



U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., S.W.
Washington, D.C. 20410

MEMORANDUM NO.:
2010-HA-0801

August 6, 2010

MEMORANDUM FOR: Elizabeth Willmott, Senior Program Manager for Economic Recovery, Office of Strategic Planning and Management, X

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FROM: Sandra G. Elion, Director, Headquarters Audit Division, GAH

SUBJECT: HUD's Guidance on Posting Signs for American Recovery and Reinvestment Act Projects

INTRODUCTION

In response to a request from the Recovery Accountability and Transparency Board (Board), we performed a review of the U. S. Department of Housing and Urban Development's (HUD) guidance to the American Recovery and Reinvestment Act (Recovery Act) recipients to post signs, logos, and emblems intended to publicly identify the expenditure of Recovery Act or "stimulus" funds. The Board was asked by Congressman Darrell Issa, ranking member of the Committee on Oversight and Government Reform, to determine the scope and impact of the Obama Administration's guidance to recipients on what he stated was politicized stimulus advertising. The Board in turn asked us to respond to a series of inquiries regarding such advertising as it pertained to HUD's Recovery Act programs. Congressman Issa characterized HUD's stimulus advertising as the most overtly political guidance that "provided recipients a suggested sign template informing the public that projects have been funded by American Recovery and Reinvestment Act, Barack Obama, President."

Our objective was to determine whether HUD required or encouraged its Recovery Act recipients to post signs to publicly identify projects that were funded with stimulus funds. We concluded that for two programs, HUD initially included provisions in the grant agreements requiring posting of signs. HUD subsequently issued agency-wide guidance that "encouraged" Recovery Act recipients to post signs. We have addressed the congressman's specific inquiries in the Results of Review section of this memorandum.

We provided a copy of the draft audit memorandum to the Office of Strategic Planning and Management on August 4, 2010 and received comments on August 5, 2009. We made changes to the audit memorandum as deemed appropriate.

SCOPE AND METHODOLOGY

The Board requested that we respond to Congressman Issa's concerns regarding the scope and impact of the Obama Administration's guidance to recipients on politicized stimulus advertising. The congressman specifically asked us to include the following in our review¹:

1. A complete accounting of all guidance issued by HUD to recipients of stimulus funds, including federal, state and local agencies on the posting of signs, logos, or emblems intended to publicly identify the source or expenditure of stimulus funds;
2. Determine whether HUD requires or has required recipients of stimulus funds to post signs, logos, or emblems identifying the source or expenditure of stimulus funds and whether HUD had the statutory authority to do so; and
3. Determine whether HUD has relaxed its requirement that recipients post signs, logos or emblems identifying the source or expenditure of stimulus funds, and an explanation of the decision to do so.

To accomplish our objective, we

- Reviewed the guidance, policies, regulations and correspondence for posting signs, logos, and emblems that HUD issued to the recipients of Recovery Act funds.
- Conducted interviews with HUD's Recovery Act team to identify the specific guidance HUD issued to its recipients of Recovery Act funds.
- Conducted interviews with representatives of the Office of Community Planning and Development (Office of Affordable Housing and Office of Block Grant Assistance), Office of Healthy Homes and Lead Hazard Control, and Office of Public and Indian Housing (Housing Capital Fund program office and Office of Native American Programs) to determine what guidance they received from HUD's Office of the Secretary on the posting of signs.
- Contacted 10 Recovery Act recipients (three Native American Housing Block Grant (NAHBG-R) grantees, two Indian Community Development Block Grant (ICDBG) grantees and five public housing authorities) to determine whether they were required or encouraged to post signs publicly identifying projects.

¹ Initially, the request included a fourth item, that being an assessment of the total cost to the taxpayers from the posting of signs, logos or emblems identifying the source or expenditure of stimulus funds. The Board subsequently reassigned this part of the request to HUD.

We performed our review from July 1 through 26, 2010, at HUD headquarters in Washington, DC. Our review generally covered the period February through August 2009. For this memorandum, our work was not conducted in accordance with generally accepted government auditing standards. Our scope was limited to responding to the congressman's inquiries.

BACKGROUND

The Recovery Act was signed into law by President Obama on February 17, 2009 and included appropriations totaling \$13.6 billion for the following HUD programs.

Program	Area	Funding Amount
Office of Public and Indian Housing	Public Housing Capital Fund	\$4,000,000,000
Office of Public and Indian Housing	Native American Housing Block Grant	\$510,000,000
Office of Community Planning and Development	Community Development Block Grant	\$1,000,000,000
Office of Community Planning and Development	Neighborhood Stabilization Program	\$2,000,000,000
Office of Community Planning and Development	Homelessness Prevention Fund	\$1,500,000,000
Office of Community Planning and Development	HOME Investment Partnerships (Tax Credits)	\$2,250,000,000
Office of Multifamily Housing	Assisted Housing Stability	\$2,000,000,000
Office of Multifamily Housing	Assisted Housing Energy Retrofit	\$250,000,000
Office of Healthy Homes and Lead Hazard Control		\$100,000,000
Total		\$13,610,000,000

On August 26, 2009, HUD issued guidance regarding the posting of signs. Program officials used various methods to notify their Recovery Act recipients of HUD's policy, some officials included language in grant agreement documents, while others amended their program guides or simply sent e-mails to their recipients.

RESULTS OF REVIEW

Our review disclosed that HUD issued guidance encouraging Recovery Act recipients to post signs publicly identifying projects that were funded with Recovery Act funds. Of the nine programs that received Recovery Act funds, HUD officials did not issue any guidance for four of the programs. The nature of two programs (Homelessness Prevention and Assisted Housing Stability) did not lend themselves to posting signs; and two other programs (Neighborhood Stabilization Program and Assisted Housing Energy Retrofit) did not distribute funds until months after the posting guidance was issued. Officials administering the remaining five programs used different ways to notify their Recovery Act recipients of HUD's guidance. Our

results are based on information obtained from the five program areas that distributed guidance on the posting of signs.

Congressional Request

Inquiry 1: A complete accounting of all guidance issued by HUD to recipients of stimulus funds, including federal, state and local agencies, on the posting of signs, logos, or emblems intended to publicly identify the source or expenditure of stimulus funds.

HUD's Recovery Act team issued guidance on August 26, 2009, establishing HUD-wide policy on posting signs. That guidance states:

One of the most important goals in implementing Recovery Act-funded programs is transparency. In support of that goal, we encourage recipients to identify HUD Recovery-funded projects, to the extent possible and reasonable, with clear signage. Please understand that this is not a HUD requirement, however it is suggested.

The guidance also contained two templates for sample graphics that the recipients could use for printing signs (see appendix).

Officials from five program areas that did distribute guidance on signs are discussed below.

1. HUD officials administering both the Native American Housing Block Grant and the Community Development Block Grant Recovery (CDBG-R) programs added special conditions to their grant agreements before HUD issued its agency-wide guidance. The special condition to the grant agreement states, "In any contract involving the use of [CDBG-R, NAHBG, ICDBG] funds, the Grantee shall include, and require its sub-recipients and contractors to include, a project sign provision consistent with criteria established by the Secretary."

In September 2009, shortly after HUD issued its agency-wide guidance, both program officials notified their recipients that posting of signs was no longer mandatory. Instead, they encouraged the recipients to "identify HUD Recovery Act funded projects, to the extent possible and reasonable, with clear signage."

2. The Office of Healthy Homes and Lead Hazard Control (OHHLHC) issued OHHLHC [Recovery Act] Grantee Program Guidance - 2009-01(dated September 17, 2009) to notify its Recovery Act grantees of signage for their projects. OHHLHC guidance states, "In support of that goal, we encourage [Recovery Act] grant recipients to identify and [sic] HUD Recovery-funded projects or materials, to the extent possible and reasonable, with clear signage. Although this is not a requirement, we are recommending that you consider placing signage on [the Recovery Act]. This is not a HUD requirement, however it is suggested."

3. Although the Tax Credit Assistance Program (TCAP) funds cannot be used for administrative costs such as program operations, monitoring compliance and posting signs, its grant agreement states, “The Grantee shall include in its written agreement with each project owner, a project signage provision consistent with criteria established by HUD.”

HUD officials also sent the following e-mail to its TCAP Recovery Act recipients regarding signs:

HUD’s policy is to encourage recipients of Recovery Act funds to identify Recovery-funded projects, to the extent possible and reasonable, with clear signage. Project signage is not a requirement, however. TCAP grantees should follow their existing practice in setting signage requirements for projects assisted with TCAP funds, and include these requirements in the written agreement with the project owner. If a TCAP grantee has no established signage requirement, it may still choose to develop one for use on TCAP-assisted projects. Should you have an existing signage requirement or choose to use one, please find 2 PDFs attached to be used as resources for TCAP signage:

- a sample signage graphic into which you can add partner and project info and print to desired size using desired materials; and
- a sample decal graphic which can be printed and added to existing project signage.

If you choose not to impose a signage requirement, please indicate as much in the written agreement with the project owner.

4. Public Housing Capital Fund program officials simply forwarded HUD’s guidance (without any changes) to its Recovery Act recipients.

Inquiry 2: Did HUD require stimulus recipients to post signs, logos or emblems identifying the source or expenditure of stimulus funds and did HUD have statutory authority to do so?

While the language used in the published guidance states that it is not a HUD requirement to post signs, the tone and other information (such as examples of sign templates) were clear indicators that posting signs was preferred. Further, an earlier e-mail from the Deputy Press Secretary stated that the posting of signs was highly recommended. That August 4, 2009, e-mail to HUD’s Recovery Act team also provided examples of graphics, cost estimates for various banner sizes and the Secretary’s preference to “highly recommend (not require)” grantees to post signs.

Neither the Recovery Act nor other regulations governing HUD require or prohibit the purchase and/or use of signs at Recovery Act projects or HUD-funded projects. However, HUD considers the cost of printing these signs as an eligible administrative expense.

Inquiry 3: Has HUD relaxed its requirement that recipients post signs, logos, or emblems identifying the source or expenditure of stimulus funds, and if so, why?

The guidance issued on August 26, 2009, appears to have relaxed the requirement that recipients post signs, logos, or emblems identifying the source or expenditure of Recovery Act funds in that the program officials for the Native American Housing Block Grant and the Community Development Block Grant Recovery Programs rescinded the special condition clause in their grant agreements. However, HUD's Recovery Act recipients continue to be encouraged to post signs at projects funded with Recovery Act funds.

HUD provided the following reasons for not requiring the posting of signs:

- The administrative follow-up “would be immense;”
- The estimated production costs could be too high for recipients without an administrative set-aside (HUD had already decided it would not pay for any signs);
- The posting of signs is a normal act of transparency; therefore, it would be allowable “for public housing authorities, tribes, cities, counties, states and non-profit recipients to post signs if they so chose”; and
- While posting signs is normal, it should not be imposed on Recovery Act recipients.

Conclusion: While HUD's published guidance did not *require* its recipients of Recovery Act funds to post signs identifying projects provided by stimulus funds, it encouraged its Recovery Act recipients do so.

RECOMMENDATION

Based on the result of our review, this report contains no recommendations.

APPENDIX

HUD encouraged Recovery Act recipients to identify HUD Recovery Act-funded projects with clear signage. Below are two templates that were sent to Recovery Act recipients to be used as resources to help facilitate HUD's request.



This figure represents a signage sample that could include a partner and project information.



This figure represents a decal sample that can be printed and added to existing signage.