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Cuomo dumps financial adviser

Orders probe of bid practices

By George Archibald
THE WASHINGTON TIMES

Housing Secretary Andrew M. Cuomo fired his department's chief financial advisory contractor Friday and ordered a fresh top-level review of bid-rigging charges that have tainted multibillion-dollar federal mortgage sales.

The actions sent shock waves through contracting offices at the U.S. Department of Housing and Urban Development, where top officials are at the center of a 17-month corruption probe of possible bid-rigging in HUD note sales organized by Hamilton Securities

Group.

In firing Hamilton, HUD accused its chief financial advisory firm — and indirectly HUD officials — of covering up "erroneous instructions" for a computer model used to determine winners in more than a dozen sales of nearly 100,000 federally backed mortgages worth more than \$8 billion since 1995.

Mr. Cuomo ordered suspension of all work on contracts involving Hamilton until a "fresh review" of

corruption allegations against the firm could be conducted by his General Counsel's Office, HUD sources told The Washington Times yesterday.

The suspension includes contract bids due today for new financial advisory work solicited Oct. 10 on a nationwide rent-reduction project involving federally insured properties, department sources said.

HUD also ordered Hamilton, an investment banking firm, to pay

the government \$3.88 million losses already determined cause of the erroneous computer instructions. The review directed by Mr. Cuomo "could run into millions of dollars of additional claims," a department official said.

HUD's termination letter to Hamilton, obtained by The Times, stated that Nicolas P. Retsina, head of the Federal Housing Administration, and Kathryn Robinson, head of the Federal Housing Administration's comptroller, had known of documents detailing the erroneous instructions since last December.

Hamilton nonetheless retains

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HUD Secretary Andrew Cuomo

REDSKINS LOSE TOUCH IN MEMPHIS



Traveling Clinton pushes trade bill

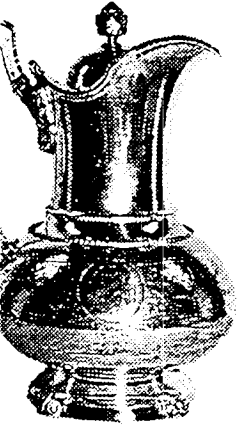
Daley optimistic about 'fast track'

likely to wed female service members are enlisted airmen. Alliance in ten does so. Evidence of the harsh life at times from data that shows officers of both sexes are just likely to marry someone uniform. Explanation was offered by Pentagon report, "Population Sentimentation in the Military Services, fiscal year 1995." It says is "this trend is more curiosity, as dual-service couples pose unique challenges to assignment, deployment overall readiness in addition to service members' saturation with military life." The Ring seeks explanation, serious, funny and anecdotal.

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CUOMO

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its \$20.8 million contract as FHA's chief financial adviser, renewed in April 1996, and was currently overseeing the top-priority HUD project to force down inflated apartment rents at federally insured properties. The project was mandated by Congress.

Mr. Retsinas and Miss Rock declined to respond to inquiries from The Times. A HUD official, speaking on condition of anonymity, said Mr. Retsinas "was completely on board and concurred" with the action to terminate Hamilton, a Washington-based firm.

Carol F. Steinbach, a Hamilton official, told The Times the firm would not respond to any inquiries or make any comment while the criminal probe was under way.

HUD's actions followed inquiries by The Times concerning limitation of the Oct. 10 bid solicitation from FHA on the rent-reduction project. Bids were sent only to Hamilton and three other firms that previously competed successfully for financial advisory contracts. Those firms also are involved in the ongoing criminal probe.

"The ground was moving all week," said one HUD official about top-level activity at HUD following the newspaper's inquiries.

Another official portrayed FHA's actions on the rent-reduction bid solicitation as a "rogue operation" in defiance of Mr. Cuomo's orders to clean up contracting abuses possibly including Hamilton and other firms associated with sale and restructuring tens of thousands of troubled HUD mortgages.

Sources said Howard B. Glaser, HUD's acting general counsel, dispatched officials from his office late last week to review FHA documents related to Hamilton's work.

Two memorandums were discovered that detailed Hamilton's erroneous instructions to Lucent/Bell Labs, a subcontractor to Hamilton, for an "optimization model" to analyze note sale bids from Wall Street firms, the sources said.

Addressing the Mortgage Bankers Association, Mr. Cuomo noted: "In the past, HUD was almost a joke. It was inefficient and ineffective. Now we have a blank slate to reinvent it. There will be no tolerance for waste, fraud, and abuse."

Mr. Glaser declined to comment yesterday. But another HUD source said an angry Mr. Cuomo gave his general counsel direct instructions to "find out what's going on and whether there's anything to these allegations that keep appearing."

Another source said the HUD secretary and his senior advisers were frustrated by a constant high-powered damage-control operation by Hamilton and the contractor's supporters. C. Austin Fitts, Hamilton's chief executive, was FHA commissioner under Jack F. Kemp, HUD secretary during the Bush administration. Mr. Kemp forced Miss Fitts to resign for unexplained reasons, sources said.

Miss Fitts, a former Wall Street investment banker and director of Dillon, Read & Co., soon came back as a top contractor to HUD, where she has since orchestrated many multibillion-dollar mortgage and security sales and restructuring programs for the department in the private sector. Hamilton was being paid \$868,417 per month under its main financial advisory contract just terminated.

"They always say, 'Where there's smoke there's fire,' and there's been a lot of smoke around the Hamilton situation but nothing provable," said a HUD source who asked not to be named.

"We've been looking for the fire. We think this is the fire."

Mr. Cuomo's actions are said to be a signal that he wants to strike a new relationship with HUD's inspector general, Susan Gaffney, with whom the secretary has had a strained relationship. Miss Gaffney and the U.S. Attorney's Office for the District of Columbia are jointly conducting the probe of corruption at HUD, which in-

volves note sales that started long before he became secretary.

Mr. Cuomo has often stated that his priority is to rid HUD of waste and fraud that reached its height, including criminal indictments and convictions of top officials, during the Reagan and Bush administrations.

On Oct. 6, addressing the Mortgage Bankers Association in New York, Mr. Cuomo noted: "In the past, HUD was almost a joke. It was inefficient and ineffective. Now we have a blank slate to reinvent it. There will be no tolerance for waste, fraud, and abuse."

The ongoing criminal probe was prompted by charges leveled by Bethesda-based Ervin & Associates, another HUD contractor who accused Hamilton and HUD officials of conspiring to rig the department's 19 note sales since 1994 for the benefit of a few select Wall Street investment firms.

According to HUD sources, Mr. Cuomo directed his general counsel to re-examine all of Ervin's allegations "with a fresh look." The firm has a civil lawsuit pending against the department and Helen Dunlap, a former deputy assistant secretary for multifamily housing, accusing them of contract discrimination.

At the request of the U.S. Attorney's Office for the District of Columbia, much of the legal discovery in the Ervin lawsuit has been stayed by U.S. District Judge William Bryant because the criminal probe is tracking the main allegations of the civil lawsuit.

"The criminal investigation is ongoing and concerns an extremely complex set of facts," wrote J. Ramsey Johnson, principal assistant U.S. attorney, in his latest request Oct. 3 for another 60-day stay in the Ervin case.

Conservative groups new status