



SIGTARP

Office of the Special Inspector General
For The Troubled Asset Relief Program

FOR IMMEDIATE RELEASE

Thursday, March 7, 2019

Media Inquiries: 202-927-8940

www.sigtar.gov

@SIGTARP

VIOLATING FEDERAL COST REGULATIONS, STATE HOUSING AGENCIES CHARGED MORE THAN \$400,000 IN PROHIBITED TRAVEL AND CONFERENCE COSTS TO THE HARDEST HIT FUND

SIGTARP Audit Also Finds Outright Waste, Including TARP Funds Spent on Luxury Hotels, Conferences, and Extravagant Dinners and Receptions

The goal of the Hardest Hit Fund (HHF) is to prevent foreclosures. It acts as a temporary safety net so unemployed or underemployed working class Americans can save their homes. It also pays to demolish abandoned blighted structures. With more than a \$1 billion budget for state housing agency administrative expenses, it is critical that these taxpayer dollars are spent only as Congress intended. But SIGTARP has found these agencies violated federal cost regulations by charging HHF \$411,658 in prohibited travel and conference costs.

“Too many times SIGTARP has found state officials using TARP dollars for their own enjoyment instead of helping families stay in their homes,” said Special Inspector General for the Troubled Asset Relief Program Christy Goldsmith Romero. “Flying around the country, staying at luxury hotels, attending conferences beachside and at other vacation destinations are not ‘must have’ costs for a local foreclosure prevention program. Refusal by state agencies to stop using the Hardest Hit Fund as a deep pocket hurts homeowners and taxpayers, as does Treasury’s failure to require repayment and properly oversee state agency spending. The expenses detailed in this and other audits violate federal cost regulations. Inspectors General have classified this type of spending as improper for decades for good reason: they aren’t must-have costs. Treasury has justified inaction by pointing to the program’s end date in late 2021. But that’s not, and there never is, an excuse to allow for waste, abuse, and improper spending in government programs.”

SIGTARP found that Treasury implemented but failed to enforce taxpayer safeguards. It has not effectively enforced regulations that costs must be necessary, reasonable, and allocable to HHF, or effectively enforced specific requirements for travel or conferences or prohibition on social activity costs or other regulations. This audit also details how many state agencies do not have, or enforce, internal controls necessary to ensure compliance with federal cost regulations.

When HHF was created, the Department of the Treasury took several steps to help ensure HHF complies with TARP law and that funds reach their intended recipients. It treated HHF like a grant, applying federal cost regulations that establish principles and standards for determining costs.

This is SIGTARP's third audit finding waste and unnecessary charges in the HHF. Previous SIGTARP audits uncovered more than \$11 million in waste and other unnecessary expenses. This audit, which was requested by Senator Charles Grassley, found waste and other improper spending, including:

- North Carolina spent nearly \$130,000 on annual housing counselor conferences. Before homeowners received a single dollar from HHF housing counselors were treated to an evening reception featuring a carved beef station staffed by a uniformed chef, cake bites and strawberry shortcake martinis, and season fruits and berries. The North Carolina agency charged TARP \$3,130. Later, a guest speaker lectured on "Motivation by Chocolate" at a cost of TARP \$2,500.
- After the Ohio agency decided to close the HHF program to new homeowner applications in 2014, the Ohio agency significantly deviated from past practices by charging TARP more than \$7,000 to hold housing counselor conferences at zoos that included animal presentations, zoo admissions, and for a park ranger to be on site. In that same timeframe, the Ohio agency charged more than \$28,000 for travel of 13 officials to weeklong NeighborWorks training conferences that covered broad housing counselor topics and financial coaching, a significant change from previous charges to TARP for one to three officials.
- Two top officials at the Florida agency attended more than a dozen conferences at luxury hotels, resorts and other destinations. Many conferences had no sessions on HHF or an hour or two in a four day conference. The Florida agency charged their expenses – more than \$20,000 – to TARP.
- Several other state agency officials attended conferences and other events with no HHF sessions.
 - The deputy executive director of the Georgia state agency made 10 trips to events on non-HHF related topics, including to a bond pricing conference in New York where she stayed at the Tribeca Grand Hotel. The Georgia state agency charged TARP \$4,877.
 - Indiana officials made multiple non-HHF trips, including a Federal Reserve conference on general foreclosure issues in New York and a Department of Housing and Urban Development meeting in Chicago, charging TARP \$2,230.
 - Contractors working for the California state agency attended multiple conferences and meetings, including a Mortgage Association Conference in Las Vegas, a CoreLogic Risk Summit conference at the St. Regis Monarch Beach Resort, and a Federal Reserve conference on general foreclosure issues in New York. No documentation submitted by the agency supported the travel charge of \$9,218.
- A number of state agencies overcharged TARP for luxury hotels at high rates for Treasury's annual Hardest Hit Fund Summit. Hotel costs almost quadrupled from 2013 to 2014 to nearly \$40,000. Some state officials stayed at the W Hotel, the Sofitel Hotel and the Mayflower Hotel at high nightly rates when GSA rate hotels were available.

SIGTARP also found that some state agencies inappropriately shifted 100 percent of certain travel costs to HHF rather than splitting them between HHF and other programs as required by the regulations.

Treasury should require state agencies to pay back all their ill-gotten gains. SIGTARP also recommends Treasury apply 18 recommendations to increase its oversight and require state agencies to implement

controls to curb waste and prevent prohibited charges. As of this audit's publication date, Treasury has already agreed to implement one recommendation and is reviewing the others.

There is still time to make a difference: state agencies will spend at least \$200 million in administrative expenses over the next two years. It is critical that these taxpayer dollars are spent as Congress intended. Any dollar wasted or spent inappropriately is one less dollar for homeowners or taxpayer savings.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets crime at financial institutions or in TARP housing programs and is an independent watchdog protecting the interests of the American people. SIGTARP investigations have resulted in the recovery of \$10 billion and 274 defendants sentenced to prison.

To report a suspected crime related to TARP, call SIGTARP's Crime Tip Hotline: 1-877-744-2009. To receive alerts about reports, audits, media releases, and other SIGTARP news, sign up at www.SIGTARP.gov. Follow SIGTARP on Twitter @SIGTARP.

###