

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

June 12, 2009

Via Electronic Transmission

Alan D. Solomont
Chairman
Corporation for National and Community Service
Board of Directors
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. Solomont:

As a senior member of the United States Senate and as the Ranking Member of the Senate Committee on Finance (Committee), it is my duty under the Constitution to conduct oversight into the actions of the executive branch, including the activities of the Corporation for National and Community Service (Corporation). In this capacity, I must ensure that the Corporation properly fulfills its mission of addressing a critical community need as the nation's largest grantor supporting service and volunteering organization, as well as maintaining adequate accountability of millions of dollars in Federal funds.

An issue was recently brought to my attention by the Office of Inspector General (OIG), which concerns the misuse of Federal grant funding by St. HOPE Academy, a grantee of the Corporation. The investigation conducted by the OIG found evidence of the misuse of \$850,000 of Federal grant funds provided to St. HOPE Academy from 2004 to 2007. It was reported that this particular investigation was contentious. Furthermore, according to some recent reports this investigation may have been a contributing factor in the decision to remove Inspector General Gerald Walpin. I am very concerned about the appearance that the IG's communication with my office about this matter may have contributed to his removal. Inspectors General have a statutory duty to report to Congress. Intimidation or retaliation against those who freely communicate their concerns to Members of the House and Senate cannot be tolerated. This is especially true when such concerns are as legitimate and meritorious as Mr. Walpin's appear to be.

In September 2008, after reviewing the facts that the OIG investigation presented, the Corporation's Debarment and Suspension Official (Official) determined that the grantee's two principals, Kevin Johnson and Dana Gonzalez were responsible for six acts of diverting grant funds to non-grant purposes, and found that "immediate action is necessary to protect the public interest." In total about \$850,000 was misused.

As a result, the OIG requested that the Official suspend all future Federal grant funding to both St. HOPE Academy and Kevin Johnson and Dana Gonzales individually. The Official ultimately suspended St. HOPE Academy and its principals "from participating in Federal procurement and non procurement programs and activities." None of the respondents exercised their right to submit facts objecting to the suspension.

On April 9, 2009, a settlement lifting the suspension was executed by the Corporation's General Counsel (GC), the designated Corporation Official, and the United States Attorney for the Eastern District of California (USAO). For reasons that I do not yet understand, the OIG was excluded from this proceeding and the settlement lifting the suspension, was done in complete disregard of the OIG's findings, as well as the previous determination of wrong doing identified in the Notice of Suspension. Perhaps the settlement agreement was reached without any input from the OIG, because less than half of what was misused by the Corporation grantees is being returned to the taxpayer and the OIG would not have agreed to this arrangement. In fact, an argument can be made that not even half of the misused funds is being returned, because the settlement does not require that payment in full be made. Rather the settlement places the grantees on a type of payment plan that will occur over a decade; to date less than 10% of the misused money has been recovered.

Not only did the evidence demonstrate that Johnson, Gonzalez, and St. HOPE misused about \$850,000 in Federal grant funds, but they also acknowledged that they did not document the expenditures as required. And yet, Mr. Johnson continues to have access to Federal funds through the city of Sacramento, primarily because the settlement agreement ignored the Suspension and Debarment procedures {(2C.F.R §§180.700(b), 180.800 (a)(4),(b)} that the Federal Government put into place in order to prevent such grant misuse. These procedures are intended to protect Federal agencies by making the grantee's accountable for the misuse of Federal funds under their control. Based upon the documents in my possession, it seems that the facts of this investigation were substantially disregarded and the blatant waste of federal taxpayer dollars were handled with little more than a slap on the wrist. In the St. HOPE matter, Mr. Johnson, rather than paying for legitimate expenses under the program, he used the AmeriCorps members, paid for with taxpayers' hard-earned money, to engage in school-board political activities, run personal errands, and wash his car. Now, and because of the favorable settlement, Mr. Johnson can have access to millions of taxpayer dollars as the mayor of Sacramento.

After conducting the investigation into the grant fund misuse and then referring the case to the USAO, the OIG was excluded during the settlement arrangement. The OIG subsequently objected to the settlement arrangement by the USAO for obvious reasons. Moreover, according to documents in my possession, St. HOPE Board members ignored a Federal subpoena and erased Mr. Johnson's emails during the course of investigation. This was discovered after Mr. Johnson's replacement as Executive Director of St. HOPE, Rick Maya, resigned on the same date of the Settlement Agreement because of various improprieties and potential obstruction of justice issues by St. HOPE Board Members.

In light of the removal of the Inspector General, it is vital that Congress obtain a full understanding of the role that you and your colleagues at CNCS played in these matters. Accordingly, please provide any and all records, email, memoranda, documents, communications, or other information, whether in draft or final form, related to:

- 1) the performance of Gerald Walpin as Inspector General;
- 2) the removal of Gerald Walpin as the Inspector General;
- 3) contacts with the United States Attorney's Office;
- 4) contacts with officials in the Executive Office of the President;
- 5) contacts with officials in the Office of the First Lady;
- 6) St. HOPE Academy;
- 7) Kevin Johnson; or
- 8) CUNY.

No records related to these matters shall be destroyed or otherwise made inaccessible to Congress. Subsequent to the production of the documents requested above, I request that you provide a detailed briefing to my staff regarding what steps you are taking to ensure that funds are not similarly misused in the future.

Thank you in advance for your prompt attention to this matter. We look forward to hearing from you by no later than June 19, 2009. All documents responsive to this request should be sent electronically in PDF format to Brian_Downey@finance-rep.senate.gov. Should you have any questions regarding this matter, please do not hesitate to contact Misha Kelly or Jason Foster of my staff at (202) 224-4515.

Sincerely,



Charles E. Grassley
Ranking Member

cc: Board of Director Members
Corporation for National and Community Service

Kenneth Bach
Acting Inspector General
Corporation for National and Community Service