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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
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WASHINGTON, DC 20510-6075

November 25, 1996

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The Honorable Henry G. Cisneros  
Secretary  
Department of Housing & Urban Development  
451 Seventh Street, S.W.  
Washington, D.C. 20410

Dear Secretary Cisneros:

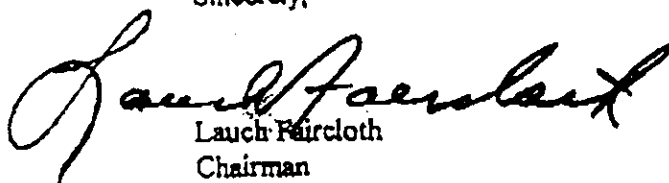
I am in receipt of HUD's responses to the questions I raised about allegations made against the Department by Ervin and Associates. The letter states that HUD believes "the Ervin litigation represents the baseless allegations of a disgruntled contractor ... (but that) ... . Nonetheless, HUD is taking appropriate steps to see if there is any substance to the charges."

One of my questions to the Department, which is an allegation made in the Ervin litigation, was whether any contractors or subcontractors have assisted in the preparation of testimony submitted by HUD to the Congress. HUD's response states that "a number of Office of Housing contractors or subcontractors have supported the Office of Housing as they prepared testimony or supporting schedules or handouts." I am deeply troubled that a contractor like C. Austin Fitts, whose financial advisory firm Hamilton Securities is paid \$868,000 a month by HUD to help the agency manage the \$11 billion mortgage-sale program, is assisting in the preparation of Congressional testimony. It appears there is merit to the Ervin lawsuit.

The letter from HUD further states that, in addition to the Department's independent Inspector General conducting an investigation of the charges made, you will be ordering your own independent review of HUD's procurement process. In light of your recent announcement that you will not be staying on as Secretary for the next term, I am concerned that this matter will not be a priority for you in the months ahead or for your successor.

Please apprise me of the status of the independent review team. I emphasize that I sincerely hope these allegations and apparent merit they have are taken seriously and are fully investigated by the Department regardless of your departure.

Sincerely,



Lauch Faircloth  
Chairman  
Subcommittee on  
HUD Oversight & Structure