

## HUD halts contracts to major Clinton donor

By George Archibald  
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The Department of Housing and Urban Development has suspended \$22.5 million in contracts to a big donor to President Clinton's re-election campaign after HUD's inspector general said the contracts were renewed illegally.

HUD announced it has suspended work done by Ernst & Young LLP to help market billions of dollars' worth of federally backed housing securities issued by the Government National Mortgage Association, or Ginnie Mae, pending further review by Inspector General Susan Gaffney.

"Ginnie Mae has now developed a statement of work to soon be advertised for full and open competition under a new ... contract," the department said in response to the inspector general's audit of HUD's contracting practices.

HUD Deputy Secretary Dwight P. Robinson ordered the firm's financial adviser contract renewed for three years last October -- just a month after Ernst & Young gave \$132,000 to President Clinton's re-election campaign.

But the inspector general's report found that HUD hindered competition for the advisory services and "circumvented proper contracting procedures," expanding Ernst & Young's contract through an interagency agreement between Ginnie Mae and the Federal Housing

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Administration.

The company, which gave more than \$335,000 to the Clinton campaign and the Democratic National Committee in 1995-96, did not respond to requests for comment.

The inspector general's report, now final, got caught up in a highly bitter dispute, described as a "range war" between top appointees of HUD Secretary Andrew M. Cuomo and Miss Gaffney.

The inspector general survived an effort to oust her on unsubstantiated charges to the President's Council on

Integrity and Efficiency that she leaked the draft contracting report, department insiders said.

An attorney in HUD's general counsel's office was pressured by top Cuomo loyalists to lodge the complaint but withdrew it after Miss Gaffney demanded evidence to substantiate the allegation, which he could not produce, officials said.

Now the HUD inspector general has won a second major battle with HUD statements that her auditors' criticisms were justified. "Department managers have for all practical purposes abdicated their procurement and contract oversight responsibilities with costly consequences," the report said.

HUD senior managers responded by accusing Miss Gaffney's auditors of making "material factual errors" throughout the draft contracting report. But almost all the challenges were discounted in the final report.

"We double-checked every claimed error because we want to make sure our reports are totally accurate," the inspector general said in an interview. "Some changes were made" in the final report, she said. "That's the process."

She dismissed claims by HUD officials that huge cost overruns were warranted in a \$526 million computer services contract with Lockheed Martin -- now estimated in the report to cost more than \$1 billion.

HUD is paying Lockheed Martin -- another major Clinton political donor -- more than \$4,000 per unit "for computers that Lockheed Martin purchased for \$2,235 each," the report noted.

"There has been no need to pursue other avenues" to build a new multibillion-dollar HUD Integrated Information Processing System (HIIPS), department managers said in their response to auditors' criticism that HUD is relying too much on Lockheed Martin.

"By discounting the need for any alternative, HUD is depriving itself of the possibility to take advantage of any viable options that may exist," the report concluded.

HUD responded to criticism of excessive costs by saying the 12-year Lockheed contract was awarded before much current computer technology was available. The department has installed "full Internet capability" for HUD employees, a HUD television network, and a video-conferencing network under Mr. Cuomo's "management reform" initiative, the department said in its 77-page response.

A defender of Mr. Cuomo, who asked not to be named, expressed frustration that HUD contracting practices and most specific contracts criticized by the inspector general were in place before Mr. Cuomo became secretary in February.

Despite criticisms of the draft findings, HUD's deputy secretary and other Cuomo appointees took credit for the audit.

"The report is the latest in a series of recent undertakings by the department to review its contracting and procurement systems," the deputy secretary said in his

response to Miss Gaffney.

Yet the report itself noted that the Republican chairmen of two Senate oversight committees requested the audit.

"We are pleased the inspector general's audit agrees with HUD's own criticism of our procurement system, confirming the earlier findings of HUD's management reform report in June," said David Egener, deputy assistant secretary for public affairs.

"We have begun to fix the department's decades-old, deeply flawed procurement system, and we have hired the National Academy of Public Administration to redesign and replace the existing system," the HUD spokesman said.

Congress directed the \$1.2 million NAPA project in a special disaster-relief supplemental spending bill last summer.

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