asking.

Ms. GREEN. However, I must say that the funds did not come to NTO as funding NTO. Tenants have the right to use the fund to go wherever they feel they would like to go to use the money to participate in these types of sessions.

And I have been questioned by that, and when we question this, I'm just saying I don't understand the difference in the money coming to NTO for a service as it does to anyone else for a service.

Mr. SHAYS. The challenge we have, Ms. Green, is that we want to establish some facts that we can all agree on so we can get beyond that issue.

Basically, these were taxpayers' dollars. Now we have to decide whether they were money well spent, and that's the purpose of this hearing. Mr. Towns, you're going to have close to 15 minutes.

Mr. TOWNS. I'll try not to use it, Mr. Chairman.

Mr. SHAYS. You have that privilege.

Mr. TOWNS. I'm aware of the fact that the House is out of session. Everybody else has gone home.

Mr. SHAYS. Well, we're not.

Mr. TOWNS. I understand all that, and we're here. So I'm going to try to—

Mr. SHAYS. I don't want to have a third day of hearings, sir.

Mr. TOWNS. I understand that. I'm going to try to cooperate with you as much as I can. But I almost feel that I'm at a different hearing, the fact that I'm hearing some things that are being said that really I didn't get that in the initial kind of comment that was made.

When you use the word "political advocacy," I think we might be using it too loose based on what was said here earlier by the Inspector General.

She indicated the fact that a comment was made in reference to the Speaker of the House he indicated, but let me say to you that any time you go to a conference and you read the newspaper about the day's events or whatever might be happening, you stand up, and you might make a comment about it.

But that does not mean that that's a political rally. There is some comments made on the floor of the House to the point where words have to be knocked down because of the fact that somebody said something they should not have said.

Sometimes they say it, and I can't get over there to knock them down, but the point is that we might be, sort of, taking this a little bit too far.

We talk about TOP funds. TOP funds is something that's new. I mean, this was not something that has been going on for a whole lot of years and that therefore there is a long history in terms of how we deal with these things.

I think we have to put that in the proper context as we look at the situation that we're dealing with. I think there are some questions, you know, that are appropriate.

And I think that what we would like to ask Mrs. Green, first of all, in terms of did you have any guidelines as to what you could do or what you could not do?

Because the flyer that everybody is so excited about, I looked at that flyer, and I belong to a lot of organizations, and it seemed to me that to say that after you do your work that we might have some fun, I mean, that's the kind of conference that I always attend.

I want to do some work, and after I do the work, I want to go, and I think that I saw something that said from 9 a.m. to 5 p.m.

we work, and after that you come on time, and we will have some other activities.

To me, that's normal for a conference. I mean, professional groups do this all the time. I think that we have to be open and honest about it.

I also see something here, too, that we keep saying that HUD funds, but I think money came from a lot of different places. Some people, based on what I'm hearing, actually paid their own way, their own money.

So these are activities that took place. So I don't want to, sort of, lose sight of that.

So the question I have, Mrs. Green, is that were any guidelines given to you as to what you could do because of this new TOP fund program that's now in place that we want to empower tenants?

Did anybody say to you exactly what you could do? If so, I would like to hear your comment about that. That's the question that I have No. 1, first.

Ms. GREEN. I don't have any specific guidelines about how we could have a convention, no.

Mr. TOWNS. I'll yield to the gentleman from Pennsylvania.

Mr. FATTAH. After you get finished, if I could ask a couple of questions.

Mr. TOWNS. Sure.

Ms. GREEN. Who would these guidelines—be given to me by whom?

Mr. TOWNS. That's the question I want to know. Did anybody give you guidelines?

Ms. GREEN. No.

Mr. TOWNS. From anywhere?

Ms. GREEN. No.

Mr. TOWNS. Saying to you that this is what you could do?

Ms. GREEN. No. This was a NTO convention, and we do not have any Federal funds from anyone, and no one could tell us or gave us any guidelines as to what we could do.

Mr. TOWNS. Will you acknowledge the fact that sometimes when we're at conventions, that we're at conferences that somebody will stand up and make a statement, and sometimes it comes from left field, sometimes it comes from center field, and sometimes it comes from almost out of the field? Have you ever attended conferences and you have that happen?

Ms. GREEN. That's true, yes.

Mr. TOWNS. So if I looked at that tape and I saw in terms of somebody might stand up and make a comment, then that does not mean that NTO or you would be associated with that comment or be identified totally with that comment? That was a statement that was made at your convention?

Ms. GREEN. I think that's correct. Absolutely.

Mr. TOWNS. All right. I'd like to yield.

Mr. SHAYS. Could the gentleman just clarify one thing?

Mr. TOWNS. Sure.

Mr. SHAYS. Was the statement made by an NTO official?

Ms. GREEN. I don't know what statement you're referring to.

Mr. TOWNS. No, the tape, the tape that the IG talked about. She said that somebody got up and said something about the Speaker of the House, Mr. Gingrich, she said.

Ms. GREEN. I'm not privy to the information on the tape, and I really don't know what she's referring to. Until such time as I have seen the tape, I could answer that.

Mr. TOWNS. Right. In other words, you, Maxine Green, did not make the statement? You know that?

Ms. GREEN. I know that.

Mr. TOWNS. All right. I yield to the gentleman from Pennsylvania.

Mr. FATTAH. Thank you to the ranking member. Because there is a lot going on here and I think that the chairman legitimately is trying to get to the point about whether or not there are some better ways that we could use resident initiative funds, I do think it would be helpful for us to try to set the record straight on a couple of matters.

One is on the point that you raised about political advocacy. It is perfectly appropriate for any person in America to state whatever they feel about political circumstances at the time.

And if you would go to some of the tenant meetings in years when democrats are in charge, you would hear them complain about democratic priorities as relates to public housing. So I think there are at least equal opportunity critics on these if you go back through the years.

I want to get to the heart of this, because part of what the majority has been promoting here is that we should have local control over decisionmaking for the use of public housing dollars.

All of the tenants who came got original authority to come through their local housing authorities for those dollars to be reimbursed; is that correct?

Ms. GREEN. That's correct.

Mr. FATTAH. And so that part of what is going on here is that it's not just Mrs. Green's decision to have a conference and she controlled the decisions of everybody else in this process to come to Puerto Rico for this meeting.

There were literally dozens and dozens of housing authorities across the country, all of whom are politically appointed by big important people who made decisions that this is a worthwhile activity in order to have tenant leaders in their various cities and communities to go and participate in this.

So that if the committee wants to find fault or harm, I think that we have to make sure that we are looking at the people who are really in the business of making these decisions.

The second thing that I would say is that in terms of this issue about whether this was a convention or whether this is training, we're acting as if they have to be mutually exclusive.

I want to make sure that the record is clear that when the American Bar Association meets, when the National Bar Association meets, when other organizations meet, they have the meeting of their organization as part of that activity, and they also have continuing education or what you might want to call training that takes place usually on the site of the convention to coincide with the participation of so many people of like minds and that those

training sessions are, in fact, the scam that is used for them to write off that trip on their taxes.

So that they're using tax money to pay for what are, essentially, conventions of their organization, and they're also using common sense saying, "Well, since we're here, we have to get this training done, and we're going to do that." So the suggestion that you cannot tie these two things together and have them stand the legal test of scrutiny, it happens all the time, and I just think that we need to play by one set of rules.

Mr. TOWNS. And I agree with the gentleman, but I have to reclaim my time.

Mr. FATTAH. Thank you.

Mr. TOWNS. Because I want to ask Mr. Rodriguez a couple of questions, but I think it's an eloquent statement.

Mr. FATTAH. Go right ahead.

Mr. TOWNS. I realize, Mr. Rodriguez, that you're concerned about the Inspector General's finding that you solicited money from the Puerto Rico Housing Authority contractors. Did you solicit any money for the NTO convention from contractors doing business with the Housing Authority?

Mr. RODRIGUEZ. I did not.

Mr. TOWNS. What efforts are you currently making to clear up the matter? Are you working on clearing it up?

Mr. RODRIGUEZ. We are working on the matter in order to clear it up, because we think it is something that should be clear for the record and for HUD's records, too.

Mr. TOWNS. And what now? I'm sorry. I didn't hear the last part.

Mr. RODRIGUEZ. We are trying to clarify the whole matter with HUD and in this subcommittee, because we think it is very important that everybody knows that those allegations were not true. It didn't happen.

Mr. TOWNS. Thank you. Mr. Chairman, I'm going to yield back because I know we have other Members that want to participate, and I know you want to participate.

But I'm hoping that we just deal with the matters that we have questions about, which is the issue in terms that we started out with, because we're talking about a flyer.

We're talking about a lot of things here, and of course we're talking about the incorporation status and all these kind of things.

I think we, sort of, had most of this, sort of, answered to my satisfaction at this point. I think we've gone about as far as we can go. Mr. Chairman, I yield back.

Mr. SHAYS. Thank you. Just to establish for the record again, the IG estimated that PHAs contributed \$203,000.

TOP grants, the IG estimates that the sum was, in fact, \$85,437. The management agent contributions, that's the issue, Mr. Rodriguez, that we need to talk to you about, was \$32,000.

It happened. There were \$32,000. We're going to find out who solicited that money and why. HUD contributed \$5,646. NTO contributed \$3,207, and other private funds were \$5,863.

So let's just get beyond the garbage of who did and who didn't. Private funds were practically nil. This was almost all government money.

I would hope at this hearing we could at least accept these numbers, unless you have numbers to dispute them. Ms. Green, do you have any numbers to dispute this.

Ms. GREEN. I don't have any numbers. I'm not privy to how any of the money was raised. I can't answer that.

Mr. SHAYS. You do agree that you received \$250 per participant; is that correct?

Ms. GREEN. No.

Mr. SHAYS. No?

Ms. GREEN. The registration fee was \$225.

Mr. SHAYS. Per?

Ms. GREEN. Per person.

Mr. SHAYS. OK.

Ms. GREEN. And not all people registered and paid their registration fee. I do not have any figures that show me that 260 people registered at that convention.

Mr. SHAYS. Ms. Green, how much money did you raise in registration?

Ms. GREEN. The approximate, and I say approximate—

Mr. SHAYS. You're under oath. I want you to be careful.

Ms. GREEN. Approximately \$32- or \$33,000.

Mr. SHAYS. OK. Not \$40,000?

Ms. GREEN. I would say not to my knowledge.

Mr. SHAYS. OK. I would like your number. It would seem to me if you came to a hearing you would be able to tell us exactly, precisely how much money you got in registration fees, not a difficult question to either ask or to answer.

What was the amount you collected in registration fees?

Ms. GREEN. I can only answer as I just did. I do not have the accurate amount of the financial records that were taken at that conference.

Mr. SHAYS. Why not?

Ms. GREEN. Because the secretary had the records, and she since said that she had a fire, and I don't have the records, and therefore, I cannot—

Mr. SHAYS. You do not have the records because of a fire because of a secretary. Your estimate of the amount you collected was how much?

Ms. GREEN. Between \$32- and \$33,000.

Mr. SHAYS. Thank you. I need to be clear as to what HUD knew and when it knew it. And I need to be clear on the e-mail and that issue as well.

Ms. GREEN. I don't know about that.

Mr. SHAYS. I first want to ask you, you, basically, had a document that was, what, six pages. Your attorney, I think, has provided us a document numbers seven pages, 440 to 446. It's a seven-page document.

Ms. GREEN. Yes.

Mr. SHAYS. Now, this document was sent to whom?

Ms. GREEN. Tenants across the country, to some executive directors.

Mr. SHAYS. Did you give this document to Mr. Moses?

Ms. GREEN. I did not give it to Mr. Moses in his hand. I left it in the Office of Resident Initiatives.

Mr. SHAYS. When was that? When did you leave that?

Ms. GREEN. I think it was June 27th that I left it there.

Mr. SHAYS. Did you send the letter to Mr. Moses including this document?

Ms. GREEN. Later?

Mr. SHAYS. June 20th.

Ms. GREEN. The first mailing went out might have been mailed to Mr. Moses attachment to the invitation of his being invited to the conference, which did not include that—let me just read you this letter. “Dear Mr. Moses,” you crossed out Mr. Moses, “as you know, the National Tenants Organization will celebrate its 27th year at our national convention in San Juan, Puerto Rico.

“The dates are Sunday, August 20th, through Thursday, August 24th. I’ve enclosed a copy of the convention material for your information with the hope that you will, as you have in the past, support this event to the fullest extent possible.”

Does that bring back a memory?

Ms. GREEN. Yes.

Mr. SHAYS. OK. And what did you enclose?

Ms. GREEN. The announcement that you have not including the two letters that were signed by Mr. Moses.

Mr. SHAYS. Was it the seven-page document?

Ms. GREEN. It was the document you have in your hand that did not include the letters for Mr. Moses.

Mr. SHAYS. But it included the National Tenants Organization 1995 convention, the one talking about the vacation and so on?

Ms. GREEN. Yes.

Mr. SHAYS. OK.

Mr. SHAYS. Mr. Rodriguez, I want to nail down what this \$32,000 was. I want to nail down—excuse me. I don’t mean to speak so quickly.

I would like to be very clear as to where this management agent contributions came from and who solicited these dollars.

I was a little nervous with your testimony when you said no one from your PHA solicited these funds. I think it would be for proper for you to say, since you are investigating, that to the best of your knowledge no one from the PHA solicited these funds.

We have testimony from the IG that says your public press person was involved in soliciting these funds. Is that not true?

Mr. RODRIGUEZ. Our public press person sent a summary of a meeting which he attended in which Mr. Frank Maldonado did solicit money from other private managers for some event during this convention. I have the letter here—

Mr. SHAYS. Mr. Rodriguez, I don’t want to play games here. There is \$32,000 that was contributed for this NTO conference from people who do business with you.

Now, I understand it’s, evidently, not against the law, but it would be against HUD’s regulations. If it is against HUD regulations, we need to know about it, and you need to know about it.

It would be wrong, though, for you to somehow suggest that you didn’t do it if you did. So I want you to be very careful. The question was asked did you solicit any dollars, and the answer was no.

The question is did anyone at HUD, to the best of your knowledge, solicit any dollars?

Mr. RODRIGUEZ. From HUD?

Mr. SHAYS. Excuse me, in your PHA.

Mr. RODRIGUEZ. As far as I know personally, nobody else did solicit.

Mr. SHAYS. Where did this \$32,000 come from, and who raised it?

Mr. RODRIGUEZ. The money, the \$32,000 indicated here came from, to my knowledge, private managers.

Mr. SHAYS. That's not satisfactory. I want to know specifically where it came from. Which people made those contributions?

Mr. RODRIGUEZ. I really do not have the information.

Mr. SHAYS. Why not? I mean, you've been accused—seriously, you've been accused of raising this money. I would think that you would want to know the next day where the heck this money came from, who solicited this money, and you would be able to give us a report.

If it wasn't you, who was it? I mean, given the fact that we have a letter that you're going to raise \$32,000, is it a coincidence it happened to be \$32,000?

Mr. RODRIGUEZ. Oh, for me, it is a coincidence.

Mr. SHAYS. Well, it's not for me.

Mr. RODRIGUEZ. OK.

Mr. SHAYS. Yeah. July 28th. Would you read that letter to this committee?

Mr. RODRIGUEZ. Yes.

Mr. SHAYS. It's to Ms. Maxine Green, president, National Tenants Association. The subject is National Tenants Association Convention. Would you please read it?

Mr. RODRIGUEZ. Yes. In its entirety?

Mr. SHAYS. Yes.

Mr. RODRIGUEZ. "To Ms. Maxine Green, President, National Tenants Association. Subject: National Tenants Association Convention.

"The PRPHA will co-sponsor the National Tenants Association convention to be held in Puerto Rico during the week of August 20–24, 1995.

"This co-sponsoring is limited to a max of \$30,000. PRPHA's funds to be used are from residents initiatives and will be used to pay for the Puerto Rican tenants attending the seminars at the convention."

Mr. SHAYS. OK. Now, let me just interrupt you. Now, that \$30,000 has not been paid?

Mr. RODRIGUEZ. Not been paid.

Mr. SHAYS. OK. Now, why hasn't it been paid again?

Mr. RODRIGUEZ. Because those invoices haven't come to our attention according to statutory and regulatory—in a statutory and regulatory way.

Mr. SHAYS. OK. And what would be required? What does NTO have to give you in order for you to make that payment?

Mr. RODRIGUEZ. They have to provide all the names of the participants and signatures and prove that they participated plus other pertinent information.

Mr. SHAYS. So that's all that's required? Once they give you a list of the participants, they're going to get \$30,000?

Mr. RODRIGUEZ. Once they give me a list that complies with all State and Federal regulations.

Mr. SHAYS. I just want to know what those are. What are the regulations? All you've told me is—excuse me. I don't mean to talk so quickly, and I sincerely apologize. I can't even understand myself when I talk too quickly.

The \$30,000 has not been paid because you have said that it has to meet all the requirements. The only requirement you said to me was that they had to give you a list of the people who attended. That's a layup. What else do they have to give you?

Mr. RODRIGUEZ. Mr. Chairman, also proof of their attendance to the seminars and the meetings where official business was discussed.

Mr. SHAYS. That's it?

Mr. RODRIGUEZ. To my knowledge. I can check for you.

Mr. SHAYS. Ms. Maxine Green, why haven't you submitted that list? That's \$30,000 your organization is just going to be able to gobble up.

Ms. GREEN. We never submit a list of names to anyone to make a payment to NTO after a conference of people who did not attend. That was supposed to be for tenants who would attend.

And in Puerto Rico, there were questions about the number of tenants that could attend, and that many did not come there.

Mr. SHAYS. I see.

Ms. GREEN. This would be for those tenants that would attend or did attend.

Mr. SHAYS. The bottom line, this would be for participants in Puerto Rico, obviously, and you're saying you have no document of which tenants from Puerto Rico attended?

Ms. GREEN. Yes. I have that, but it fell shorter than the amount.

Mr. SHAYS. Well, but he will give you, obviously, something less than that, wouldn't he?

Ms. GREEN. Well, that we have. We have the name of people who attended and registered—

Mr. SHAYS. Let me just go to the next point. I understand. The bottom line is you haven't submitted a bill. You haven't paid the bill.

Ms. GREEN. No, no, no, no, no, no. It was submitted. The registration for the Puerto Rican delegation was submitted in Puerto Rico, but the number of people that attended did not come to the amount we're talking about.

Mr. TOWNS. Mr. Chairman, I think that we're talking about two different things here.

Mr. SHAYS. I'm going to take one and then the next.

Mr. TOWNS. This one let me just say as I understand this letter what he's really saying is that we are prepared to cover up to this amount.

And what she is saying, as I understand it, after reading this letter, that that amount did not come. So therefore, the money in the amount of \$32,000, a total amount they would not be entitled to in any way because the point was that he said, "We will cover up to this amount."

Mr. SHAYS. We're talking about \$30,000.

Mr. TOWNS. Well, \$30,000. But the next paragraph says, "We will also pay"——

Mr. SHAYS. Well, I'm trying to just sort out something. You have a bill to submit. You haven't paid a bill because it hasn't been submitted, at least it hasn't in the basic document.

And the only document I hear you asking is you know what citizens from Puerto Rico attended. Once you know what tenants from Puerto Rico attended, you will be making, what, a payment of \$225 per——

Mr. RODRIGUEZ. If that invoice proves that they attended the convention, the seminars—because I state very clearly those are for seminars that are allowable expenses.

Mr. SHAYS. I hear you. The bottom line, you haven't made the payment. You haven't the documentation to know which participants from the Public Housing Authority tenants in Puerto Rico attended. If you would keep reading the letter.

Mr. RODRIGUEZ. "We will also pay for one of the lunches up to a maximum of \$32,000. This money will be raised by private donations."

Mr. SHAYS. OK. This is a beaut of a sentence. It says, "We will also pay for one of the lunches up to a maximum of \$32,000. This money will be raised by private donations."

You're on real dangerous territory when you get into this area. Tell me exactly what your plan was, and then let's pursue what actually happened.

Mr. RODRIGUEZ. OK. We had this meeting with the organizing committee. They were trying to make me make a commitment to pay for almost every resident in council, every resident which is a member of a council in the 332 different developments in the island.

And I really thought it was too much money, and they also asked me if—then, if we were not going to send these residents, how were the residents going to participate in working lunches.

What I told my residents back, that we—and when I say "we," I am thinking of the entire organizational group, the committee, we're going to look for private donations.

Mr. SHAYS. OK. Who is Carlos Rodriguez?

Mr. RODRIGUEZ. Carlos Rodriguez is a press aide at the PRPHA.

Mr. SHAYS. OK. I am at a disadvantage, since the letter is in Spanish. I promised by the year 2000 that I would learn Spanish, but I still have a few more years to go.

The basic letter requests donations of \$1,500 each from all of its new management agents to offset the costs of meals, lodging and workshops in conjunction with NTO Puerto Rican Resident Management Conference. The PRHA instructed the management agents to take the \$1,500 out of their management fees.

Now, would you explain to me this letter?

Mr. RODRIGUEZ. It is very difficult for me to translate, but I will try to explain it. This is a letter summarizing a meeting——

Mr. SHAYS. First off, do you deny this letter exists?

Mr. RODRIGUEZ. The letter is here. It exists.

Mr. SHAYS. And, in fact, does this letter solicit funds from private agents?

Mr. RODRIGUEZ. I intend to demonstrate that this letter is not intended to solicit any funds from private managers.

Mr. SHAYS. OK.

Mr. RODRIGUEZ. There were various issues discussed here. There is a part of the letter, and I will say in Spanish and then try to translate a very short statement. "Ponerlos al tanto sobre varios asuntos asistieron representates."

This letter is to alert, you know, what happened on several issues in a meeting in which several representatives attended. OK?

Mr. SHAYS. Yes, sir.

Mr. RODRIGUEZ. This is a summary. It is a letter of a press staff doing his job. He was present at the meeting, and he was taking the minutes.

He was the only PRPHA representative of the committee, and the letter also makes clear reference to the solicitation of funds by representative agents in page No. 2.

And I will say it in Spanish. I will try to keep it short. "Un comite de los representantes de algunas companias, concordaron en estar en la mejor disposiconde hacer un donativo de \$1,500 por empresa. A ser intregados en nuestra proxima reunion."

The committee, from the representative of some companies, concord or accord to be in the position to make a donation of \$1,500 per management agent to be given in the next meeting.

Mr. SHAYS. So you're, basically, saying they volunteered to do something wrong?

Mr. RODRIGUEZ. Let me try to clarify.

Mr. SHAYS. You know why I'm uncomfortable? If you didn't break the law and you're not going to jail for this, why are we stretching this out? Why are you making it painful for yourself and me?

These individuals solicited money. They basically agreed to do it, and you're calling it a donation. They, basically, agreed to break the rules.

Mr. RODRIGUEZ. Well, private managers were asked by another private manager to donate or to give for the use of residents of public housing.

Mr. SHAYS. Is this proper? Are you comfortable with this arrangement?

Mr. RODRIGUEZ. Sir, well, right now, right now I don't think it is violating anything, but I am not feeling good about this happening.

Mr. SHAYS. Technically, the way you interpret maybe it doesn't violate anything, but is this the way you should run or allow an operation to be done?

Mr. RODRIGUEZ. No, sir.

Mr. SHAYS. OK. That's encouraging. Mr. Fattah.

Mr. FATTAH. Thank you, Mr. Chairman. First of all, as I would understand this, the tenants who came, they were approved by their local housing authorities to come, and their expenses were paid for by their local housing authorities.

So whether it was from Hartford or Philadelphia or Chicago, these local housing authorities agreed for some reason that this was an important enough activity and that they were going to sponsor some number of public housing tenants to come.

So it's of note that the committee is concerned about this invoice not being paid and not questioning about the invoices that were paid.

All of these other housing authorities have paid invoices for people to come to the conference. Now, Mr. Rodriguez, you have a reputation for running a very good housing authority.

Just so we're clear, you did provide a written statement to the committee, and as I read your statement, you spell out specifically how this occurrence took place where it says, on page 7 of your statement, "During one of these meetings, one of the administrative agents, Frank Maldonado"—

Mr. RODRIGUEZ. Maldonado.

Mr. FATTAH. OK.—"on his own initiative suggested that private managers offer to privately sponsor a commission event." So notwithstanding the difficulty earlier, it was, in fact, in his written statement an explanation at least for what he perceived to have taken place.

Now, the private managers in your housing authority, are you aware of any of them that felt as though that they were improperly influenced to make such a contribution from someone on your staff?

Mr. RODRIGUEZ. Would you repeat the last part of your question?

Mr. FATTAH. Has any private manager come forward, to your knowledge, to say that they were improperly or unduly harassed to make this contribution?

Mr. RODRIGUEZ. No, they have not.

Mr. FATTAH. OK. And so the best of your information, this is how it took place that this gentleman solicited from his colleagues? Since they're making a living in this business, they wanted to put on a good—they thought it was in their business interests to make such a contribution?

Mr. RODRIGUEZ. As far as I know, they thought that.

Mr. FATTAH. Now, Mrs. Green, you've been having these conferences and training sessions for a long time?

Ms. GREEN. Yes.

Mr. FATTAH. And as far as I know, and I know a little bit about this, tenants have been coming to these conferences for more than a decade?

Ms. GREEN. Oh, yes.

Mr. FATTAH. And at each and every time that they've come they've used the money that has now been described as HUD money to come to these kind of conferences?

Ms. GREEN. Yes.

Mr. FATTAH. So this is not a new occurrence?

Ms. GREEN. No.

Mr. FATTAH. You've had these conferences in a number of different locations?

Ms. GREEN. Yes.

Mr. FATTAH. All across the country?

Ms. GREEN. That is correct.

Mr. FATTAH. You had them when Secretary Jack Kemp was the Secretary of HUD?

Ms. GREEN. Yes.

Mr. FATTAH. And you had them when Patricia Harris was Secretary?

Ms. GREEN. Yes.

Mr. FATTAH. And Samuel Pierce was Secretary?

Ms. GREEN. Yes.

Mr. FATTAH. Tenants have been coming to these meetings?

Ms. GREEN. That is correct.

Mr. FATTAH. And they've been using reimbursements from housing authorities to pay for their travel?

Mr. SHAYS. Since everyone is under oath and I'm hearing yeses and yeses and so on, we need to be sure if you're making this as a—I'm just advising our people here as well that if you are asking it, we need an answer, but a nod or a yeah, yeah, may be interpreted as a yes when it may not be true.

And I want to make sure we're careful. I don't want you to go so quickly, because some of what you said may, in fact, not be true. And I won't take from your time. You have plenty of time here.

Mr. FATTAH. Some of a lot of what has been said here today may not be true, and so we just need to try to get to the facts. That's why I'm trying to walk through this.

Mr. SHAYS. Right.

Mr. FATTAH. Tenants have been coming to these conventions and conferences for how long would you say, Mrs. Green?

Ms. GREEN. I would say that you have said the last decade is absolutely correct.

Mr. FATTAH. All right. Now, did they come to your conventions when Jack Kemp was the Secretary?

Ms. GREEN. Yes.

Mr. FATTAH. Was Jack Kemp the promoter of this resident initiative notion that we should empower residents? Was that part of what he was saying as the Secretary?

Ms. GREEN. He was the promoter for that.

Mr. FATTAH. He was very supportive of these kind of—

Mr. SHAYS. Would the gentleman just yield for a second? I just want to make sure that Jack Kemp's name isn't taken in vain. Did he advocate that tenants attend your conferences? There is a big difference.

Mr. TOWNS. I don't think that was the question, Mr. Chairman.

Mr. FATTAH. I'm sorry, Mr. Chairman. First of all, Mr. Chairman, I understand your concern, because part of the reason why we're having this hearing is somebody said something about the Speaker.

But I didn't say that Jack Kemp did that, but the point that I'm making is that the reimbursements for tenants to travel I'm not saying that this was entirely proper.

I'm trying to make a point that these local housing—my local housing authority in Philadelphia, which is chaired by our mayor and other responsible people made decisions that it was OK for tenants to come to these types of meetings.

Now, the mayor of my city is a Democrat. I'm trying to make a point that this is something that has been going on for a very long time.

Mr. TOWNS. If the gentleman will yield, the initiative started under Jack Kemp. This is the program that he put forward.

Mr. FATTAH. Well, it was a major part—Jack Kemp is a friend of mine—major part of his focus was to push for resident manage-

ment, resident leadership, giving technical support and assistance to tenants so that they could be in more of a position to have control over their own circumstances.

As I would recall, there were officials, maybe not Jack Kemp, but his top officials who participated in many of these similar types of conventions. Is that correct?

Ms. GREEN. That's correct. And the way I remember it that Jack Kemp was the initiator of resident management, and not only did tenants travel to these type of conferences, it was mandated that they go to those kind of conferences.

But there were selected tenant groups that could call those meetings as was indicated in the presentation from the IG.

Mr. FATTAH. I thank you. I want to yield my time back to the chairman.

Mr. TOWNS. Before you yield, could I just put something in the record? In this letter here from Park Management Corp., where it says, "Other private managers present agreed to co-sponsor this event."

It is important to clarify that the Puerto Rico Public Housing Authority did not solicit donations from the management agents. I'd like for this to be included in the record, Mr. Chairman.

Mr. SHAYS. Without objection.

[The letter follows:]



COMMONWEALTH OF PUERTO RICO
HOUSING DEPARTMENT

VIVIENDA
PUBLIC HOUSING ADMINISTRATION

July 28, 1995.

To: Mrs. Maxine Green, President
National Tenant Association

Subject: National Tenant Association Convention

The PRPHA will co-sponsor the National Tenant Association Convention, to be held in Puerto Rico during the week of August 20-24, 1995. This co-sponsoring is limited to a maximum of \$30,000. PRPHA's funds to be used are from residents initiatives, and will be used to pay for the Puerto Rican tenants attending the seminars at the Convention.

We will also pay for one of the lunches up to a maximum of \$32,000. This money will be raised by private donations.

The \$30,000 will be used for the residents attending fee and seminars. PRPHA will not pay for any residents' accommodations or hotel expenses. Any resident that wants to stay at the Convention, should look for a private sponsor, if needed, to pay for his or her expenses.

The PRPHA has not, is not and will not be held responsible for any or all of the services contracted by the National Tenant Association. Our co-sponsoring will be limited to the amount and conditions mentioned above.

We hope that this conditions will help to make the NTO Convention a success.

Sincerely,

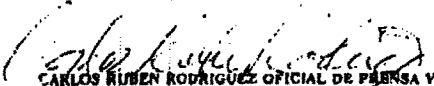
Miguel Rodríguez Muñiz
Administrator PRPHA



GOBIERNO DE PUERTO RICO
DEPARTAMENTO DE LA
VIVIENDA
ADMINISTRACION DE VIVIENDA PUBLICA

8 de agosto de 1985

A TODOS LOS AGENTES ADMINISTRADORES:


CARLOS RUBEN RODRIGUEZ OFICIAL DE PLENIA Y
RELACIONES DE LA COMUNIDAD AVP

DURANTE LA SEMANA PASADA, ESTE SERVIDOR, CITO A UNA REUNION CON LOS REPRESENTANTES DE TODOS LOS AGENTES ADMINISTRADORES DE AVP, PARA PONERLOS AL TANTO SOBRE VARIOS ASUNTOS DE INTERES, PARA NUESTROS RESIDENTES. A LA REUNION ASISTIERON LOS REPRESENTANTES DE 8 DE LOS 18 AGENTES ADMINISTRADORES. ENTRE LOS ASUNTOS QUE SE DISCUTIERON, SE PUEDEN SEÑALAR ESTOS:

- 1 - LA VISION QUE AVP, QUIERE LLEVAR A LAS COMUNIDADES QUE SON ADMINISTRADAS POR AGENTES PRIVADOS.
- 2 - COMO ESTE SERVIDOR PUEDE SERVIR DE ENLACE ENTRE LA COMUNIDAD, LA AGENCIA, LOS RESIDENTES Y LOS MEDIOS NOTICIOSOS DEL PAIS.
- 3 - LA IMPORTANCIA DEL MODELO DE PUERTO RICO PARA EL DEPARTAMENTO DE LA VIVIENDA FEDERAL (H.U.D. POR SUS SIGLAS EN INGLES), YA QUE EL SECRETARIO, CISNEROS, ESTA PROMOVRIENDO NUESTRO MODELO, COMO EL QUE PUEDE SERVIR PARA SALVAR A VIVIENDA FEDERAL DE LOS RECORTES CONGRESIONALES.
- 4 - LA CELEBRACION DE LA CONVENCION ANUAL DE LA "NATIONAL TENANT ORGANIZATION" EN LA ISLA, SIENDO LA ISLA LA SEDE ESTE AÑO, QUE POR VEZ PRIMERA SALE DE LOS ESTADOS UNIDOS CONTINENTALES. LAS MISMA SE CELEBRARA DEL 20 AL 24 DE ESTE MES EN LOS HOTELES "SAN JUAN Y SANDS" DE ISLA VERDE.
- 5 - PARTICIPACION DE LOS RESIDENTES LOCALES EN ESA CONVENCION Y COMO AVP Y SUS AGENTES ADMINISTRADORES COLABORARAN PARA TAL PARTICIPACION.

SE LES SUICTO A LOS PRESENTES QUE FUERAN PORTADORES A SUS EMPRESAS, DE UNA APORTACION DE SU "MANAGEMENT FEE", PARA QUE LOS RESIDENTES PUCHERAN DISFRUTAR DE TODOS LOS TALLERES Y SEMINARIOS QUE POR 4 DIAS SE OFRECERAN. ADEMAS, EL COSTO DE ADMISION, QUE ORIGINALMENTE SE NOS HABIA COMUNICADO QUE ERA DE \$ 225. SE NOS ACLARÓ QUE ES DE \$ 300, AL INICIAR LA ACTIVIDAD. POR LO QUE POR ESTE MEDIO, SE LES INFORMA A QUE LA CUOTA ORIGINAL DE PUERTO RICO QUE ERA DE 133 RESIDENTES DE TODA LA ISLA, SE REDUJO A 100. LAS EMPRESAS SERAN RESPONSABLES DE SOMETER A LA AVP, A LA BREVEDAD POSIBLE, UNA LISTA DE LOS RESIDENTES DE LA MAYOR PARTE DE SUS PROYECTOS, Y QUE ENTIENDAN SE BENEFICIARAN DE LAS ACTIVIDADES A DESARROLLARSE Y PARA PODER DEFINIR A QUIENES FINALMENTE SE ENVIARA A LA



P.O. BOX 363185-SAN JUAN, PUERTO RICO 00984-3185



CONVENCION.

EXISTE UN COMPROMISO DE LA AGENCIA, DE APORTAR UNA CANTIDAD DE DINERO DEL RENGLO DE INICIATIVAS, PARA SUSFRAGAR PARTE DE LOS GASTOS. TAMBIEN SE HAN ESTADO GESTIONES CON LA EMPRESA PRIVADA PARA OBTENER SU RESPALDO Y EN LO QUE CONCIERNE A NUESTROS AGENTES ADMINISTRADORES, UN COMITE DE LOS REPRESENTANTES DE ALGUNAS COMPAÑIAS, CONCORDARON EN ESTAR EN LA MEJOR DISPOSICION HACER UN DONATIVO DE \$ 1.800.00 POR EMPRESA, A SER ENTREGADOS EN NUESTRA PROXIMA REUNION QUE SERA EFECTUADA EL JUEVES 10 A LAS 10:00 AM EN EL SALON DE CONFERENCIAS DEL PISO 5 DE NUESTRO DEPARTAMENTO.

LES SOLICITAMOS QUE TODO DONATIVO SEA REMITIDO A FAVOR DE: "SAN JUAN HOTEL Y CASINO". ESE DINERO, SERA DEPOSITADO EN UN FONDO EN DICHA HOSPEDERIA, PARA CUBRIR GASTOS DE COMIDAS, ALDOJOS, TALLERES Y OTROS DE NUESTROS RESIDENTES. ADEMÁS, SE ESTARA RESERVANDO UNO DE LOS ALMUERZOS DE LA CONVENCION, PARA QUE AL MENOS, 2 REPRESENTANTES DE NUESTRAS EMPRESAS ADMINISTRADORAS, PUEDAN COMPARTIR CON LOS RESIDENTES Y LOS INVITADOS ESPECIALES, ENTRE LOS QUE SE ENCUENTRAN, EL EX ALCALDE DE ATLANTA, ANDREW YOUNG, EL ASISTENTE DEL SUBSECRETARIO DE VIVIENDA FEDERAL, ED MOGENSEY Y OTROS FUNCIONARIOS. AUN NI LA "N. T. O." NI SUS REPRESENTANTES, NOS HAN DADO A CONOCER LA AGENDA FINAL DE LA CONVENCION, AUNQUE LA PRESIDENTA DE LA ENTIDAD, SRA. MAXINE GREEN, LLEGARA AL PAIS, CERCA DEL DIA 18 DEL CORRIENTE MES.

ES IMPORTANTE PARA TODOS, QUE LOS REPRESENTANTES DE LAS 18 EMPRESAS ASISTAN A LA REUNION DEL PROXIMO JUEVES 10, PARA ACLARAR DUDAS O CONTESTAR PREGUNTAS QUE TENGAN AL RESPECTO.

AUNQUE MUCHOS TIENEN LOS NUMEROS TELEFONICOS DONDE PUEDEN CONSEGUIRME A CONTINUACION SE LOS SUMINISTRO NUEVAMENTE CON MUCHO GUSTO:

- 1 - 758-9407 EXT.4201 O EL 783-4409. OFICINAS DE AVP.
- 2 - 274-2079 OFICINA DE COMUNICACIONES DEL DEPARTAMENTO DE LA VIVIENDA.
- 3 - BEEP: 1-800-798-1255 UNIDAD: 214-1378.

Mr. SHAYS. I interrupted the gentleman a few times, and you do have more time, if you'd like.

Mr. FATTAH. I'll yield my time back.

Mr. SHAYS. OK.

Mr. MARTINI. Thank you, Mr. Chairman. Just, hopefully, one or two more questions and try to clarify one or two things.

First of all, in response to my colleague, Mr. Fattah's comments a little bit ago about the philosophy here about delegating more authority on programs back to the government, I think it's important that everyone out there, including all of us, recognize that the very reason we're here is not because of some comment about someone politically at the convention.

The reason we're here is there were local officials in my hometown who had expressed outrage and shock when they received this flyer, one being a democratic councilman in the city of Passaic, and when that was also brought to the attention of the director of the HUD programs in that city, he denied the request of the tenants to attend such a convention.

So we're here for that reason, and the inquiry initially, which was supposed to be very limited back in November, has developed into this inquiry because we did not have the fullest of cooperation, therefore, it necessitated a further inquiry by the Inspector General. So that's why we're here.

I don't think it's significant at all whether it was Jack Kemp years ago or whoever it was years ago that tolerated the sloppy, inefficient practices that we have disclosed here in this hearing.

It's very apparent to me that contrary to maybe the feelings of some of my colleagues on the other side here on this committee, at least the Secretary of HUD, Mr. Cisneros, who issued a press release a while ago as a result of this inquiry, has taken very serious steps with respect to the inefficient administration and the policies.

And most particularly, I might say, he is most importantly—these are his words: "We are seriously weighing the Inspector General's recommendation that we sever all ties with the National Tenants Organization."

Yet, some of you are implying out here in this inquiry that it's OK, the kind of inefficient practices that we've heard about NTO today, the fact that NTO—it's shocking to me—was being disbarred or debarred at the time for financial mismanagement, and yet the people at HUD at the time thought very little of that and continued to do business with NTO and yourself.

So I'm pleased to see that someone at the cabinet level understands what the chairman here and myself have understood what this inquiry is all about and agrees with the initiatives that are coming out and some of the findings that are coming out and, in fact, supports the Inspector General here.

Now, those are comments in response, but let me ask one question of you, Ms. Green. What was the legal status of NTO in August 1995?

Ms. GREEN. The legal status of NTO was the same as it is without the incorporation, which was in December 1995.

Mr. MARTINI. So NTO became incorporated in December 1995?

Ms. GREEN. In the State of Florida, yes.

Mr. MARTINI. Now, is it incorporated as a profit corporation?

Ms. GREEN. A nonprofit organization.

Mr. MARTINI. All right. So it comes under the title of the statute that would designate it as a non-for-profit corporation, correct?

Ms. GREEN. That is correct.

Mr. MARTINI. All right. Prior to August 1995, what was its legal status? Or in August 1995, it was not a corporation?

Ms. GREEN. The corporation was in 1981, whenever they stated at that time, it was not in keeping with whatever in the District of DC.

Mr. MARTINI. All right. So from 1981 until December 1995, there was a lapse in the status of—

Ms. GREEN. It was a voluntary organization.

Mr. MARTINI. I'm sorry. What was it?

Ms. GREEN. Voluntary organization.

Mr. MARTINI. I understand. But you're here with legal counsel today; is that correct?

Ms. GREEN. Yes.

Mr. MARTINI. He would know, or perhaps he can assist you in this. I'm trying to determine what was the legal status of NTO—

Ms. GREEN. Excuse me.

Mr. SHAYS. Take your time, please.

Mr. FATAH. While we're doing that, I'd like to clarify something, if I could, Mr. Chairman.

Mr. SHAYS. Yes.

Mr. FATAH. Because the gentleman indicated that some of us were trying to do something. I have stated clearly and it will be in the record that I was not suggesting that all that went on here was correct, and I also agree with the chairman that any misappropriate use of public funds was wrong.

The point I was trying to make, that in 1981, and 1982 and 1983 and 1984 and all through, when Jack Kemp and others were at HUD, tenants were going to those meetings.

So I just want to be clear, and I'm glad to see that Secretary Cisneros has taken action. I just want to make sure that we clarify what the real record is here.

Mr. TOWNS. Would the gentleman yield further? Let me just say the exact statement was that we support sloppiness.

Mr. MARTINI. If the gentleman would yield, I don't think I suggested you support sloppiness.

Mr. FATAH. That's exactly—

Mr. TOWNS. That was the word. That's what you said. So I want to let you know that we recognize the fact that this is a new program, and there are growing pains and certain problems existed and should be corrected. We support that.

I'm not going to get upset over some kind of flyer. I mean, I think that's what we're talking about that was out there. I mean, I think you might be overreacting to that, and that's the point I'm making.

Mr. MARTINI. Yielding back my time, if I may, I'm appreciative of the fact, hearing your comments, as I certainly felt you shared those values as well, but this is more than a flyer.

It was the flyer which precipitated what was supposed to happen, a very limited inquiry, which turned out to be and I'm pleased to see an inquiry which has disclosed a lack of practices.

And it was not my intent to suggest sloppiness or that my colleagues would condone sloppiness, but clearly the evidence has indicated certainly a total lack of any kind of administrative discipline or procedure or policy.

And I blame most of the officials at HUD, but I also have some troubles with the status and the legalities of NTO.

And I'm still awaiting an answer to my question about what was the legal status of NTO in August 1995?

Ms. GREEN. The legal status of NTO in August 1995 was volunteer nonfor-profit organization. A letter from my lawyers to the staff of the chairman has been submitted, and I would like to submit it to the committee.

Mr. MARTINI. Thank you. And the volunteer not-for-profit status, correct?

Ms. GREEN. August 1995.

Mr. MARTINI. The \$32,000 or thereabouts of revenues that you received from this convention, what happened to those?

Ms. GREEN. Excuse me?

Mr. MARTINI. The \$32,000 of revenues that you testified to before or thereabouts that you received from this convention, what happened to those? What happened to that sum of money?

Ms. GREEN. It was deposited to the bank.

Mr. MARTINI. In whose account?

Ms. GREEN. The National Tenants Organization's account.

Mr. MARTINI. Was it utilized for any expense with respect to that convention?

Ms. GREEN. Yes, it was.

Mr. MARTINI. Just one moment, Mr. Chairman, if I may. Up until now has the NTO filed a tax return?

Ms. GREEN. The answer to that question is in the letter that I'm submitting to you.

Mr. MARTINI. Just one moment.

Mr. TOWNS. Could the minority side have a copy?

Ms. WILLIAMS. Mr. Towns, your staff has a copy.

Mr. SHAYS. I don't mind, counsel, if you want to be closer. I have no problem with that.

Mr. MARTINI. In any years prior to 1995—

Mr. SHAYS. I'm going to interrupt just because I'm going to try to gauge. How much more time does the gentleman think he needs?

Mr. MARTINI. Just a couple of minutes.

Mr. TOWNS. No more time for me, Mr. Chairman.

Mr. SHAYS. OK. I'm going to have, like, 2 minutes, and I'll be done.

Mr. MARTINI. On this issue of tax returns, did the NTO, from 1981 to 1995, did they annually file a tax return?

Ms. GREEN. All the information is in the letter.

Mr. MARTINI. Who are the other active officers of the NTO right now?

Ms. GREEN. A list was submitted.

Mr. MARTINI. Provided. Mr. Chairman, let me just conclude by thanking you and thanking the other Members for the opportunity to make these important inquiries of these witnesses. Thank you.

Mr. SHAYS. I thank you very much. Ms. Green, I want to ask you two lines of questions. First, you say that you do not receive a sal-

ary for your work in NTO. Have you ever made personal payments to yourself, or do you ever make personal payments for rent out of the account of NTO?

Ms. GREEN. Rent is made out of NTO because that is the office as well as where I live.

Mr. SHAYS. So when a payment is made, it's made to reimburse you for part of the rent or all of the rent of the home?

Ms. GREEN. For all of it.

Mr. SHAYS. So all of the rent even though you live there?

Ms. GREEN. That is correct.

Mr. SHAYS. So NTO covers your entire housing?

Ms. GREEN. For the rent because I live there. I work there. I was sent there to do this.

Mr. SHAYS. You're a little on dangerous territory there. Usually, you have to take a little part. The usual practice is that when you have a home you are allowed to pay for possibly some of the cost, not all of the cost.

Ms. GREEN. I think that I must share with you that I worked 24-hours a day then.

Mr. SHAYS. I know you work—

Ms. GREEN. All the time. I'm there all of the time. It isn't that I go into an office a couple of hours. I am there all the time doing work for NTO.

Mr. SHAYS. Right. But you also live there?

Ms. GREEN. And I live there.

Mr. SHAYS. Thank you. Let me just ask you one other question. I just need to have a clear record under oath on this question.

There was an e-mail sent to Paula Blunt from Patricia Arnaudo, who works at HUD. And it says, "Kris mentioned," Kris spelled K-r-i-s, "—mentioned we should try to at least have input into the testimony of Bertha and Maxine. I know what their issues are generally but want to discuss how we propose what PIH/Kevin wants. Let's discuss."

Did you have any conference with Patricia Arnaudo about testimony that she might give or you might give before this committee?

Ms. GREEN. Absolutely not.

Mr. SHAYS. OK. Thank you.

Ms. GREEN. I did not testify at that hearing.

Mr. SHAYS. But I want you to be clear you're under oath saying, and it's important because this is an e-mail that would lead us to believe that there was some collusion between HUD and you as to what you would say.

And it's your testimony that you had no conversations whatsoever with any officials at HUD regarding what you would say before this committee?

Ms. GREEN. Absolutely none.

Mr. SHAYS. OK. And you had no conversation with any officials at HUD on what they would say?

Ms. GREEN. Absolutely none.

Mr. SHAYS. Thank you very much. Does either witness want to make any other comment before we adjourn? I know this has not been easy for any of us, particularly those of you. Yes, Mr. Rodriguez.

Mr. RODRIGUEZ. Mr. Shays, thank you for inviting me to this committee, and I hope I provided all the documentation and information you need. In case you need anything additional, please feel free to contact me.

Mr. SHAYS. Thank you. Mr. Rodriguez, the one area I will just say is that I'm very troubled about the payment of \$32,000 and the coincidence of the letter and the amount that was actually sent to the hotel and the fact that we have people within your organization that interacted with these individuals who made these contributions.

We need to nail that down, so we will be in touch with you further. I thank both of you for your gracious time and patience with this committee. Thank you, and we'll go on to our next panel.

Mr. SHAYS. Our third panel will be called. Ed Moses, Deputy Executive Director of Community Relations and Involvement, Chicago Housing Authority; and Patricia Arnaudo, Deputy Director for Program Development, Department of Housing and Urban Development.

For the record, I will say that Patricia Arnaudo requested that we impel her testimony today, and we respect that request and appreciate the fact that she is here.

If both would remain standing so we could swear you in.

[Witnesses sworn.]

Mr. SHAYS. Both witnesses, for the record, have answered in the affirmative, and with that we will proceed, Mr. Moses, with your testimony.

Even though it is late and there are pressures, you need to say whatever you want to say. We want to assure you that you will have your time to make whatever statement you need.

The only two people who will be testifying will be the two witnesses that we have sworn in.

Mr. MOSES. Thank you, Mr. Chairman, and thank you, Mr. Towns.

Mr. TOWNS. The person at the table, could we identify him?

Mr. SHAYS. Would you identify yourself, please?

Mr. BRANSFORD. Yes, Mr. Chairman. My name is William Bransford. I'm Patricia Arnaudo's attorney.

Mr. SHAYS. You're welcome to be here. You are not a witness. We will not be asking you questions. We're more than happy to have you counsel your client, but that's the extent of it.

Mr. BRANSFORD. I understand.

Mr. SHAYS. Thank you very much. Mr. Moses.

STATEMENTS OF EDWARD MOSES, DEPUTY EXECUTIVE DIRECTOR, CHICAGO HOUSING AUTHORITY; AND PATRICIA ARNAUDO, DEPUTY DIRECTOR FOR PROGRAM DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. MOSES. Mr. Chairman, Ranking Member Towns, thank you very much for allowing me to speak for this committee regarding my knowledge of and involvement in a convention held in San Juan, Puerto Rico in August 1995 sponsored by the National Tenants Organization.

My comments on this matter expound on my testimony of November 8th before this committee. Today, I will provide more detail than I was able to provide in November 1995 hearing because of the time constraints. What follows are my recollections of the events surrounding my involvement in the NTO convention.

During a Resident Ad Hoc Advisory Committee meeting held sometime in late winter or early spring of 1995, different members of the committee, which was comprised of several resident organizations, informed the group of dates and locations of their upcoming conferences. The National Tenant Education/Tenant Union was having its conference in Washington, DC in April. The National Association of the Resident Management Corp. was having its conference in Memphis, TN, in August, and the National Tenants Organization was having its annual conference in Puerto Rico also in August. Additionally, some of the State organizations announced their conferences. This was the first time I became aware that the NTO intended to hold its annual conference in San Juan, Puerto Rico.

In late May or early June 1995, NTO's president, Ms. Maxine Green, contacted me to request that HUD Public and Indian Housing staff participate in their conference. I informed Ms. Green that I believed that we would be willing to participate. The department had participated in every national group's conference since I arrived at HUD on August 16, 1993, including the two previous NTO annual conferences, but I also asked that she formally request our participation in writing.

PIH received an official letter from NTO inviting us to participate in the conference on or about June 20, 1995. The letter included a working draft of a proposed agenda. Upon receipt of the letter, I indicate PIH's willingness to provide training, as we have done in the previous conferences, and I assigned my deputy to coordinate the efforts with NTO on PIH's involvement.

I expected that my deputy would flush out HUD's portion of the agenda and ensure that our participation would be professional and geared toward providing substantive information on resident issues to the attendees of the conference. In those efforts, I anticipated there would be discussions and meetings with NTO representatives and my staff.

The next meeting—the next time I had any contact with NTO concerning the conference was sometime later that month when Ms. Green requested that PIH issue a letter indicating that public housing funds could be used to attend the conference. Ms. Green explained that she was making the request because some HUD field offices and public housing authorities were refusing to give residents funds for the conference. They were unsure if it was an eligible expenditure of housing funds.

Over the last few years, it has been the practice of PIH to provide letters of this type so that residents could attend resident group conferences if those conferences related in any significant way to the goals of the Department's resident initiative programs or provided the Department with an opportunity to present and/or explain its policies or legislative efforts to our constituency with regard to the resident initiative programs and policies. On or about

June 27, 1995, I signed a letter to this effect, and it was subsequently sent to our field offices.

About the same time, I received a call from the administrator/executive director of the Puerto Rican Public Housing Authority requesting that I set up a meeting with the NTO president and himself because he was interested in co-sponsoring the NTO convention in Puerto Rico. A number of his residents would be attending the convention, and there would be some discussions about his programs. He was concerned that the residents on the NTO conference committees were individuals with whom the housing authorities were at odds with. The PHA was working on a new request for proposals for the management of some of its projects, and as a result, the private management companies were in danger of being displaced. The residents on the NTO conference committee were aligned with those private management companies who were in danger of losing their contracts. The administrator feared that these individuals would use this conference against the PHA. He therefore wanted to meet Mrs. Green to present the PHA's side of the story.

I told him that I would host a meeting if NTO consented. I placed the administrator on hold and dialed the NTO's president on my other line to see if she would agree. She concurred, and they made arrangements to meet in my office on June 26, 1995. This phone call occurred during the week prior to the meeting. On the date of the meeting, both parties had a frank discussion and came to an agreement on their relationship and the role of the housing authority at the NTO conference. Each asked me to formalize their agreement in writing, which I did.

The next time I was contacted concerning the conference was in late July and early August 1995. I received three telephone messages from individuals in Detroit, two from reporters, which I referred to NTO, and one from a director of the Detroit Public Housing field office to which I responded. The reporters wanted information on the conference's content, and the HUD director wanted to know how many persons per TOP group should be permitted to attend the conference. I informed the HUD Detroit field office director that the TOP guidelines allowed a maximum of three persons per grantee to attend a conference. Further, I told her it was in her discretion to set the limit per group up to the three-person limit, because she was in the best position to assess the local situation.

I also received a telephone call from Councilman Gary Schaer of Passaic, NJ, who is also a member of the Public Housing Authority Board of Commissioners. The councilman was concerned about the residents of the Passaic Housing Authority being allowed to attend the NTO conference. He was particularly concerned because the Passaic PHA had a policy that its staff could only attend conferences within a 100-mile radius. I informed him that HUD did not have rules limiting travel based upon distance but that PHA did not have to send any residents if they did not want to. He then explained to me that it was not the PHA's money that the residents wanted to use but their own funds from their TOP grant. The residents were asking the PHA to advance them funds until they received their TOP moneys. He wanted me to disallow this expenditure. I told him I could not restrict the residents' use of the funding

in this manner because the NTO conference qualified as an allowable expense, and there was no prohibition in our grant agreements with the resident council which set a distance limitation on travel.

At this juncture, Mr. Schaer raised the question of the NTO promotional flyer. He proceeded to tell me of the flyer's content. I asked that he fax me a copy because I had not seen it. Mr. Schaer told me that he would have the PHA executive director fax it to me. The PHA executive director is Erbert Kobie. The executive director faxed me a copy of the flyer that day, which was August 10, 1995. Upon receipt of the fax, I called the NTO president complaining about the tone of the flyer. She informed me that she used a promotional flyer from a conference sponsored by a housing authority industry group in another resort location as a guide.

The next time I recall having contact with any NTO members was during a Resident Ad Hoc Advisory Committee meeting held on July 25th and 26th. This meeting was called to get the Ad Hoc Committee's feedback on HUD's legislative submission and other proposed legislation on public housing. The major objective was to get a consensus opinion from the group prior to HUD's submission of the bill to Congress so we could incorporate acceptable suggestions in the bill. The meeting started at 1 p.m. on the 25th and ended around 12 noon the following day. It should be noted that while there is a possibility that NTO handed out literature regarding its conference during this meeting, I do not recall seeing a copy of the flyer nor having any discussions about the NTO conference.

My final involvement in the NTO conference occurred in the conference itself. I arrived at the conference on Sunday, August 20, 1995. I was picked up by the executive director of the Puerto Rican Housing Authority. We went to the conference site where I participated in the opening session. After delivering my remarks in the opening session, I checked into my hotel and then went with the administrator of the Puerto Rican Public Housing Authority to meet with the Secretary of Housing for Puerto Rico who wanted to discuss some issues concerning the agency's efforts to get out of trouble status and what assistance the Department could provide.

After the meeting, I went out to dinner, and when I returned, I went to bed. I awakened the following morning, went to breakfast in the hotel and at 10 a.m. delivered my keynote speech. After giving my speech, I stayed to hear the economic development workshop which was showcasing some resident-owned businesses in Puerto Rico, and a youth apprenticeship demonstration that was being undertaken in Philadelphia. When this workshop was over, I left to catch a flight home. I was taken to the airport by the HUD local field office Community Relations and Involvement staff person. Upon my return to the office, I submitted my receipts to my secretary to process my voucher.

In closing, I would like to say that in retrospect I would handle this matter differently today than I did at that time. During this period, I was away from my office on HUD business a great deal of the time and as a result did not supervise the events of my staff as closely as I perhaps should. Since the conference, I have been made aware that there was information distributed suggesting that HUD rather than the Puerto Rican Housing Authority was co-spon-

soring the conference. Specifically, mailgrams were sent out stating that NTO and HUD expected residents to attend the conference. If I'd had that information at the time, I would have pulled my office's involvement in the conference. Further, were I still a part of the department, I would develop a formal protocol for my office to use when dealing with resident conferences and conventions and institute tighter controls in providing guidance to resident groups in expending their TOP funding.

Thank you once again for allowing me the opportunity to address this committee.

Mr. SHAYS. Thank you, Mr. Moses.

Ms. Arnaudo.

Ms. ARNAUDO. Mr. Chairman and members of the subcommittee, my name is Patricia S.A. Arnaudo, and I have been Deputy Director of Program Development, that's the second Deputy, in the Department of Housing and Urban Development.

On February 22, 1996, I received an invitation to testify in front of this committee regarding my knowledge of and involvement in a convention held in San Juan, Puerto Rico, in August 1995, sponsored by the National Tenants Organization. This is the first time I knew that this subcommittee contemplated calling me as a witness at this time. I initially declined this invitation because of my discomfort connected with providing information in a public forum about the policies and practices of my employing agency.

I'm particularly uncomfortable in describing events related to either my former or current supervisors. I've heard that some of my testimony might contradict statements made by others. My former supervisors remain actively associated with the housing industry. I am a loyal career Federal employee, and I do not enjoy publicly commenting about former or current departmental officials. Another reason I declined to testify is that HUD management did tell me this decision to testify is my own. Now I have received a subpoena.

I am here because I am required to be here. I will fully cooperate and provide information that I hope is helpful.

I first heard present background information describing my duties and responsibilities as deputy director for Program and Development—first, I will present background information describing my duties and responsibilities as deputy director for Program Development in the Office of Community Relations and Involvement and how I came to that position.

I have been a Federal employee for over 28 years. Since 1975, I have been an employee at HUD. During my HUD tenure, I've been responsible for assessing housing programs and developing numerous regulations, handbooks and training sessions for these programs.

Beginning in the late 1980's, HUD determined that organizations representing the interests of tenants of public housing projects required hands-on technical assistance to move toward constructive activities in their development. HUD issuances and management directives reflected this new role for HUD staff. This proactive technical assistance included ongoing guidance and help to public housing resident leaders either directly or through training conferences.

Since 1989, departmental officials both at headquarters and the field have provided assistance to national, regional, State and local resident leaders in all types of capacity enhancement activities, including conferences, workshops and technical assistance onsite and in HUD offices. In the last few years, the local housing authorities have been brought more actively into this partnership. I first recommended to Mr. Moses and Mr. Shuldiner that the housing authorities should be co-applicants in 1993-1994, and it was in the authorizing legislation that died.

The National Tenants Organization conference in Puerto Rico last August was an example of the assistance provided by the department. My role in this conference was no different from my role in other such resident conferences; that is, I was responsible for coordinating the HUD portion of the agenda. I coordinated the HUD speakers. Because the Puerto Rico conference, like other conferences, was sponsored by a private organization, my role in the overall planning and organization of the conference was limited.

I first learned that a conference might take place in Puerto Rico in the spring of 1995, around the time that a group from Puerto Rico met in headquarters, DC, with someone in the Secretary's office. I did not know that I had any responsibility or real role in this conference until June 1995, when my supervisor, Mr. Ed Moses, told me I would be attending the conference. It was, I think, around June 23d.

On June 26th, my supervisor instructed me to prepare a letter permitting the conference to be an eligible expense for public housing funds, allowable expense.

I expressed to my supervisor on two occasions my opinion that I did not believe it was a good idea to have the conference in Puerto Rico. I stated to him around July 1995 that the conference location could appear to be inappropriate. I expressed this belief the second time after viewing flyers distributed by Mrs. Green and after learning the press articles regarding the conference mentioned HUD and Mr. Moses' office. I also expressed to my then supervisor on several occasions in the past that conferences run by Mrs. Green were not of the highest quality.

At the time I did not believe it was appropriate to express these beliefs to my supervisor or any other higher official any stronger or more often than I did. I am a career Federal employee, and I'm expected to implement policy decisions which are not illegal without regard to my personal feelings connected to the wisdom of a project. Likewise, I did not believe it would have been appropriate to take any action to impede the conference. The decision whether I was to attend the conference was not within my power. I believe that I fully fulfilled my responsibilities as a career employee by informing my supervisor that the conference could be viewed as excessive and might cause problems for the Department.

Mr. SHAYS. You happen to have been very right.

Ms. ARNAUDO. Mr. Chairman and members of the subcommittee, I will answer any questions you might have to the best of my ability.

Mr. SHAYS. I thank you. Before recognizing Mr. Martini, I do want to recognize the fact that both of you have worked many years in government service.

Mr. Moses, how many years have you worked?

Mr. MOSES. I have worked in government, sir, for over 11 years.

Mr. SHAYS. All right. And I know it has been a very distinguished career. Ms. Arnaudo, again how many years in HUD?

Ms. ARNAUDO. Twenty-one years in HUD.

Mr. SHAYS. And I also want to acknowledge that you did not ask to be here, that we requested you to be here. You are here at our requirement and we didn't do that lightly.

I think it's important to say that you willingly came once you were required to be here, and we thank you for your presence. Mr. Martini.

Mr. MARTINI. Thank you, Mr. Chairman, and I thank both of the witnesses for their testimony. Mr. Moses, I think first let me ask this question.

Prior to this occasion, in terms of this NTO convention, had you worked previously with NTO on any other conventions?

Mr. MOSES. Yes, sir, I have. I've worked with NTO—I have participated in NTO's conventions ever since I came to the department.

The first time was started in October, I believe it was October 1993, their 27th annual conference.

Mr. MARTINI. So you had, prior to August or June 1995, had other dealings with NTO and with Maxine Green in particular, correct, business dealings with respect to your job in terms of NTO's functions?

Mr. MOSES. Let me be clear of the question, sir. Are you asking have I participated in their conferences before, or are you asking have I had dealings with her before?

Mr. MARTINI. When did you first meet Maxine Green? Let's begin with that. Do you have a recollection of the first year, let's say the year you first met Maxine Green?

Mr. MOSES. The first time I met Ms. Green was sometime back in 1987, while I was at the Housing Authority of New York City when she came in to ask that we support a conference or an event that she was having down in Washington, DC.

Mr. MARTINI. And did you participate in any way as the liaison between HUD and her in that initiative?

Mr. MOSES. I was not a HUD employee at all at that time. I was an employee of the New York City Housing Authority, and no, sir, I did not coordinate an event, but I was aware of it.

Mr. MARTINI. I'm just trying to get a point of reference. Prior to June 1995, in this particular convention, had you ever acted in a similar capacity with NTO?

Mr. MOSES. When I reported to HUD on August 16, 1993, the Secretary had set up an Ad Hoc Advisory Committee to advise him and to receive the residents' perspective on policies that HUD was getting ready to implement.

It was my responsibility to work with that Ad Hoc Advisory Committee to develop a policy paper on HUD's participation—I mean, on residents' participation in HUD programs.

The individual who originally met with the Secretary to talk about these changes was Mrs. Green and the National Tenants Organization. They met with him on June 2, 1993, when the Secretary then asked them to put together this policy paper.

As I understand it, he then referred it to——

Mr. MARTINI. My point is you had some dealings while you were an official at HUD with Ms. Green prior to this June 1995 meeting about the convention, et cetera, correct?

Mr. MOSES. Yes, I have.

Mr. MARTINI. OK. And one of the areas that was most troubling to me, quite candidly, and correct me if I'm mistaken, but, in fact, that in June 1995 or thereabouts, there was this process going on between HUD and NTO with respect to a voluntary debarment or suspension of her having participated with HUD in the multi-family housing program due to financial mismanagement, correct?

Mr. MOSES. That was in 1994.

Mr. MARTINI. OK. But the debarment did not actually take place until when, the voluntary arrangement between NTO and HUD?

Mr. MOSES. I believe it occurred in 1994.

Mr. MARTINI. Is that your best recollection? I thought it was closer in time to the June 1995 date, but you were aware of that when you were speaking with Ms. Green about this initiative in Puerto Rico, correct?

Mr. MOSES. Ms. Green brought this to our attention herself.

Mr. MARTINI. All right. And it would seem to me, if you were exercising the kind of judgment that I think someone in your position would be expected to exercise, wouldn't that have sent up a red flag to you that this, perhaps, is not the timely moment to having this HUD-NTO relationship at a time when the president or the director of NTO was on a debarment status with HUD for financial mismanagement?

Mr. MOSES. The responsibility of my office is to work with resident organizations, duly elected resident organizations, both local, State and national.

In dealing with NTO, I was dealing with a national resident organization that represents a large number of public housing residents.

The debarment was against Ms. Green. It was not against NTO, and, basically, in considering whether or not to sponsor this trip—in considering whether or not to participate in this conference, it was, basically, looking to see whether or not NTO—the conference was going to present things that was in the best interests of the agency and whether they were going to be offering some substantive training to residents.

Based on that determination, we then proceeded to participate.

Mr. MARTINI. You mentioned that the debarment was Ms. Green, not NTO?

Mr. MOSES. Yes, sir.

Mr. MARTINI. Yet it was Ms. Green who you were talking to and meeting with and no one else with respect to NTO, correct?

Mr. MOSES. No, sir. That is not correct. Generally, when we had meetings of this nature, we would talk to representatives of different—we would talk to representatives of different national, State and regional organizations.

As a matter of fact, when we invited them to come to our conferences, we basically told them—come to our Ad Hoc Committee meeting, we basically told them to bring two persons; we would pay for one.

But I have to tell you that they brought numerous people with them. They brought numerous board members with them.

Mr. MARTINI. Mr. Moses, I direct your attention to the June 27, 1995, letter. You addressed that letter to Maxine Green, the woman who was on suspension from having dealings with HUD because of a voluntary debarment, correct?

Mr. MOSES. I addressed the letter to the president of NTO.

Mr. MARTINI. Well, you addressed the letter to the president of the NTO, and I'm factually accurate, who was suspended at that point from having dealings with HUD, correct?

Mr. MOSES. No.

Mr. MARTINI. She was suspended.

Mr. MOSES. She was not suspended.

Mr. MARTINI. She was voluntarily debarred, voluntarily debarred.

Mr. MOSES. It's my understanding of the matter that she had voluntarily debarred herself from participating in multi-housing activity. That was the extent of the debarment, as far as my understanding.

Mr. MARTINI. The basis for that debarment was because of financial mismanagement, correct?

Mr. MOSES. I did not know at that time, no, sir.

Mr. MARTINI. You did not know at the time that the basis for the debarment was because of allegations of financial mismanagement?

Mr. MOSES. No, sir.

Mr. MARTINI. You wrote a letter on June 27th basically to Ms. Green, which was a day after a meeting, I believe. There was a meeting on—or a day after a letter you received from Ms. Green dated June 26th.

And the letter you wrote back was to Ms. Green, and in the last paragraph you said, "As HUD has indicated in the previous years for such resident training, conferences, this NTO convention is an allowable training activity for resident leaders and their housing and authority partners for reimbursement under public housing funds including but not limited to operating subsidy, comprehensive grant program, TOP or other HUD funds."

What was the motivating factor for you to write this letter?

Mr. MOSES. Ms. Green contacted me previously saying that some of the residents were having difficulty accessing their funds to get to the conference because either the Public Housing Authority executive director or his or her designee or either the HUD public housing—HUD field office was not allowing people to go because they didn't have any official guidance. I then told her that I would supply the official guidance.

Mr. MARTINI. Mr. Moses, this, basically, this letter was instrumental in assuring tenants that this would be an allowable expense, correct?

Mr. MOSES. I don't understand the question.

Mr. MARTINI. Well, you indicated, and I accept your testimony, that you wrote this because Ms. Green had expressed some concerns about tenants who had discussed with her the difficulties of getting this trip paid for out of either TOP funds or some other housing fund.

So your letter, basically, is authorization that those funds could be used for this particular event, correct?

Mr. MOSES. Yes, sir.

Mr. MARTINI. All right. And had you ever previously written a letter like this for a tenants organization meeting or a conference?

Mr. MOSES. Yes, sir.

Mr. MARTINI. Before you wrote this letter, what actions did you take to assure or what policies were in place in HUD at the time for you to ensure that the sponsoring organization was a legitimate organization? When I say "legitimate," meaning what their legal status is, what is the nature of their program.

What efforts did you take to make sure that the convention would be run in a manner consistent with HUD policies?

The reason I ask this question is because the investigation has indicated that according to the Inspector General the convention didn't come close to meeting a good number of HUD policies.

Mr. MOSES. What we, basically, do is look at the agenda to determine if it meets HUD's best interests and whether or not the workshops offer substantive training.

If, in fact, they do offer substantive training, if the organization is a nonprofit organization, we then can go ahead on and begin to offer our assistance.

Mr. MARTINI. Aside from what you've testified to, was there any defined procedure that you knew you had to comply with before you could write that type of letter?

Mr. MOSES. Yes, sir.

Mr. MARTINI. And is it your testimony here today that you complied with all of those procedures?

Mr. MOSES. Yes, sir.

Mr. MARTINI. In listening to the testimony of yourself and Ms. Arnaudo—

Mr. SHAYS. Excuse me. Would the gentleman yield? That's a pretty strong statement. Are you comfortable under oath making that statement? I just would like you to repeat the question again.

Mr. MOSES. To the best of my knowledge, Mr. Chairman, yes, sir. I do believe that I actually followed HUD policy.

Mr. SHAYS. OK.

Mr. MOSES. I do believe that I did.

Mr. SHAYS. OK.

Mr. MARTINI. Excuse me, Mr. Chairman. I'm sorry. Did you make inquiry of Ms. Green at the time as to obtaining a copy of the legal status of the NTO?

Mr. MOSES. To my understanding, that was not one of the requirements. To my understanding, the requirement was whether or not, the test was whether or not the program offered was within the best interests of the department and whether the training was substantive, because we were not asked to co-sponsor the conference. We were only asked to participate.

Mr. MARTINI. Would it matter whether or not a tenant organization is a for-profit or a nonprofit?

Mr. MOSES. Yes, it would have.

Mr. MARTINI. All right. So if that matters, what inquiry did you make to find out what the status was of NTO?

Mr. MOSES. The trigger for us was whether or not we were co-sponsoring an organization to ask about their legal status. There were only two instances in which we were to go in that detail.

One is if we were considering co-sponsoring an event, and second, if they were receiving a grant from the department. Those are the only two instances.

Mr. MARTINI. In the interests of time and the patience of my colleagues, I'll yield to the chairman. And thank you very much.

Mr. SHAYS. Thank you. At this time I'd like to recognize Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman. Let me begin by thanking both of you for your testimony. Let me just, sort of, pick up on one of the questions that was just asked.

Please walk me through the steps that you took to determine that the NTO convention would be eligible for TOP and other public housing funds.

And I guess, adding onto that, did you do anything differently for NTO that you might have done for another group or other groups?

Mr. MOSES. The steps that we use are, basically, we begin to look at the proposed agenda. If the proposed agenda offers some substantive training on the Department's programs, and if we determine that it is in the best interests of the agency to participate in this workshop, we then proceed to do so.

NTO is a national resident organization. It represents a large number of residents, and therefore, it would be of interest to the Department to make sure that we get out information on the Department's policies and procedures and programs.

After we make that determination, in this particular instance, I then went to my supervisor and said that NTO had asked us to participate in their program. They wanted us to do a specific workshop, offer specific trainings. I thought that it was something that was eligible, and he concurred.

And I proceeded to then say to Ms. Green, yes, we will participate. This is, basically, the same step that we take with any organization coming to ask us to participate in their programs.

Mr. TOWNS. I know you've heard some of the testimony that has gone on here before. Who looked at the agenda? When was the agenda observed or looked at, and of course, who determined whether or not the agenda actually met the criteria, that you could be involved in it?

Mr. MOSES. Basically, we're dealing with resident organizations. We are not dealing with technical, professional organizations.

When Ms. Green called me, when Ms. Green called me, I, basically, asked Ms. Green what did she want us to do. She then, in turn, told me that she wanted us to do workshops on our programs.

She wanted us to do workshops on home ownership. She wanted us to do workshops on Section 3. She wanted us to do workshops on the tenant opportunity programs. She wanted HUD to participate in a town hall session to explain the future of public housing.

I then at that time asked her—told her that those things are things that we have worked with her in the past on in her conferences, but she first had to send an official letter in writing.

She then sent an official letter in writing to me. Attached to it was a tentative working agenda. We looked at that working agenda

to see whether, in fact, the things that she asked me to do in the telephone conversation was actually covered in the agenda.

I then, as I said before, went to my supervisor and said, "This is what Mrs. Green and NTO has asked of us. It's the same thing that they've asked us to do before. Shall we participate in it?" He concurred, and we then made the decision to go forward with it.

Mr. TOWNS. Let me ask you, Ms. Arnaudo, did the NTO agenda include subjects that would assist residents in administering the TOP grant?

Ms. ARNAUDO. Yes.

Mr. TOWNS. Why did HUD support the NTO convention even though the agenda did not indicate that residents would learn how to administer the TOP grant? You said they had a portion on it, but was it not enough for you?

I mean, I don't understand in terms of your comments. There was not enough information on it for you to feel comfortable or the fact that the wrong folks were involved? I don't understand in terms of your reservations or your hesitation.

Ms. ARNAUDO. Can you explain? My reservations or hesitations about what?

Mr. TOWNS. First of all, you had problems coming here.

Ms. ARNAUDO. Yes.

Mr. TOWNS. I don't understand that, because of the fact that all you had to do was come and testify in terms of what happened. Why would you have hesitations or reservations if they had the TOP program, which is the grant that we're talking about, was a part of their agenda?

I mean, wouldn't that, sort of, fit in terms of the guidelines as to why people should come and why she should learn and know what's going on? We're talking about empowering people, aren't we, or did the agenda not include that?

I want to make it very plain. I want to make it very plain. You had reservations about coming here?

Ms. ARNAUDO. Yes.

Mr. TOWNS. It's my understanding that you're here because of a subpoena.

Ms. ARNAUDO. Yes.

Mr. TOWNS. And that you were requested to come, and you refused to come; is that correct?

Ms. ARNAUDO. Yes.

Mr. TOWNS. OK. I just want to make certain we go through the steps. You indicated that the agenda included the TOP program. Is that correct, that there was some information about the TOP program was a part of the agenda?

Ms. ARNAUDO. The TOP program was one item on the agenda.

Mr. TOWNS. Yes. You also stated, according to my recollection, that you felt uncomfortable with the agenda, with the program because of the fact—was it the fact that you didn't have enough input in the agenda, or was it a fact that the people that were involved in organizing it that you had reservation and hesitation about them? I'm asking two questions, your reservation about coming and then the TOP program.

Ms. ARNAUDO. My reservations about coming are stated in my testimony. I, basically, as a career bureaucrat, was following deci-

sions of my supervisors, and I didn't really want to comment on it in a public forum.

I wanted to do it in another way that would be as appropriate to get you all the information you needed. I have no problem in providing the information and the truth.

What's your second question again?

Mr. TOWNS. Well, no. You indicated you had input in the agenda, is that correct, the speakers?

Ms. ARNAUDO. Regarding the agenda, I had input into the HUD portion of the agenda, yes.

Mr. TOWNS. Did you feel that that was adequately carried out at the conference? The people that you asked to speak, they came, and did they speak?

Ms. ARNAUDO. Yes. Yes. I felt that the HUD portion of the technical agenda, and I was there only through about 3 o'clock on Monday, the portion that I observed and participated in actively was carried out and provided useful program knowledge, yes.

And it was challenging because we did it both in English and Spanish, but we did talk about a variety of subjects besides the TOP grant program. The TOP grant program was only one small portion of the agenda.

We talked about resident participation, some of the detailed subparts of the regulations, including conflict of interest, including allowance for housing authorities to give residents space, including exactly how you constitute a duly elected resident council and properly go through an election procedure, which all of them were doing.

That was one whole section. We did a whole section, whole morning section on Section 3 where we explained all the requirements of the regulations.

We explained all the requirements of when a 51 percent resident-owned business could, in fact, bid. Then, we had a couple of resident leaders from Puerto Rico come up and explain how they had set up businesses in Puerto Rico. I felt comfortable with that part of the agenda, yes.

Mr. TOWNS. And I don't want to put you on the spot, but I think that we have to ask. I think, based on what you said, and it sounds very impressive to me, but the IG was here earlier, found that the training value of the convention, according to the IG, was minimal and that NTO organizing and political rallying, they said.

In light of the conclusion, was HUD wrong in supporting the event, I mean, if this is what they're saying? Your assessment of it is different from that, based on what you just said.

Ms. ARNAUDO. Well, I thought the conference, to my knowledge, had some positives. In my followup knowledge and being a part of the HUD team to assess the conference after the fact I saw one video of the morning session, and I saw the Fox news. I saw some negatives, too. I saw some positives, and I saw some negatives.

Mr. TOWNS. You also indicated, in terms of your being concerned about this conference being held in Puerto Rico.

Ms. ARNAUDO. Yes.

Mr. TOWNS. Why?

Ms. ARNAUDO. Because a conference of poor people in Puerto Rico paying with taxpayers' expense I thought would raise issues. That

was my first concern, and that concern was raised to me by colleagues and staff, and that's why I raised it.

Mr. TOWNS. Well, let me tell you my views on this is that if we're serious about what we're doing, wouldn't you go to large housing authorities? Being you didn't go to the New York, then the next place to go would be Puerto Rico.

Ms. ARNAUDO. There were some technical program reasons why Puerto Rico was a valid site for a conference, including the fact that they had a large number of resident businesses and resident management corporations, yes. And they were a large community of public housing residents.

There were some issues on the other side. On the other side was certainly the appearance problem, perhaps a cost problem, and is it better—and we've been looking at this more in retrospect. Is it better to have targeted workshops in local areas so there isn't as much expense to go, and you can stretch your limited Federal resources in a better way?

I'm just telling you this is a retrospective opinion.

Mr. TOWNS. I understand that. I understand that, and I appreciate you being so candid and coming forward and sharing that. Let me tell you I respect that.

But let us also look at what we're doing with. We're saying that we want to empower tenants.

Ms. ARNAUDO. Yes.

Mr. TOWNS. We want them to be involved.

Ms. ARNAUDO. Yes.

Mr. TOWNS. So we have to make it attractive for them to be involved. I was listening in terms of just recently where they were trying to get young people to be immunized and that they said to them that, "If you become immunized, we will give you a Michael Jackson ticket."

So I think that doing things to encourage people is not something new. I mean, I think that we have to look at, even though we're dealing with a situation in terms of what could be referred as poor people, but the point is that I think we have an obligation, if we're serious about what we're doing, to elevate and to empower, then we have to use things and make certain it's attractive for them to be involved in it.

I think that those of us who are involved in leadership roles have to stand up. I think that inasmuch as there might have been some comments about it, I don't have a problem with you going to Puerto Rico.

I mean, I can't see it, and that's the thing. Let me take it even a step further. The flyer, I don't have a problem with the flyer.

My problem, though, is that I'm hoping that whatever is being said here today is truthful, because my concern—and I don't know what the concerns of the other Members are, but let me just tell you what my concern is here.

I want to make it very clear for the record. My concern is simply this: We want to be able to have good tenant programs. We want to be able to empower tenants. We want to be able to do that.

If there is something wrong or we've made a mistake along the way, let us correct the mistake and move forward. That's my concern here today, and that's my only concern, and that's the reason

why I want to spend the time to be able to get this information on the record so that whatever the problems are, if there are problems, let us correct it.

But I just don't want to make certain that because of somebody's criticism we throw out everything up to this point, because I'm saying to you that this program has a great deal of value.

I can show you developments in New York City where you have tenant management that have been able to turn programs around, and HUD has been able to save a lot of money.

Ms. ARNAUDO. I agree.

Mr. TOWNS. And I'm ready now to call the roll and tell you in some of those areas, which is in my district, that HUD is saving money because of that.

So I don't want to be timid about talking about something if it's positive. Mr. Moses, if something is good, I don't think we should back up on it. Let's say what happened.

I mean, let's let the record show to reflect what happened. My only thing is to make certain that we're telling the truth on the record. Mr. Chairman, I yield back. Mr. Shays. I'm going to be very blunt. This convention was an outrage. It never should have happened. HUD should never have approved it. HUD should never have promoted it, and that is the way I feel.

Now, to connect the fact that there was this convention and that I could raise questions about it—and my colleague isn't saying this. I don't want to tie in. I'm just speaking from this whole hearing.

To say that somehow questioning in any way the outrageousness of this convention would imply that we don't believe strongly in this opportunity program for tenants just doesn't match.

The problem is that some communities used up 5 years of their grant to go to Puerto Rico for a convention that was not substantive, for travel, the travel portion.

How can I say it wasn't substantive? Because I looked at a lot of the convention. I saw what happened. I saw it on film. The whole thing was recorded. The whole thing was recorded.

And the reason why we're going to make some progress is nobody can deny what was on that film. And if there is anyone that needs to see what was on, what happened, all they have to do is watch it.

Now, you all are here for two different reasons. Mr. Moses, you're here because I found your testimony last time not helpful, not direct and misleading. That's why you're here.

Ms. Arnaudo, you're here because you showed up partly on our radar screen because of this e-mail, which we need to talk about. You just have to be here after an e-mail like that, and I think you understand.

It's not my general practice to ask someone under someone to come in. It really isn't. I'm not questioning the dedication of either of you. I'm simply not.

I know you both are very dedicated people. I'm questioning the fact that we're not facing up to the mistakes, and what I really believe was this committee was misled, and I won't stand for it for a minute. I mean, we just can't.

We have to establish that when people come before this committee they simply tell us the truth. Then, we evaluate it, and we let the chips fall where they may, and somebody may get criticized.

There is not a person in this place who doesn't have something they could be criticized for, me included, this gentleman, many things, and we get it.

Now, I just need to go through a few things. I need to understand why both of you approved this convention as a viable use of Federal dollars for training.

The training funds are not to just be a fairly blase let's inform people. They're supposed to teach. They're suppose to instruct. They're supposed to improve, not just give people more knowledge.

They're supposed to change behavior and so on and so on so on. They're not supposed to be a political rally. They're not supposed to be a paid vacation.

Mr. SHAYS. Now, you all have the requirement. Now, Mr. Moses, you have the ultimate authority because Ms. Arnaudo comes under you, and you really have to take the responsibility. That's your responsibility. You can't pass it on to somebody else. Do you agree with that?

Mr. MOSES. Yes, sir. And I have no intention of passing anything on somebody else.

Mr. SHAYS. OK. We just need to establish that point. Now, HUD has certain requirements before they allow for Federal dollars to be used and before HUD will be associated with an activity. What are those requirements, Mr. Moses?

Mr. MOSES. It is my understanding that there are certain different triggers that ignite, that, sort of, stimulate those requirements.

First is that HUD must make a determination that if someone is asking you to participate in an event, you must make a determination that it's in the best interests of HUD.

If you make a determination that it is in the best interests of HUD and that it offers substantive training, then you can participate in that process.

However, the test that you do for that is different for a for-profit group and a not-for-profit group.

Mr. SHAYS. Is that the extent of what you have to do?

Mr. MOSES. If the tests—as I said before, if it's a for-profit group, if it is for a for-profit group, you then must do an investigation into the trip and make a written determination.

If, in fact, it is not a for-profit group, it is not necessary to do a written determination of that.

Mr. SHAYS. There is a lot more requirements than that, and it's troubling that you would not know that.

Mr. MOSES. My understanding is that there are different requirements for different whether it is a for-profit group or whether it isn't a for-profit group.

Mr. SHAYS. That's true.

Mr. MOSES. And certain of those things ignite certain triggers.

Mr. SHAYS. Yes, sir.

Mr. MOSES. In fact, even if you are co-sponsoring an event, it also will touch off certain triggers. Those triggers, again, are look-

ing to see whether or not the activities are illegal or if they are in the best interests of the agency.

And in addition to that, if you determine that it is a for-profit group or there looks as if we are promoting a group, then you must seek the OGC's approval, which is the Office of General Counsel. But all of these are ignited by a series of triggers.

Mr. SHAYS. OK. Ms. Arnaudo, what would be some of the requirements that have to be met before HUD would allow Federal dollars to be used and before even Federal employees are allowed to participate in an event?

Ms. ARNAUDO. Before I say anything, I have to say that the requirements for these are in a series of letters that were distributed sometimes only to principal staff, not widely disseminated and a little bit confusing.

Mr. SHAYS. OK.

Ms. ARNAUDO. And in practice, HUD staff probably, over the years I've known, have not gone through a rigorous examination of these procedures when approving staff to participate in conferences.

And these overlay with the new proactive requirements which were started when I worked for Jack Kemp, to be proactive with resident leaders in doing training activities.

But the requirements, basically, deal with looking as if this is the best way to do training, how high the registration fee is, whether you're promoting the conference, and if, in fact, there are some of these indications, then not only are you required to go through your normal approval process, but you're also supposed to get the concurrence of the General Counsel.

Mr. SHAYS. Did the General Counsel approve two things, one, the use of TOP money for this conference; and two, the participation of HUD employees? Mr. Moses.

Mr. MOSES. No, they did not, sir. That is because it was not required, according to our understanding.

Ms. ARNAUDO. It's in the procedures, sir, but it isn't followed in practice.

Mr. SHAYS. OK.

Ms. ARNAUDO. It is followed in practice. When travel or things were signed off, they weren't—it wasn't followed.

Mr. SHAYS. Thank you. June 17, 1994, Nelson Diaz, General Counsel, memo titled, "Subject: Employee Participation and Privately Sponsored Conferences and Workshops." Are both of you or either of you familiar with that requirement, that document? Mr. Moses?

Mr. MOSES. I am aware that that document was submitted, was put out by the General Counsel. I became aware of it when we began to look into this process, yes, sir.

Mr. SHAYS. Ms. Arnaudo, I just need to know if you were aware of that document.

Ms. ARNAUDO. Not at the time, but I'm aware of it now, and I'm involved in writing more clear-cut procedures so that we are aware of all these steps that we must go through.

Mr. SHAYS. The first recommendation of the IG was that HUD needs to strengthen its internal controls to better assure adherence

to its policies or participation in outside conferences and conventions.

That seems fairly clear from just your responses. Neither of you are very clear, it seems to me, on what all the rules and requirements are, and it would seem to me you'd know it pretty well.

I have the opinion that the National Tenants Organization should not be in business with HUD after seeing what they've done. I have the opinion that they certainly shouldn't be promoted by HUD, and I am troubled by one page in that flyer.

And Mr. Moses, I need, because you are under oath—it's not against the law that you saw it. It just says something about how you viewed it and maybe with hindsight you would view it differently.

I need to know when you saw this document, and I need to know if, in fact, other people in your office didn't tell you that there was a document like this that included a whole page describing the vacation you could have going to this convention.

Mr. MOSES. To my recollection, Mr. Chairman, the first time that I saw that document was when the councilman faxed it to me.

Mr. SHAYS. After the event or before the event?

Mr. MOSES. This was before the event.

Mr. SHAYS. OK.

Mr. MOSES. It happened somewhere around August 10th. That's to my recollection.

Mr. SHAYS. The event took place on August 20th to the 24th.

Mr. MOSES. Yes, sir. That is my first recollection of seeing the document.

Mr. SHAYS. OK. Mr. Moses, I understand that sometimes some things can happen you don't remember. Ms. Arnaudo, you saw this document when?

Ms. ARNAUDO. I saw this document in Ed Moses' office when he called me in and asked me if I had seen it, and I said no. And he told me he had just talked to Maxine Green about it. In fact, he said he chewed her out.

Mr. SHAYS. When was that?

Ms. ARNAUDO. That was approximately this time. I can't recollect the date.

Mr. SHAYS. "This time" being what?

Ms. ARNAUDO. Around August 10th.

Mr. SHAYS. I see. It would be encouraging to know, Mr. Moses, that you might have gotten mad at seeing this document. I would have liked to have known that.

Mr. MOSES. I did get mad when I saw the document. As a matter of fact, I had a very frank conversation with Ms. Green about the tone of the document.

Mr. SHAYS. How would we have known that from your last testimony before this committee?

Mr. MOSES. I was not asked whether I talked to Mrs. Green about it. I was just trying at the last committee just to state the facts about when I saw the document.

Mr. SHAYS. The problem is you had your superior here, and in essence, this convention was defended by you and your superior when it seems to me you could have been much more candid.

I mean, if you were candid with Maxine Green, you could have been candid with us.

Mr. MOSES. Mr. Chairman, I thought I was candid, because frankly, I thought the question was when had I seen the document.

Mr. SHAYS. I also wanted to know about the convention, what you thought about the convention, what you thought about the flyer, et cetera.

Now, this was a National Tenants Organization convention. Is that not correct?

Mr. MOSES. Yes, sir.

Mr. SHAYS. This was a convention that would have happened whether or not HUD had allowed it to be a training program. Is that not correct?

Mr. MOSES. This would have happened whether or not HUD had sent out a letter.

Mr. SHAYS. OK. Is it likely that they would have had as many people attend this convention if HUD had not promoted it and authorized it and allowed people to have it be paid for with government money?

Mr. MOSES. Excuse me, sir. Those are a series of questions.

Mr. SHAYS. I'm sorry, it is.

Mr. MOSES. Could you just do them one at a time, please?

Mr. SHAYS. Yes. The problem I have, and I'll get right down to it, I have problems with HUD, basically, promoting the NTO, an organization which we're not sure whether it was nonprofit or profit at the time.

But my problem is this: You promoted it. HUD promoted this organization. It's separate from the training. This is a convention they would have had whether there was training or not. It would have happened.

HUD assisted in bringing a number of people to that convention; isn't that true?

Mr. MOSES. In hindsight, based on some of the things that I've seen, one could conclude that.

Mr. SHAYS. We don't need to be cute. This is being cute now. I'm not trying to be, and I don't want you to be. I just need to establish some basic facts.

The basic fact is that this was a convention. My colleagues on both sides of the isle describe what happens in conventions. I know that happens in conventions.

What I don't like is the fact that HUD, basically, paid people to go there to have those things that happen in conventions.

I don't have a problem with HUD paying to give people substantive training. I don't have any problem with that whatsoever.

I have a problem with HUD paying to have people go to conventions that promote a particular organization. That I have a big problem with.

Mr. MOSES. I have that problem, too, sir. But at the time when we were looking at the conference, at the time we were looking at the conference, we were, basically, asked to perform certain training functions.

And my decision was based on performing those certain training functions and also looking at what was described in their brochure.

They described that they were going to be training and organizing and things of that nature.

Mr. SHAYS. Let me just tell you the absurdity. HUD can participate if the meeting is substantive. You had two basic decisions, one, would you participate, and another, whether it was reimbursable, whether you, as an employee could participate and be a part of it. The other was whether you would allow taxpayers' dollars to be used by tenants to go there.

Mr. MOSES. Yes, sir.

Mr. SHAYS. And we're not talking about little dollars. We're talking close to over \$300,000. Now, you had two basic decisions, and this is, kind of, the challenge I have.

HUD can participate if the meeting is substantive—that's one of the requirements—and the meeting was only substantive because HUD participated.

HUD can pay expenses if the meeting is substantive, and the meeting was only substantive because HUD was there. Basically, you all were the ones providing the training. What a joke. What a joke.

I mean, if you hadn't been there, there wouldn't have been any training.

Mr. MOSES. Mr. Chairman, again, in hindsight, some of that may have been true, but during—I mean, when we begin to make decisions about this based on conversation, based on what is presented to us, there was no way I could foresee that.

Mr. SHAYS. OK. Let me just say this to you: I realize that I can look at it after the fact. Before the convention happened, you saw a flyer that you didn't like, and I'm making that assumption based on Ms. Arnaudo's testimony as well.

The received this flyer earlier, but you don't recall seeing it?

Mr. MOSES. No, sir.

Mr. SHAYS. OK. Isn't it the requirement of HUD, isn't one of the requirements that they look at all materials sent out? Isn't that one of the requirements?

Mr. MOSES. To my understanding, that is a trigger only if, in fact, it is, No. 1, a for-profit organization, and if with are co-sponsoring the event.

Mr. SHAYS. My understanding is that that's not correct. My understanding is that you have to examine all materials sent.

And I realize that you all don't seem to be connected with the memo and the requirement, but your requirement is to look at what material is being sent and to approve it.

Your requirement is also to get the counsel's OK in terms of participation. So I am just saying to you—and I'm just going to end it here and just get to one last item—I'm just saying that the bottom line for me is that HUD has to look at what is being sent out, and HUD has to approve it if HUD is involved.

Mr. MOSES. I now agree with that, sir, based on all the things that have occurred. Based on the things that have occurred, I think it will put HUD in a better position if it does do that.

Mr. SHAYS. Ms. Arnaudo, one of the reasons you're here is that there is this e-mail. We may regret e-mails on this day, but I need you to really describe to me all the components of it.

I'd like you to read it, and I'd like you to then explain it to me. Do you know the e-mail I'm referring to?

Ms. ARNAUDO. Yes.

Mr. SHAYS. We have it, if you don't have it. It's dated 11/2/95, 5:38.

Ms. ARNAUDO. No. I'll read it. We'll get it. Wait a second.

Mr. SHAYS. We'll do that. Here you go. Take your time, and here it is.

Ms. ARNAUDO. Thank you. OK.

Mr. SHAYS. Read it slowly and explain to us who the participants are.

Ms. ARNAUDO. The memo was sent from me on 11/2 at 5:58 to Paula Blunt.

Mr. SHAYS. Who is that?

Ms. ARNAUDO. Acting Deputy Assistant Secretary for Community Relations and Involvement.

Mr. SHAYS. OK.

Ms. ARNAUDO. "Subject: Testimony. Kris Warren"—

Mr. SHAYS. Who is that?

Ms. ARNAUDO. "—executive assistant to Kevin Marchman, who mentioned we should at least try to have input into the testimony of Bertha Gilkey and Maxine Green. I know what their—" I'm not a good typist, e-i-r, "—issues are generally, but we want to discuss how we propose what PIH/Kevin wants. Let's discuss."

Mr. SHAYS. OK. What does that mean? What is that all about?

Ms. ARNAUDO. Kris Warren asked me to obtain the testimonies of the parties, including the Inspector General, which I didn't mention here, Bertha Gilkey and Maxine Green.

My understanding was it was to understand, for instance, issues that might come up as a part of our briefing material, and I dutifully followed up.

And I talked to Frank Covalesski and John Grygowski in the Inspector General's Office, and they told me that they were still re-drafting theirs and they'd provide it to us the day before the hearing.

I called Bertha Gilkey, and after several attempts I was told that she was providing her testimony, and she would provide it shortly before the hearing.

I called Maxine Green, and she said two things. She said, No. 1, that she didn't understand because she didn't have the program knowledge to testify, and I faxed her—

Mr. SHAYS. Who was this, please?

Ms. ARNAUDO. Maxine Green.

Mr. SHAYS. The program knowledge? What do you mean?

Ms. ARNAUDO. Well, she read your first letter, and it said to comment on the program abuses and so forth, and she said she wasn't a program specialist; she couldn't comment on it.

Mr. SHAYS. OK.

Ms. ARNAUDO. She had asked my staff, and it hadn't been done. I faxed her the law and the regulations. I called her back dutifully to do the same thing, and she said she wasn't going to testify.

Mr. SHAYS. The last point again?

Ms. ARNAUDO. And she said she wasn't going to testify.

Mr. SHAYS. Explain that. I don't understand.

Ms. ARNAUDO. She told me she wasn't going to testify, that she was—I don't recall any more.

Mr. SHAYS. I understand. I understand. She, in fact, didn't because she wasn't feeling well, and the record will show that. Did you have any more conversation that you want to describe with her?

You've had a number of conversations with her?

Ms. ARNAUDO. Yes, sir. Yes, I've had a number of conversations.

Ms. ARNAUDO. One lasted 20 minutes. One lasted 29 minutes. One lasted 19 minutes.

Ms. ARNAUDO. Right.

Mr. SHAYS. These are records from HUD, correct?

Ms. ARNAUDO. Yes. I provided my telephone records.

Mr. SHAYS. Yes. These are the telephone records that you provided us?

Ms. ARNAUDO. Yes. Generally, I did extend my day beyond my normal 12 hours, and I did followup and return a lot of calls during the evening.

I had calls to Maxine Green just before and just after your hearing, including the time of the first furlough related to a great many issues that you had raised, to anticipate some of them, which we didn't have the answers for at the last hearing, like registration, number of people from Detroit and so forth, but also issues of the letter on co-sponsorship issues, the letter on Puerto Rico co-sponsorship, which I knew nothing about until we were working on your hearing.

Mr. SHAYS. The record will show, basically, you were following up on information that we requested.

Ms. ARNAUDO. Yes.

Mr. SHAYS. Is that correct?

Ms. ARNAUDO. Yes.

Mr. SHAYS. I have no further questions. Do either of you have any comments that you want to make before we get to our last panel? And we don't expect the last panel to last very long. Mr. Moses.

Mr. MOSES. Yes, sir. I'd like to say that this has been a very, very rough experience for me. I have been in this business for a long period of time, and have never, ever had to go through a process like this.

I have always been a person of integrity. I have never intended to mislead anyone. I have never tried to mislead anyone. I always try to stick to the facts. I never ever tried to impart my opinions on things in professional proceedings.

Never have I, as I said before, received anything or been involved in anything of this nature. If, in fact, the committee do feel that, basically, I was not truthful for, it wasn't my intent not to be truthful. I was just stating what I was aware of, and as these things have unfolded, I find that there are a lot of things that, basically, maybe we should take a lot closer look at some stuff.

But during this timeframe I was actively out on HUD business. From May 30th through the end of August, if I was in my office more than two to three times during that period, it would be amazing to me.

So again, I don't mean to shirk my responsibilities, because they were my responsibilities, but this is something we generally do on a regular basis, and we, basically, look at this as something that we just regularly do, and that was one of the reasons why we did not focus, I did not focus totally on it.

Mr. SHAYS. I appreciate your statement. I'll say this committee appreciates both of you being here. I know it hasn't been easy for either of you for different reasons.

I know you are both very devoted public servants, and whatever pain gets involved in this process I have sympathy for that. I mean that sincerely.

I hope we don't have to repeat this again in the future. When we only need one hearing, I hope we only have one hearing, and unfortunately, we needed two hearings. So I thank you very much for being here. Mr. Towns.

Mr. TOWNS. Mr. Chairman, I'd like to thank both of them for their testimony and to say that I really appreciate hearing your comments at the end there, because you're saying, in essence, that sure mistakes were made, and if you had an opportunity to do it over, you would do it differently.

I think we all respect that, and I also thank you, Ms. Arnaudo, for coming. I must admit that you were a very strong witness. I know that you were hesitant to come, but I tell you that I think you made an outstanding witness.

And I just want to say that as I look at this, Mr. Chairman, I know you keep saying this was a bad idea, but I think that it was serious, because any time you go to Puerto Rico in August you must be serious. [Laughter.]

Mr. SHAYS. The record will also note, Ms. Arnaudo, that you did make recommendations for improving the TOP program, and those recommendations are in the record, and we appreciate that as well. I hope you both have a nice evening.

I appreciate the patience of our witnesses, particularly Mr. Kevin Marchman, who is now our fourth panelist. We don't expect that we will have a long time, and we'll be able to get you home, Mr. Marchman, and others as well. If you'd just stay standing, Mr. Marchman. If you'd raise your right hand.

[Witness sworn.]

Mr. SHAYS. For the record, the witness answered in the affirmative. Mr. Marchman, you are welcome to give any statement you want. Your full statement will be inserted in the record, and you can proceed any way you like.

**STATEMENT OF KEVIN E. MARCHMAN, DEPUTY ASSISTANT
SECRETARY FOR OFFICE OF DISTRESSED AND TROUBLED
HOUSING RECOVERY, DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

Mr. MARCHMAN. Mr. Chairman, Congressman Towns, members of the committee, good evening. I appreciate the opportunity to address the committee and correct what we must. I'd like to do that by highlighting my written testimony by covering briefly five central points.

First, I think you will agree that the TOP program, as designed, is and will be a strong vehicle to provide residents the opportunity toward self-sufficiency and economic independence.

At the time in which public housing authorities are moving toward market principles, the TOP program is essential. Unfortunately, the TOP program has been intertwined with the NTO conference held in Puerto Rico, and that is HUD's fault.

Second, with respect to the NTO conference and the role HUD played in it at the last hearing, I told you HUD's role was small.

I gave you the impression that we had little to do with the planning and its execution. I was wrong to tell you that, because it was not true, and for that I take responsibility.

I know now, through my own efforts, this committee's efforts, and the IG's efforts, that the HUD role was large and involved. We gave NTO full access to our staff and our resources.

We allowed ourselves through good intentions to violate our own guidelines concerning such matters. In short, we blew it.

Third, once we were made aware of the brochure and the perception, impression and the problems it would leave, and knowing in large part that tax dollars were at play here, we should have pulled our support or at least immediately reassessed our involvement. We did not.

Because we did not pull our support, we should have made sure the activities and the sessions of the conference were meaningful, informative and in accordance to our own guidelines. We did not.

All of this could have been avoided if we would have been more careful, diligent and exercised better judgment. While it was NTO's conference, our de facto sponsorship tied us in a way in which we didn't distance ourselves. I accept the blame for that.

Fifth and most importantly, what can we do to make sure that this does not happen again? As you will see in my written testimony, we have followed the five actions recommended by the Inspector General.

We're developing a guidance on HUD participation in conferences in which HUD funds and programs are significantly involved. We have sent the letter to the Puerto Rican Housing Authority.

We have identified three instances where staff improperly claimed reimbursement, and to ensure against further violations we sent out a clarifying notice on travel reimbursement for HUD staff. We will also ask for reimbursement of the claimed funds by HUD staff.

We have set into motion the groundwork to make a final determination relative to administrative sanctions, if warranted, with regard to the National Tenants Organization. We have not established that any HUD staff assisted outside parties in preparation for congressional testimony but have advised staff of the inappropriateness of such action.

We have gone beyond these specific actions recommended by the IG. Some you heard today from staff. We're developing guidance to residents organizations on the do's and don'ts of sponsoring conversations both for HUD and for resident organizations.

We are trying to make stronger the TOP program by developing performance standards to promote program results, developing is-

suance to register all consultants in the program and trying to improve the program overall.

You also see from my written testimony the reorganization of the Office of Community and Resident Involvement.

Again, the TOP program is extremely important and very unique. It is the sole program in which we, HUD, fund directly to the residents. We have to be aware of that, and if changes need to be made, we will make them.

I appreciate the opportunity you have given me to come back to verify or correct the record, and I'm prepared to answer questions that the committee might have.

I've asked Mike Janis, my general deputy, to accompany me this evening to assist in answering questions that I cannot. Thank you.

[The prepared statement of Mr. Marchman follows:]

**KEVIN E. MARCHMAN
DEPUTY ASSISTANT SECRETARY
FOR OFFICE OF DISTRESSED AND
TROUBLED HOUSING RECOVERY**

Mr. Chairman, Congressman Towns, Members of the Committee, I appreciate this opportunity to discuss with you the issues raised about the Department's oversight and participation in the National Tenants Organization conference held in San Juan, Puerto Rico, August 20-24 last year.

The Department and my office, Public and Indian Housing, take very seriously the questions raised by the Committee. It is of paramount concern to us whether we have exercised adequate oversight of such activities as the NTO conference and whether we have provided appropriate guidance and training to HUD staff and public housing authorities on their participation in such activities.

As a result, HUD's overall management has been brought into question, and we intend to take all steps necessary to remedy any and all problems.

We have worked with the HUD Office of Inspector General to identify and correct any flaws in our procedures, and to introduce appropriate procedures where they may be lacking.

After reviewing all available material concerning the NTO conference and its purpose to provide training in the Department's Tenant Opportunity Program -- or TOP -- the Inspector General recommended five specific actions, which we have followed.

1. We are developing a guidance on HUD participation in conferences in which HUD funds and programs are significantly involved.
2. We have sent a letter informing the Puerto Rico Public Housing Administration that they may have acted in violation of HUD regulations, and that HUD may need to take action.
3. We have identified two instances where HUD staff improperly claimed reimbursement, and to ensure against future violations, we have sent out a clarifying notice on travel reimbursement for HUD staff.
4. We have set in motion the groundwork to make a final determination regarding administrative sanctions.
5. We have not established that any HUD staff assisted outside parties in preparing for Congressional testimony but have advised staff of the inappropriateness of such action.

Let me also state for the record that in the last hearing I was not fully aware of the extent of HUD's involvement with the conference. Since this time, many facts have come to light through the findings of the IG as well as through our findings which has provided me with a more complete picture. We will continue to pursue the allegations and take appropriate action where deemed necessary.

Now, Mr. Chairman, I would like to discuss each of these five points in a little more detail.

HUD's Inspector General has recommended that we establish some minimum criteria or standards to govern future program support of and participation in conferences and conventions of outside entities.

The Department is developing guidance to HUD staff on participation in outside industry conferences. The guidance will consolidate and clarify existing policy with respect to when it is or is not appropriate for HUD staff to participate in a conference put on by an outside entity. The guidance will also clarify the steps and consultation within the Department required to approve such participation. A draft of the proposed policy is currently being revised. PIH expect to disseminate it to staff by the end of March. PIH has already circulated a brief memorandum on the issue of reimbursement for meals provided at a conference.

HUD's IG recommends that the Department send out an advisory/reprimand to the Puerto Rico Public Housing Administration governing body regarding the improper solicitation of contractor contributions by the PRPHA Executive Director.

We have requested a detailed accounting from the PRPHA about all circumstances regarding its solicitation of approximately \$30,000 in donations from management agents. Our letter informed them that, if the IG's findings are substantiated, then the authority would be in violation of Departmental regulations and appropriate action would then be taken by the Department.

The IG recommends that HUD take appropriate action to deal with improper travel claims of both PIH officials and PHA officials and residents who attended the NTO conference.

As I mentioned earlier, to ensure against future violations, we have sent out a clarifying notice on travel reimbursement for HUD staff.

Regarding resident travel, the Department has drafted a Notice that would clearly describe travel policies that apply to Tenant Opportunity Program (TOP) grantees. The policy will require grantees to demonstrate that the training being supported

by the travel will result in direct assistance with respect to implementation of the TOP workplan. The travel policy will also reemphasize the \$5,000 limit for travel, the travel procedures outlined in OMB Circular A-122, the requirement to deduct meals provided at conferences from travel charges, and the number of people who can travel to a given event. This TOP travel policy will also restrict grantees from traveling until they've received HUD sponsored training specifically addressing the TOP. PIH intends to publish the TOP Travel Policy Notice by the end of March. A copy of the draft Travel Policy was given to 1995 TOP grantees at HUD sponsored TOP training in November of 1995. To give PIH the ability to monitor the use of TOP funds for travel, PIH has already added a new line item to the Department's electronic fiscal management reporting system.

The IG has further recommended that HUD sever all relations with NTO until such time as NTO demonstrates the legitimacy of its nonprofit status, the adequacy of its financial management controls, and the nature and extent of its constituency base.

Since we received the IG's comments on NTO, we have sent two letters to the organization requesting information that will help us determine if, in fact, they are in violation of Departmental regulations or of the federal statute. Our letters were sent on January 26 and February 15. On Thursday, February 22, we received some of the information requested, but the response thus far is inadequate for a final determination. In order for us to take the next step with the NTO, we have requested that the IG finalize its findings and submit to us the evidence necessary to make a final determination regarding administrative sanctions.

Finally, the IG recommends that HUD officials should be advised against/reprimanded for any role they may have had in assisting outside parties in preparing for Congressional testimony.

We have spoken with staff who have been directly involved in preparation for these hearings. We know that staff did speak with several of the individuals who were involved in the conference, as well as with those who had knowledge of the conference, in order to determine the facts. From the information we have gained, no staff was asked to give input into anybody's testimony, nor did they do so. I do understand the seriousness of such actions had they occurred, and have advised my staff on the inappropriateness of such actions at any time.

Actions Beyond Recommendations of the Inspector General

Mr. Chairman, the questions raised and the problems identified have prompted us to take a serious look at the TOP program and our administration of it. After reviewing and taking action on the Inspector General's recommendations, we have

decided to go even further in strengthening how the program functions.

We are developing advice for resident organizations to help them establish a planning process that will contribute to their ability to conduct a high quality conference. The guidance will itemize "do's" and "don'ts" in sponsoring a conference, including the appropriate content of promotional materials. PIH staff have completed a draft of the proposed guidance. PIH plans to distribute the final guidance document in April of this year.

We also are developing performance standards designed to promote improved TOP program results. A draft was handed out to FY 1995 TOP grantees at HUD's training conference last November. The draft performance standards will require grantees to complete an initial training program and then adopt and accomplish one or more of the following objectives: decrease in crime/violence, develop educational programs, develop a Section 3 jobs program, develop a small resident owned/operated business, develop a jobs program linked to local educational institutions, or develop a youth program designed to reduce drug use, violence and teenage pregnancy. PIH anticipates that the performance standards will be promulgated with the NOFA for the TOP program by mid April.

To strengthen the training in the TOP Program, HUD is developing an issuance to register all consultants used in the program. PIH expects this guidance to be published in May of this year.

HUD will also prohibit the use of the full service option. The full service option permitted consultants that prepare a TOP application to go through a streamlined procurement process in being considered to do further work once an applicant won a TOP grant. This change in policy will be included in the NOFA due to be issued in mid April.

Further, HUD is taking steps to develop a data base of registered consultants who can provide local technical assistance and training to grantees. The database will make it easier for TOP grantees to find high quality consultant trainers. PIH does not believe that this can be implemented until the fall of 1996 due to the need to collect data and design the system.

To improve remote monitoring, the Department is seeking OMB approval for an improved semi-annual performance-based reporting system for the TOP program. The report will give PIH data on overall program progress and will be a valuable tool for HUD field office staff to assist them in deciding which grantees need closer scrutiny and increased assistance. PIH will have the reporting form in place during the next semi-annual reporting period in June of 1996.

How Congress Can Help

Mr. Chairman, I believe these steps will enhance our administration of the TOP program. And I would like to do more. I have been asked what Congress can do to help. I appreciate your support, as well as your concern; and I have a specific request of you.

I believe that with the structure that is currently set up in the field and with the PHAs, as well as the downsizing which has occurred since Secretary Cisneros began HUD's transformation -- and with the shifting of more staff from Headquarters to the field as planned in the continuation of HUD's transformation. We may want to make a legislative change to the TOP program. It may be more beneficial to the residents if TOP were administered in the field, by an entity which has a proven track record for grant administration (i.e. a PHA), with HUD oversight continuing to insure proper implementation and integrity of the program.

You should also know that I began to evaluate the Office of Community Relations and Involvement (OCRI) and its programs when I was first placed in the Acting role of Assistant Secretary for Public and Indian Housing in late October. Since that time, OCRI has been reorganized and streamlined from a structure of six individual program areas into three oversight areas. These are Crime and Prevention and Security, Supportive Services, and Resident Involvement. The number of Directors has also been decreased from six to three, with the Deputy Assistant Secretary in charge. I believe that this leaner structure delivers a more disciplined, more efficient approach that will allow for better oversight and management of HUD's resident programs. While it is the Department's responsibility to provide opportunities and a means to better living conditions for low-income families, we do not have the capacity to administer in retail fashion small grants targeted to individual resident groups.

Mr. Chairman, in summary, we have heard the concerns expressed by your Committee and we have taken specific actions to correct problems you have helped us identify. We have begun cleaning up the mess and have taken steps to inoculate against future potential abuse of the TOP program.

We appreciate -- and share -- your insistence that TOP be administered with efficiency and the utmost integrity. Nothing less should ever be the case.

Nor have we lost sight of the reason for this program. TOP and programs like it operate on the assumption that low-income people have the same aspirations as mainstream America, and that it is in their best interests -- and ours -- to help them work their way toward economic advancement and independence.

I believe TOP is an important and unique program. It allows low-income residents to independently make decisions and move toward self-sufficiency through management and economic activities. The TOP program is only 2 years old and has not been fully evaluated yet; but a performance evaluation scheduled to be released by the end of the fiscal year will allow us to improve the program so it can best meet the needs of the residents. I believe this program is only beginning to show its true potential and have attached to my remarks for the record two examples of how the program can benefit people and their communities. It would be unfortunate to see this program tarnished due to false representations made by some or to punish the residents due to some poor judgement used by others.

Mr. Chairman, Congressman Towns, Members of the Committee, thank you for your interest and your concern. I will be happy to answer any questions you may have.

###

The Estrada Courts Resident Management Corporation (ECRMC) in Los Angeles, CA received \$93,000 in FY 1989 under the Resident Management Program for resident training in property management. All money was spent and 39 residents completed the training program. After the training, the ECRMC contracted with the Los Angeles housing authority to provide landscaping and general maintenance services at the public housing site. The success of the training enabled the ECRMC to embark on a much larger endeavor with the housing authority, which entailed major water and sewer system repairs. In addition, ECRMC entered into a joint venture with Telecu, a nonprofit, community-based organization and formed a profit subsidiary, Inner City Corporation (51 percent of the company is owned by ECRMC). The housing authority awarded a contract to Inner City to refit the infrastructure at Estrada Courts, and about 23 residents received jobs in water and sewer system construction.

The Rhodes Terrace Resident Management Corporation (RTRMC) in Dallas, TX received \$100,000 (\$50,000 in FY 89 and \$50,000 in FY 91) under the Resident Management Program and all the money has been spent. The Rhodes Terrace was the first public housing community to successfully form a RMC in Dallas. The funds provided training on topics such as organizational development, financial management, and property management for the RTRMC board and 17 other residents. After the completion of the training, RTRMC contracted with the Dallas Housing Authority for full management of Rhodes Terrace development. The RTRMC has employed five residents; three in landscaping and two in maintenance.



U.S. Department of Housing and Urban Development
Office of Public Affairs

Washington, D.C. 20410

News Release

HUD No. 96-50

Alex Sachs (202) 708-0685 Ext. 111

Bill Connelly (202) 708-0685 Ext. 115

FOR RELEASE:

Thursday,

February 29, 1996

STATEMENT OF HENRY G. CISNEROS
Secretary of the Department of Housing and Urban Development
National Tenant Organization Conference

I am extremely disappointed by the use of scarce federal funds to support the National Tenants Organization conference in Puerto Rico. With the nation's housing needs as great as they are, it is unacceptable that funds were used in this manner.

I want to make it clear that HUD does not tolerate the waste of taxpayer dollars on frivolous and unproductive conferences.

The HUD Inspector General has done an excellent job on her report and the Department's Assistant Secretary for Public and Indian Housing, Kevin Marchman, and I have been working closely to take the steps she has recommended. In addition, we are taking steps beyond those recommended in the IG's report.

In light of the Inspector General's findings, HUD has developed stricter guidance on HUD participation in conferences in which Department funds and programs are significantly involved; we have taken steps to crack down on improper meal reimbursements; we have informed the Puerto Rico Public Housing Administration that its solicitation of sponsorship funds may have violated HUD regulations; and, most importantly, we are seriously weighing the Inspector General's recommendation that we sever all ties with the National Tenant Organization.

The committee has raised serious questions about the role of Mr. Edward Moses, formerly an employee of HUD, in overseeing the use of HUD funds in the NTO conference. Mr. Moses has resigned from HUD and now works for the Chicago Housing Authority (CHA), which currently is run by HUD. Consequently, I have asked Mr. Joseph Shuldiner, executive director of the CHA, to look into the allegations regarding Mr. Moses and take appropriate disciplinary action as warranted.

- more -

HUD 96-50
Page Two

Also, I have written to Ms. Maxine Green, chairwoman of the NTO, making clear my concern that NTO has refused to provide all the information HUD has requested about the Puerto Rico conference. I made it clear to Ms. Green that the NTO could face possible debarment from participation in government programs.

Kevin Marchman and I are also taking a number of additional steps to assure that the Tenant Opportunity Program is operated with efficiency and the utmost integrity.

We are proposing today that Congress modify the TOP program to allow for its administration from the field, by public housing authorities and others with a proven track record for grant administration.

Kevin Marchman has reorganized and streamlined the structure of the office overseeing the TOP program -- the Office of Community Relations and Involvement -- creating a leaner structure that yields a more disciplined, efficient approach allowing for better oversight and management of HUD's resident programs.

Since last November, we have been developing and distributing specific lists of "do's" and "don'ts" to guide resident organizations that are sponsoring meetings and developing appropriate promotional materials.

While we strongly believe in the work residents are doing through the TOP program, the Department is also developing performance standards and a better reporting system to improve TOP results. A draft of these standards -- which will be completed by mid-April -- was shared with TOP grantees last November.

Working with Congress, including many members of the Committee holding today's hearing, HUD has made great strides in its efforts to transform troubled public housing developments and to provide residents greater opportunity to attain self-sufficiency. It would be a tragedy for the successes of these efforts to be tarnished because of false representations by some and poor judgment used by others.

#

Mr. SHAYS. Mr. Marchman, when did you assume your position?

Mr. MARCHMAN. It was early October of last year.

Mr. SHAYS. So you assumed your position after this convention took place?

Mr. MARCHMAN. Yes, sir.

Mr. SHAYS. So when you say that you take responsibility, you're talking about it in terms of giving this committee a clearer position of what actually took place?

Mr. MARCHMAN. Yes, sir.

Mr. SHAYS. You, basically, were in office how many weeks before you had to appear before this committee?

Mr. MARCHMAN. I think it was 4 weeks.

Mr. SHAYS. Well, I think it is important that HUD set the record straight, and it's important that you, as the person representing what took place, given that you weren't there, it came through your words that you set the record straight, and I have tremendous respect for you and also your statement and feel it will be very helpful to this committee.

Also, to say to you that while Ed's not sure he wants to do a lot more hearings, because we've had 31 so far, we intend to go to one or two places to seek out where tenants are really making a difference, because it is the intention of this committee to promote this program, not to bring it down.

It's the intention to protect this program from abuse, and so we will jointly be determining where we will go, but I agree with you this is a very important program. Mr. Towns.

Mr. TOWNS. First of all, let me associate myself with the chairman's remarks. We don't do this too often, but I would like to be associated with his remarks and also just to add that I'm happy to hear that you're not pulling back from the TOP program, but you're going to move to try and strengthen it.

And I think that you've indicated in a very eloquent fashion that you are moving forward to make the necessary corrections.

I want to let you know that I respect that, and I'm happy to hear you make those comments. And I'm certain that as you continue in your capacity, I'm certain that a lot of things, you'll look at them as you go along to make the changes.

I appreciate you coming out again and letting us know in terms of your views after you found out additional information. So thank you, thank you, thank you, thank you for coming, for your testimony today.

Mr. SHAYS. And also we thank you for your willingness to be last. Usually, we take a HUD official of your rank and so on as our first witness, but we felt it was important to establish what has taken place.

So you have been very cooperative with the committee. We appreciate your statement. We appreciate what you're trying to do, and I also will say that this committee has tremendous respect for Mr. Cisneros.

He has limited funds in which he is required to do a lot, and I happen to think he has done an excellent job. I don't know what Ed thinks.

Mr. TOWNS. I think the same thing. And I look forward to working with you to strengthen these kind of programs, because I am totally committed to this concept.

Mr. SHAYS. Any advice your office can give us on tenant organizations that we should highlight and so on, we'd like to do that. And with that, we adjourn this hearing.

[Whereupon, at 7:45 p.m., the subcommittee was adjourned.]

[The prepared statements of Mr. Green, Mr. Shuldiner, and the HUD document index follow:]

Statement of Representative Gene Green
Subcommittee on Human Resources and Intergovernmental Relations

February 29, 1996

Thank you, Mr. Chairman, for calling this second hearing on the management of HUD Tenant Programs. Several questions were raised at our first hearing on November 9, 1996 on this issue regarding the judgement of HUD officials about and the nature of HUD's involvement in the National Tenant's Organization conference in Puerto Rico. Subsequent investigation by the HUD Inspector General shows further contradiction in previously made statements about HUD's involvement in the conference.

I sincerely hope that today's hearing can get to the bottom of the story about how the conference was conceived, who planned it, and what happened there. I

also hope that HUD will demonstrate that it has tightened up oversight of such conferences and that it will act in the future as the custodian of taxpayer money and not as a promoter of vacation-like conferences at taxpayer expense.

The Chicago Housing Authority

Edwin Eisendrath
Chairman

Joseph Shuldiner
Executive Director

Executive Committee
Rosanna Marquez
Artensa Randolph
Timothy W. Wright III
Dr. Mildred Harris

Ed Moses
*Deputy Executive
Director for Community
Relations & Involvement*

John Nelson
*Deputy Executive
Director for Operations*

Ana L. Vargas
*Deputy Executive
Director for Finance and
Administration*

February 28, 1996

Hon. Christopher Shays, Chairman
Committee on Government Reform and Oversight
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Chairman Shays,

This is in further response to a question presented to me in your letter dated February 23, 1996

In my response to question three (3), I stated that HUD senior staff received general instructions from the Office of General Counsel regarding the Department's participation in conventions and training organizations sponsored by external organizations. My recollection of these discussions was that we should distinguish between for-profit and not-for-profit sponsors. While I did not expressly state it, it was my understanding at the time of the conference and presently that the NTO is a not-for-profit agency.

Please do not hesitate to contact me if I may be of further assistance.

Sincerely,

 A handwritten signature in black ink, appearing to read "Joe Shuldiner".

Joseph Shuldiner



The Chicago Housing Authority

February 27, 1996

Hon. Christopher Shays, Chairman
 Committee on Government Reform and Oversight
 2157 Rayburn House Office Building
 Washington, D.C. 20515-6143

Dear Chairman Shays,

Thank you for your letter to me dated February 23, 1996 and the opportunity for responding to your questions. Please understand that I am laboring under some disabilities in writing my response. First, I have put this response together in only two days to ensure that you receive it in time to read it before your hearing on Thursday. Second, I am in Chicago with no access to any relevant correspondence, calendars, appointment logs or schedules which remain with HUD in Washington, D.C.. And third, my post-employment restrictions preclude me, to the extent possible, from communicating with HUD employees unless such communication is initiated by them. However, I will do my best to respond.

1) I distinguish between those conferences which HUD itself sponsors and those sponsored by external groups. For those conferences and training workshops which HUD, itself, sponsored, I would have initial approval through the budget process. For example, if the Office of Drug Free Neighborhoods wished to sponsor a workshop on successful ideas in youth sports, or defensible space, or community policing, I would have had to approve a generic budget line for training in their annual budget. Then the program would have informed me of their intent to hold a specific workshop. Usually a vendor would be selected from an IQC (Indefinite Quantities Contract) to put the workshop together. The contract would be processed by HUD's Procurement Office. Further it is likely that HUD's Public Affairs Office would be involved. Many of the workshops were carried over satellite, thereby involving HUD's Telecommunications Office.

For workshops and conferences held by outside groups be they resident or industry, I would have less involvement. For example, if a regional NAHRO or a community organization wanted a specific PIH (Public and Indian Housing) staffer to speak, they would write to that staff person and ask them. If the request did not involve travel, it might be decided by that staffer and his/her supervisor especially if the staffer were stationed in one of our field offices. (This might be the case even if it did involve travel as long as the travel was within the field office jurisdiction and could be paid for out of that office's travel budget.) If it did involve a central office PIH staffer and/or significant

travel, the request would usually come to me. Sometimes requests were made to the Secretary for his participation, and would be referred down to me to select an appropriate representative. This could be from a field office nearby to the event, or where warranted, someone from central office.

Based on instruction from the Office of General Counsel, we were much less responsive when the conference or workshop sponsor was a for-profit. We were told to try and make certain that our presence would not increase profits for the sponsor. The test, as I understood it, for events sponsored by not-for-profits, was did we have a message to send that could best be sent by having someone speak at the conference.

2) NTO, as other national groups, both resident and industry (NARMC, PHADA, NAHRO, Urban Womens Inc., etc.) Usually have annual conferences. In some cases, such as CLPHA, they have conferences several times a year. I personally attended many of the annual meetings, as well as some of the lesser ones especially if they were in Washington, D.C.

Therefore, I knew that NTO would have an annual conference, that I would be invited, and that I likely would attend. I do not know when I first became aware that the conference would be held in Puerto Rico. As far as I can recall, I never had a conversation with Maxine Greene about the conference although it is possible that she mentioned it at some meeting on a different issue which we both attended.

Please understand that my schedule in the summer of 1995 was beyond hectic. I was spending two-three days a week in Chicago, two-three days a week in Washington, and the other two days on the road. It was seven days a week every week. Whenever I arrived in Washington, there would be a pile of paper awaiting me and the same thing when I arrived in Chicago.

In any event, I had made some commitments to visit Navajo and attend one of the HUD sponsored workshops on "Indian Homeownership: The First Generation". The only time I could do this conflicted with the NTO conference. Once I realized this, I asked Ed Moses to let Mrs. Greene know, and asked Michael Janis, my general deputy to attend in my place. I do not recall when these conversations took place, but I would guess about two or three weeks before the conference.

3) As I mentioned above, HUD senior staff had received general instructions from the Office of General Counsel. My recollection of these instructions was that we should distinguish between for-profit and not-for-profit sponsors. The distinction being that we should not participate in such a manner that increased the profitability of a conference held for pecuniary gain. It was my understanding that the test for conferences sponsored by not-for-profits was whether the conference provided HUD with an opportunity to do outreach or send its message in a better way than it could accomplish through other methods.

Generally we viewed our attendance at conferences by resident and industry groups as an

opportunity to explain what HUD was doing and to learn what issues were of concern to both residents and housing authorities. This was especially true in the spring and summer of 1995 after HUD released its detailed version of the Blueprint in March. There was a need to explain what it said and what changes HUD hoped to achieve through it. The conversion of troubled housing and eventually all public housing to a tenant based rental subsidy was very controversial. Although it has been incorporated in some form by both Chairman Lazio and Chairman Mack in their authorizing legislation, it was initially opposed by the resident and industry groups. We at PIH were making an effort to reach out directly to industry members and resident groups to allay their fears and convince them that this was a good idea. These conferences were a good way to have this face to face exchange.

The guidance that I myself provided was more in the line of seeing that not too many people attended any one event, that we did stay within our travel budget, and that we were sending a consistent message.

4) My general philosophy in dealing with both resident and industry groups was to be inclusive rather than exclusive. My time at HUD was a time of potentially radical changes in the public housing program. I wanted as many groups to have input both from a sense of obtaining as many new ideas as possible, and also letting as many people as possible know what was happening. If a group could demonstrate that it had a large constituency, we tended to respond to it. In the area of resident groups on the national level this included: National Tenant Organization (NTO - Maxine Greene), National Association of Resident Management Corporations (NARMC - Kimi Gray), Urban Womens, Inc. (Bertha Gilkey), Association of Community Organizations for Reform Now (ACORN - Madeline Hurd) and sometimes the Industrial Alliance Foundation (IAF). In addition there were national support groups such as the Center for Community Change (CCC - Othello Poulard), the National Law Project, and the National Low-Income Housing Coalition. We also worked with statewide groups such as the Massachusetts Tenants Union (Rosemary Whittenberg), the New Jersey Public and Assisted Housing Organization (Mary Rone), and fledgling groups in Ohio, Texas, Michigan and California. As Congress moved to give more power and decision making to the States and away from Washington, we encouraged tenant groups to prepare to respond to the new power centers in the State Capitols. We also included some nationally recognized tenant leaders such as Irene Johnson from Chicago and Mildred Hailey from Boston, and tried to insure that there were representatives from city-wide groups in areas such as Los Angeles that were not well represented by the national or state groups.

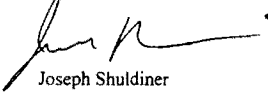
Again, we deliberately attempted to be inclusive, even to the point of soliciting views from groups with whom we disagreed. We wanted the people who would be most impacted by our policies to have some opportunity to voice their views. Further, they were more likely to support or at least not oppose something on which they had had a chance to comment.

As for NTO, they are a nationally recognized public housing tenant group. They have been around for a long time. They may well be the oldest tenant organization on the national level. I first encountered them in New York City when I was the general manager

of the New York City Housing Authority and they were rallying support for the so called "Jesse Gray" Bill. They clearly represented many public housing tenants there. While at HUD I saw the groups who attended their conferences. These included the legitimate resident leaders from Detroit, Baltimore, Atlanta, Philadelphia and Pittsburgh among other cities. However, as far as I know, NTO received no direct HUD PIH funding while I was the Assistant Secretary.

I hope that this letter has been helpful. If you need more information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph Shuldiner", with a long horizontal flourish extending to the right.

Joseph Shuldiner

cc:Hon. William Clinger
Hon. Cardiss Collins
Hon. Edolphus Towns

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February 29, 1996

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