



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

September 5, 2014

MEMORANDUM NO:
2014-PH-1806

Memorandum

TO: Laure Rawson
Director, Office of Public Housing, Portland Field Office, OEPH

//signed//

FROM: David E. Kasperowicz
Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: Review of Home Forward, Portland, OR's Compliance With Federal Lobbying Disclosure Requirements and Restrictions

INTRODUCTION

We conducted a review of Home Forward (previously named the Housing Authority of Portland, OR) based on concerns noted during our ongoing internal audit of the U.S. Department of Housing and Urban Development's (HUD) oversight of public housing authorities' compliance with Federal lobbying disclosure requirements. Our review objective was to determine whether Home Forward complied with Federal lobbying disclosure requirements and restrictions.

METHODOLOGY AND SCOPE

As part of our ongoing internal audit, we reviewed the U.S. Senate Lobbying Disclosure Act database. The database showed that Ball Janik, LLP, a law firm, received payments from 2006 to 2010 for lobbying activities it conducted for Home Forward. Accordingly, our review covered transactions that occurred during the period January 1, 2006, through December 31, 2010.

To accomplish our review objective, we communicated with HUD program officials and Home Forward officials. In addition, we obtained and reviewed the following:

- Lobbying certifications relevant to our review for the period 2006 through 2010, and
- Invoices and payments for lobbying noted for Ball Janik.

This was a limited scope review. Therefore, it was not performed in accordance with generally accepted government auditing standards.

BACKGROUND

The U.S. Housing Act of 1937, as amended, initiated the Nation's public housing program. In December 1941, the Portland City Council established the Housing Authority of Portland, OR. In May 2011, the Housing Authority of Portland changed its name to Home Forward. Home Forward's main administrative office is located at 135 SW Ash Street, Portland, OR. Home Forward is governed by a nine-member citizen commission. The commission is charged with representing the people of the community in making major policy decisions. It is also responsible for hiring an executive director, who implements the policies and programs it establishes. Home Forward's executive director is Steve Rudman. Home Forward serves approximately 15,000 households in Portland, OR, by providing either rental assistance or subsidized public housing. Its fiscal year begins on April 1.

Home Forward is a participant in HUD's Moving to Work Demonstration program. In 1996, Congress authorized Moving to Work as a HUD demonstration program. This program allowed certain housing authorities to design and test ways to promote self-sufficiency among assisted households, achieve programmatic efficiency, reduce costs, and increase housing choice for low-income households. Congress exempted participating housing authorities from much of the Housing Act and associated regulations as outlined in their Moving to Work agreements. Participating housing authorities have considerable flexibility in determining how to use Federal funds. Home Forward became a participant in the Moving to Work program in 1999. In March 2009, HUD entered into a new Moving to Work agreement with Home Forward. The expiration date of Home Forward's new agreement is March 2018.

The Lobbying Disclosure Act requires lobbyists to register with both houses of Congress and provide quarterly disclosures on lobbying activities conducted for each client (semiannual disclosures were required before the Act was amended in September 2007). The Act defines "lobbying activities" as lobbying contacts and efforts in support of such contacts, including preparation and planning activities; research and other background work that is intended, at the time it is performed, for use in contacts; and coordination with the lobbying activities of others. Under the Act, any oral, written, or electronic communication with covered officials regarding the formulation, modification, or adoption of policy or legislation constitutes a lobbying contact. Communications relating to the administration or execution of a Federal program or policy are also included. Covered officials include, among others, members of Congress and executive officials, such as agency heads and deputies and assistant and deputy assistant secretaries.

The Act requires lobbyists and lobbying firms to provide an estimate of the total income received for each client, including payments received from other persons or parties for lobbying activities on behalf of the client in excess of \$5,000 quarterly (\$10,000 semiannually before the Act was amended in 2007). Income levels below the threshold must be reflected as \$0 for reporting purposes, and lobbyists must include an explanatory statement. The U.S. Senate Office of Public Records receives, processes, and maintains information reported by lobbyists and makes the information available to the public in its Lobbying Disclosure Act database.

RESULTS OF REVIEW

Home Forward failed to disclose lobbying activities during the period 2006 through 2010. Also, in 2007, it incorrectly certified that it had not used Federal funds for lobbying activities.

Home Forward Failed To Disclose Lobbying as Required

The U.S. Senate Lobbying Disclosure Act database showed that Ball Janik reported that Home Forward paid it less than \$10,000 semiannually from 2006 to 2007 and less than \$5,000 quarterly from 2008 to 2010. Accordingly, these amounts were reported as \$0 in the database. Home Forward provided us a vendor ledger from its accounting system showing that it paid Ball Janik about \$24,000, which included payments related to 49 invoices during the review period. To estimate how much Home Forward spent on lobbying activities, we initially selected and requested a sample of 12 invoices totaling about \$12,000. Home Forward provided us 26 invoices totaling approximately \$19,600. The 26 invoices included the 12 requested. We reviewed all 26 invoices and determined that Home Forward spent about \$4,800 on lobbying activities during the review period. However, it did not disclose any lobbying activities during this period.

Based on regulations at 24 CFR (Code of Federal Regulations) Part 87, lobbying activities were not prohibited; however, disclosure of lobbying activities was required for lobbying related to Federal programs, and the lobbying expense had to be paid with non-Federal funds. Therefore, Home Forward should have disclosed the lobbying activities performed by Ball Janik. The lobbying activities generally included contacts with congressional staffers in connection with its Moving to Work and other Federal programs. Home Forward did not disclose the lobbying activities because its officials believed that the expenses were general legal expenses as opposed to expenses for services that constituted lobbying activities. Sample excerpts from invoices showing Ball Janik's lobbying activities on Home Forward's behalf are shown in appendix C.

Home Forward Improperly Allocated Lobbying Expenses to a Federal Program

Home Forward did not directly pay for its lobbying activities with Federal funds; however, it improperly allocated about \$640 in related expenses as indirect costs to its Moving to Work program in 2007 and 2008. Although it had allocated lobbying expenses to its Moving to Work program in 2007, Home Forward incorrectly certified that it had not used Federal funds for lobbying in 2007. Home Forward improperly charged the lobbying expenses to its program because it believed they were general legal expenses. In addition, for 2008, it could not demonstrate that it had certified, as required, that it had not and would not use Federal funds for lobbying.

According to regulations at 24 CFR Part 87, Federal funds may not be used for lobbying in connection with any Federal contract, grant, loan, or cooperative agreement or the extension, continuation, renewal, amendment, or modification of the same. The regulations also require recipients of more than \$100,000 in Federal funds or more than \$150,000 in Federal loans to certify that Federal funds will not be used for lobbying related to Federal programs. Home Forward's 2007 certification is shown in appendix D.

Home Forward Took Immediate Corrective Action

As a result of our review, Home Forward took action and provided related documentation to show that it had reclassified the indirect cost allocation from legal expenses under its Federal program to lobbying expenses under one of its non-Federal activities. Home Forward also provided documentation to show that its key officials had received some training on HUD and City of Portland lobbying rules. However, the training did not cover key information, such as the definition of lobbying activities as referenced in the Lobbying Disclosure Act. Therefore, Home Forward needs to ensure that its key officials are fully aware of all the aspects of Federal lobbying disclosure requirements and restrictions.

RECOMMENDATIONS

We recommend that the Director of HUD's Portland Office of Public Housing

- 1A. Require Home Forward to reimburse its program \$643 from non-Federal funds for lobbying expenses it improperly allocated to the program.*
- 1B. Ensure that responsible Home Forward officials receive comprehensive training in lobbying disclosure requirements and restrictions.
- 1C. Ensure that all future HUD monitoring of Home Forward covers compliance with Federal lobbying disclosure requirements and restrictions.

* Since Home Forward took action related to recommendation 1A, no further action is required regarding this recommendation.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/
1A	\$643

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

Appendix B


AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1

Comment 2



homeforward
hope. access. potential.

Executive Office

Board of Commissioners August 12, 2014

David Widmark
CHAIR

James Smith
VICE CHAIR

Catherine Such
TREASURER

Hanriet Cormack
CHIEF FINANCIAL OFFICER

Jorge Guzman

Miki Herman

Benita Legerza

Brian Legler

Charlene Masha

Executive Director

Steve Rudman

Mr. David Kasperowicz
HUD Office of Inspector General
The Wannamaker Building
100 Penn Square East, Suite 10205
Philadelphia, PA 19107

Dear Mr. Kasperowicz,

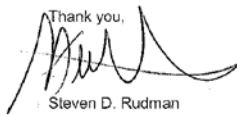
As the largest provider of affordable housing in the state of Oregon, Home Forward strives to make sure the people of our community are sheltered. Home Forward, also, strives to appropriately follow the rules and regulations for administering our programs. Annually, we are entrusted with over \$90,000,000 of federal funds and we take our fiduciary role very seriously. Therefore, we appreciate the lobbying related recommendations from the Office of Inspector General of the U.S. Department of Housing and Urban Development (OIG) being brought to our attention.

Based on our understanding of the work performed by the law firm from 2006 to 2010, we were unaware of the requirement to file lobbying disclosure reports. We are, now, aware of this requirement and will comply if similar type of work is ever contracted again.

Also, to the best of our knowledge at that time, we did not know that federal funds were charged for this activity. When it was identified that \$643 of charges were erroneously allocated to federal programs in 2007 and 2008, we quickly repaid the amount from non-federal sources.

Additionally, in May 2014, we held lobbying training for key management staff. While we thought the content of this training was comprehensive, we will provide additional training material on the Lobbying Disclosure Act and we will coordinate with the local HUD field office to ensure we are meeting the recommended standard.

Thank you,



Steven D. Rudman
Executive Director

135 SW Ash Street, Portland, Oregon 97204 | 503.802.8300 | 503.802.8554 | homeforward.org

OIG Evaluation of Auditee Comments

Comment 1 Home Forward stated that it repaid the \$643 that it erroneously allocated to its Federal program from non-Federal sources. We verified that Home Forward repaid the \$643 from non-Federal funds. Therefore, no further action is required regarding recommendation 1A.

Comment 2 Home Forward stated that it plans to conduct additional training on the Lobbying Disclosure Act. As stated in the report, Home Forward should ensure that the training covers all aspects of the Act including, among other things, the definition of lobbying activities.

Appendix C

SAMPLE EXCERPTS FROM INVOICES

Jun-26-2017 08:44 From:BALL JANIK LLP 503-944-6120 T-801 P.017/322 F-101

INVOICE
BALL JANIK LLP
 ATTORNEYS
 ONE MAIN PLACE
 101 SOUTHWEST MAIN STREET, SUITE 1100
 PORTLAND, OREGON 97204-3219
 TELEPHONE: 503-226-2535
 FACSIMILE: 503-295-1058

Client 2431
 Matter 10
 Date 11/14/2005
 Invoice 44595

City of Portland
 Room 410 City Hall
 1221 SW 4th Avenue
 Portland, OR 97204

Attention: Marge Kafoury

PLEASE DETACH AND RETURN UPPER PORTION WITH YOUR REMITTANCE

City of Portland Date: 11/14/2005
 Re: Move To Work (HAP) Invoice: 44595

Date	Atty	Professional Services Rendered	Hours	Amount
10/19/2005	MVC	Telephone call to Mr. Winkelman, Ms. McDonnell, Ms. Gautreaux, Mr. Benton, Mr. Wilson, Mr. Schumaker regarding MTW letter. Inspect materials regarding TTHUD Senate floor consideration.	2.80	500.00
10/20/2005	MVC	Follow up with Congressional staff on MTW letter.	1.00	200.00
10/27/2005	MVC	Telephone call to Mr. Perkins (Senator Wyden's staff), Ms. Cunningham (Congressman Wu's staff) and Ms. McDonnell (Senator Smith's staff) re MTW letter.	1.00	200.00
10/28/2005	MVC	Telephone call to Mr. Perkins (Senator Wyden's staff), Ms. McDonnell (Senator Smith's staff), and Ms. Cunningham (Congressman Wu's staff).	1.00	200.00
10/31/2005	MVC	Telephone calls to Ms. McDonnell (Senator Smith's staff), Ms. Cunningham (Representative Wu's staff and Mr. Perkins (Senator Wyden's staff) re MTW letter.	1.00	200.00
TOTAL Hours and Fees			6.80	1,300.00

3014x6
6287.00
1300.00

Attorney	Hours	Rate	Amount
Cram, M. Victoria	6.50	200.00	1,300.00
TOTAL Current Fees			\$1,300.00

RECEIVED
 JUL 10 2007
 HAP
 Finance & Accounting

ALL COSTS AND DISBURSEMENTS MAY NOT BE RELEASD DUE TO LATE RECEIPT OF INVOICE FROM VENDOR
 BALL JANIK LLP

Note: According to Home Forward, Ball Janik erroneously billed the City of Portland for services it provided to Home Forward. The invoice was later routed to Home Forward for payment.

INVOICE
BALL JANIK LLP

ATTORNEYS

One Main Place
101 Southwest Main Street, Suite 1100
Portland, Oregon 97204-3210

TELEPHONE: 503-228-2525
FACSIMILE: 503-295-1058

City of Portland
11/14/2005
Page 2

Client: 2431
Matter: 10
Invoice: 44585

PLEASE DETACH AND RETURN UPPER PORTION WITH YOUR REMITTANCE

Current Invoice Due	\$1,300.00
Previous Balance	\$390.00
Total Payments and Credits	\$0.00
TOTAL Balance Due:	\$1,690.00

Invoices are due upon receipt.

Nov-17-2006 10:31

From-BALL JANIK LLP

503-944-6120

T-489 P. 002/003 F-288

INVOICE
BALL JANIK LLP

A T T O R N E Y S

One Main Place
101 Southwest Main Street, Suite 1100
Portland, Oregon 97204-3219

Client 9733
Matter 1
Date 7/14/2006
Invoice 57578

TELEPHONE: 503-224-2525
FACSIMILE: 503-295-1056

Housing Authority of Portland (HAP)
135 SW Ash Street, Suite 500
Portland, OR 97204-3540

Attention: Mike Andrews

PLEASE DETACH AND RETURN UPPER PORTION WITH YOUR REMITTANCE

Housing Authority of Portland (HAP)
Re: Move to Work

Date: 7/14/2006
Invoice: 57578

Date	Atty	Professional Services Rendered	Hours	Amount
6/9/2006	MVC	Telephone call from Ms. Mancusi re Financial Services Committee mark up.	1.00	200.00
6/12/2006	MVC	Forward materials re mark up to Ms. Marchesi. Draft legislative update.	2.00	400.00
6/14/2006	MVC	Telephone call to Ms. Marchesi.	1.00	200.00
6/15/2006	MVC	Telephone call to Ms. Marchesi re MTW bill in Senate. Research materials and publications for items of interest re Sununu bill.	1.50	300.00
6/16/2006	MVC	Telephone call from Ms. Marchesi re miscellaneous.	1.00	200.00
6/19/2006	MVC	Research materials and publications for items of interest re housing legislation.	1.00	200.00
6/20/2006	MVC	Review letters to Senator Wyden.	0.50	100.00
TOTAL Hours and Fees			<u>8.00</u>	<u>1,600.00</u>

Attorney	Hours	Rate	Amount
Cram, M. Victoria	8.00	200.00	1,600.00
TOTAL Current Fees			\$1,800.00

ALL COSTS AND DISBURSEMENTS MAY NOT BE BILLED DUE TO LATE RECEIPT OF INVOICE FROM VENDOR

FED ID # 08-0814349

BALL JANIK LLP

INVOICE

BALL JANIK LLP

A T T O R N E Y S

ONE MAIN PLACE
101 SOUTHWEST MAIN STREET, SUITE 1100
PORTLAND, OREGON 97204-3210

TELEPHONE: 503-228-2525
FACSIMILE: 503-295-1058

Housing Authority of Portland (HAP)
7/14/2006
Page 2

Client: 9733
Matter: 1
Invoice: 57878

PLEASE DETACH AND RETURN UPPER PORTION WITH YOUR REMITTANCE

Current Invoice Due	\$1,600.00
Previous Balance	9625.00
Total Payments and Credits	-9625.00
TOTAL Balance Due:	<u>\$1,600.00</u>

Invoices are due upon receipt.

Appendix D

LOBBYING CERTIFICATION

Certification of Payments to Influence Federal Transactions

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

Housing Authority of Portland
Applicant Name

Public Housing
Program/Activity Receiving Federal Grant Funding

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

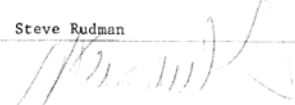
(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying, in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties.
(18 U.S.C. 1001, 1010, 1012, 31 U.S.C. 3729, 3802)

Name of Authorized Official Steve Rudman	Title Executive Director
Signature 	Date (mm/dd/yyyy) 09/18/06

Previous edition is obsolete

form HUD 50071 (3/98)
ref. Handbooks 7417.1, 7475.13, 7485.1, & 7485.3

Note: This certification applied to Home Forward's fiscal year 2007.