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Daily *Insight*

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## Cuomo Leaves HUD in Shambles

By [Kelly Patricia O Meara](#)

If there is one thing Big Daddy hates, the Tennessee Williams character told his family in *Cat on a Hot Tin Roof*, it is mendacity - the kind of verbal sleight of hand designed to deceive. On his way out of Washington, Andrew **Cuomo**, Bill Clinton's secretary the Department of Housing and Urban Development (HUD) and wanna-be governor of New York, released a cloud of mendacity as odoriferous as any in living memory. In HUD Press Release 013, dated Jan. 17, **Cuomo** declared: "HUD's departmentwide high-risk designation is now a thing of the past."

But HUD hasn't been removed from that watch list, and **Cuomo** has reason to know it. HUD has been on the annual General Accounting Office (GAO) list of federal programs vulnerable to waste, fraud, abuse and mismanagement since 1994. This year a single HUD program, Community Development, was removed from the 2001 list, but the two programs that consume 75 percent of HUD's budget - Single-Family Mortgage Insurance and Rental Housing Assistance - remain on the GAO watch list for gross waste, fraud, abuse and mismanagement.

The former secretary's bold-faced mendacity was not missed by Sen. Fred Thompson, R-Tenn., who said: "HUD should be recognized for getting one of its major programs off the list, but it's a stretch to claim the agency is off the list. They still have a long way to go." A "stretch"? With 75 percent of HUD's programs still on the high-risk list, **Cuomo's** statement that "HUD's departmentwide high-risk designation is now a thing of the past" is a "stretch"?

A congressional staffer familiar with HUD's high-risk programs spoke to Insight on condition of anonymity, euphemizing through clenched teeth that **Cuomo** was "taking liberties" with the truth. But perhaps the departing secretary was confused about the agency's status. Was he unaware that the two programs that remained on the high-risk list amounted to 75 percent of HUD's budget? "No way. This is pretty clear stuff," says the staffer.

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The GAO minces no words about the godawful mess **Cuomo** left at **HUD**, saying: "Significant weaknesses (internal controls, information and financial-management systems, organizational deficiencies and staffing programs) still persist in two of **HUD's** major program areas which remain at high-risk - Single-Family Insurance and Rental Housing Assistance."

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One of the problems with downplaying the former secretary's mendacity by referring to it as a "stretch" or "taking liberties" is that it lets those **Cuomo** left-behind at **HUD** continue to polish his image. Insight asked Jerry Brown, a spokesman for **HUD's** public-affairs office, why the exiting secretary would make such a transparent claim. Brown responded, "My understanding from the inspector general's office [**HUD IG**] is that it is true - that we were taken off the high-risk list as an agency."

To try to clarify what might have been a misunderstanding by Brown, Insight contacted the **HUD IG**. Rather than confirm or deny that it had passed the erroneous information to public affairs, an embarrassed Mike Zerega, a spokesman for the **HUD IG**, punted. He said, "The GAO is responsible for the designation - it's not our list. I can't comment on what he [Brown] said." Apparently **HUD's Cuomo**-staffed public-affairs office is just reluctant to say that the agency has been so badly run under the departed **Cuomo** that it still is on GAO's high-risk list.

In addition to **Cuomo's** exit pronouncements about the alleged accomplishments at **HUD** during his tenure, he also produced a 104-page book to convince doubters. For a mere \$160,000 in tax money the outgoing secretary published a screed to celebrate **HUD's** achievements under his management, chronicled under the arresting title, *Exposing Injustice: A Chronicle of HUD's Mission in the Forgotten America, 1997-2001*. Not surprisingly, there is no mention in this book of the 1999 audit debacle in which billions went unaccounted for, the agency's financial-reporting systems were found not to be functioning and **HUD IG** Susan Gaffney was unable to validate an audit of the books (see "Why Is \$59 Billion Missing from **HUD**?" Nov. 6, 2000).

Despite the position of **Cuomo** factotums that there is no money missing at the agency, without the IG's stamp of approval on the 1999 audit there is no way to know if the 242 manual adjustments totaling about \$59.6 billion were correctly made to adjust the books for fiscal 1999. The IG refused to certify the audit and brought the problems to the attention of **Cuomo**, who ignored them.

According to Zerega, "There is no audit of the financial statements for 1999. The department [**HUD**] said they decided not to reissue any of the stuff we mentioned that was problematic - they're not going to give us what we went through. They simply said, 'Fine, thanks.' They said, 'Okay that was 1999 - what a mess - now let's move on.'" Zerega concludes. "We attempted to audit and we weren't able to complete it because of the accounting systems - the problems were in the accounting systems."

According to Stan Czerwinski, director for Housing and Telecommunications at GAO: "The 1999 audit was a problem. If you look at **HUD's** financials, you're looking at **HUD** as a whole. The catch in the audit is the financial systems. In the past, **HUD** has had a hard time reconciling the books and then it said, 'Okay let's put some systems in place.' Last year these systems didn't work, and the goal for this year is to have them work."

**HUD** IG Gaffney has been much distressed by all of this and has commented extensively about the problems with the accounting systems. Last May, for instance, Gaffney told lawmakers that "the material weakness is that **HUD** does not have a single financial-ledger system in place i the financial systems flowing in were incompatible and the system rejected the transactions. The rejected transactions weren't corrected in the new ledger system." Gaffney concluded, "**HUD** does not have a reliable and accurate statement of its financial condition." When Insight reported that because of failure of a validated audit billions were missing at **HUD**, a top **Cuomo** official trotted out the mendacity and quibbled that the money wasn't "missing," it was "unaccounted for." The question then for lawmakers and **HUD** officials is: Why?

Why doesn't **HUD** have a financial-management system that works? Is it for lack of funding? To find the answer, one first must know who or what company has been hired by **HUD** to put in place an accounting system that is accurate and reliable. But **Cuomo's** regime stonewalled on this, as it did on how much the contractor was paid for a system that does not work

It seems reasonable that if a company was hired to carry out a specific mission and failed to do so there would be repercussions. For instance, there might be a withholding of payment until the systems are working, or the failed contractor might simply be replaced. Not, apparently, under **Cuomo**.

Insight spent days trying to obtain the contracting information for the financial systems that reportedly are not working at **HUD**. So shabby is the management team **Cuomo** left behind that this magazine was told again and again that no one at **HUD** could say who the systems contractors are.

And Insight wasn't alone in thinking that a hard look at those contractors was a good idea. Who are they? According to a Senate aide who asked not to be identified, "That's a great question. And why are the contractors still getting paid? There never is any accountability on their part, and the responsibility rests with the management of **HUD**. Clearly, we're not getting from the contractors what is needed. The contract should say that if we don't get a clean opinion [on the audit] the contractors get 25 percent less on the contract. Someone is making a lot of money on these contracts, and the systems don't work."

This information should have been available through **HUD** but wasn't. Whether this resulted from what one **HUD** insider referred to as "the bunker mentality," or something else, everyone with whom Insight spoke at **HUD** seemed to agree that **Cuomo's** departure would ensure many positive changes. A **HUD** source explains, "You have to understand Andrew was like Stalin - he just had these people wetting their pants about talking to the press. It's a different day and I think everyone knows it. I don't think the new secretary [Mel Martinez of Florida] comes with any baggage and I've heard universally that people feel the pressure is off. With **Cuomo** it was such a bunker mentality that press people couldn't get the simplest stuff. Now, I think we'll get back to a more normal relationship with the media. Andrew was a blue terror."

**Cuomo** got out of town even before Clinton and, as his replacement waited in the wings, fear still stalked the department to get contractor names. Insight made call after call to officials at **HUD**, including the **HUD** IG's office, the chief financial officer, **HUD's** public-affairs office, the director



of the **HUD** Financial Systems Maintenance and Development Division, the **HUD** Public and Indian Housing office and, finally, to new Secretary Martinez's office, where his overwhelmed assistant advised that "if the person I'm referring you to is not the right person, don't call me back." Needless to say, it was the wrong person.

Even the Senate and House committees with oversight of **HUD** were unable to provide the names of the **HUD** contractors, let alone the amount of money appropriated by Congress for their services. The embarrassed GAO at least guessed that the contractors were American Management Systems (AMS) and Advance Technology Systems (ATS), but the official was uncertain and advised that Insight check with **HUD** to make sure the information is correct.

Just before going to press, perhaps under pressure from the new secretary's office, **HUD** confirmed that the contractors for the accounting system at the agency are AMS and ATS. Brown claimed that "the contractors are being paid and that the system (HUDCAPS) is functioning." But the public-affairs officer still has not provided the requested amount of the contracts or said whether they were paid for 1999 when the systems apparently did not function. Martinez and the oversight committees have a billion-dollar mess on their hands for which **HUD** sources say **Cuomo** should be required to answer.


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