

THE DAILY CALLER

Poverty Pentagon: Nobody Watching As Feds Fund \$429M Of ‘Noble Intentions’

Ethan Barton
October 27, 2015

Nobody in government is watching how an obscure Department of Housing and Urban Development (HUD) anti-poverty program spends millions of tax dollars each year, which may explain how the lavish compensation paid by one beneficiary to its top executives went unnoticed until The Daily Caller News Foundation uncovered it.

More than \$429 million worth of noble intentions has been funded with the Section 4 program since its approval as part of the HUD Demonstration Act of 1993. President Bill Clinton and a Democratically-controlled Congress intended for Section 4 to help local groups combat poverty through a bureaucratically pliable process of “capacity building.”

Cato Institute Director of Tax Policy Studies Chris Edwards told TheDCNF, “‘capacity building’ is just Washington-speak for bureaucracy and paper-pushing.”

Throughout its more than two decades in existence, neither HUD nor Congress have systematically monitored how Section 4 funds are spent or what kind of results are obtained. Neither, apparently, has the independent inspector general for HUD.

The Deputy IG for Audit does not recall the Office of Audit doing an analysis of HUD’s administration of HUD’s Section 4 Capacity Building for Community Development and Affordable Housing Grants since 1993,” said Deputy Counsel to the IG Richard K. Johnson to TheDCNF. “Short answer is that it is a matter of resources.”

“Congress hasn’t the time or incentive to oversee this program, just like it doesn’t for the vast majority of the more than 2,300 federal subsidy programs,” Edwards said. “Most federal subsidy programs get very little oversight. If it stays quiet and out of the news, Congress won’t ask the Government Accountability Office to do a report on it.”

Veteran community anti-poverty activist Robert Woodson isn’t surprised.

“No one looks beyond the platitudes and empty promises. All you’ve got to have is noble intentions,” said Woodson, who is founder and president of the Center for Neighborhood Enterprise, to TheDCNF. “The bulk of the money goes to entities that have been around for years. They are part of the industry and they’re not held accountable.”

“People profit from the existence of poverty,” Woodson said. “It’s just one example of the poverty industry where the poor are a commodity. There’s a whole ‘Poverty Pentagon’ out there. This is a really horrendous exploitation of a peoples’ condition.”

Woodson believes Section 4 grant recipients only have to “mouth their noble intentions” to keep the tax dollars flowing. “This is why I think there has to be oversight. It just needs to be dramatically changed. It should be an embarrassment to the government. There should be a hearing.”

Among the oddities of the Section 4 program is that Congress certified only three non-profits to receive pieces of what has been on average about \$40 million annually in recent years. The three groups then decide which local operations get grants.

“This HUD program appears to be a mysterious political pay-off to just three private groups,” Edwards said. “Congress should investigate why just three groups are quietly lining their pockets with \$35 million of taxpayer funds every year.”

The government isn’t required to weigh out the costs and benefits of its programs, he said.

One of the three, Enterprise Community Partners, spends a substantial portion of its revenue on generous salaries for its multiple executives. Local Initiatives Support Corporation and Habitat for Humanity International are the other two.

“Funds from this program trickle down from the federal government and private groups,” Edwards said. “So why not just raise the money locally, rather than paying for all the overhead of Washington bureaucrats?”

Enterprise has never been audited or investigated by HUD’s watchdog, IG documents show. And HUD officials declined to share how Section 4 is helping communities.

Additionally, “HUD’s grantee monitoring and oversight is limited,” according to the most recent Government Accountability Office (GAO) report on Section 4, which was released in 2003. HUD relies on Section 4 grantees to monitor the funds they award to local groups – called “sub-recipients” – rather than conducting its own oversight. HUD also “does not measure the impact of its grants,” the report said.

“The cost effectiveness of adding additional controls must be weighed against the amount of the federal dollars involved,” the report said. “We believe that as long as HUD and the grantees remain vigilant, additional controls are not necessary at this time.”

Woodson called GAO’s attitude “really crazy” because “when you conduct oversight, it isn’t just to reduce cost. It’s to protect the integrity of the program. There’s a principle more important than the cost.”

He compared GAO’s conclusion to dropping charges on a suspected criminal because of the prosecution costs.

“Where is the cost-benefit calculus when you’re talking about justice?” Woodson said.

Section 4 grantees “had good management systems and controls in place to monitor their sub-recipients and to ensure that they carried out their work plans, met their objects and used federal funds legally and responsibly,” GAO said.

The watchdog, however, only audited seven sub-recipients and reported that one illegally used the funds to pay off bad debt.

“HUD has protocols in place to ensure compliance with Section 4 program rules from beginning to end, including writing the NOFA, reviewing and scoring the applications, writing the grant agreements, training the grantees on program rules and HUD resources available to assist them,” agency spokeswoman Shantae Goodloe told TheDCNF.

“When awards are made, we review and approve work plans for specific activities that they intend to carry out, maintain monthly calls to monitor progress and review bi-annual performance reports to assess progress to date,” Goodloe said.

TheDCNF has submitted a Freedom of Information Act request for copies of the performance reports and related documents.

Goodloe declined further comment.

A spokesman for the Brookings Institution did not respond to a request for comment.