

**Congress of the United States**  
**House of Representatives**

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074  
MINORITY (202) 225-5051

<http://oversight.house.gov>

July 15, 2016

The Honorable Jacob J. Lew  
Secretary  
U.S. Department of the Treasury  
725 17th Street NW  
Washington, D.C. 20503

Dear Mr. Secretary:

Since 2010, the Troubled Asset Relief Program's (TARP) Hardest Hit Fund (HHF) has provided \$9.6 billion to 18 states and the District of Columbia for programs to assist homeowners in states hardest hit by the housing crisis.<sup>1</sup> According to Department of the Treasury data, approximately 75 percent of these funds have been used to help unemployed and underemployed homeowners pay their mortgage.<sup>2</sup> In mid-2013, Treasury expanded the HHF program to include a Blight Elimination Program allowing seven state housing finance agencies (HFAs) to use nearly \$622 million in TARP HHF funds to demolish vacant and abandoned homes.<sup>3</sup>

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) has raised a variety of concerns regarding Treasury's management of the HHF Blight Elimination Program. For example, in December 2015 SIGTARP sent Treasury an alert letter advising that the Blight Elimination Program was used to demolish occupied, rather than abandoned homes, resulting in individuals having to leave their homes for developments. One example highlighted by SIGTARP involved the relocation of a car dealership.<sup>4</sup> In January 2016, Treasury implemented one of SIGTARP's recommendations by issuing guidance clarifying the Blight Elimination Program is only for truly vacant or abandoned homes, not occupied residences.

Despite Treasury's response to the alert letter, SIGTARP continues to express serious concerns regarding Treasury's management of this program. SIGTARP reported last month the HHF Blight Elimination Program remains vulnerable to the substantial risks of unfair

---

<sup>1</sup> The Office of the Special Inspector General for the Troubled Asset Relief Program, SIGTARP-16-003, *Treasury's HHF Blight Elimination Program Lacks Important Federal Protections Against Fraud, Waste, and Abuse* (June 2015), available at <https://www.sigtar.gov/Audit%20Reports/Blight%20Audit%20SIGTARP-16-003.pdf> [hereinafter SIGTARP-16-003].

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> The Office of the Special Inspector General for the Troubled Asset Relief Program, Alert Letter to Treasury Secretary Jacob Lew, available at [https://www.sigtar.gov/Audit%20Reports/SIGTARP\\_HHF\\_Blight\\_Elimination\\_Risk.pdf](https://www.sigtar.gov/Audit%20Reports/SIGTARP_HHF_Blight_Elimination_Risk.pdf).

competitive practices and overcharging, potentially leading to fraud, waste, and abuse.<sup>5</sup> SIGTARP noted the Department of Housing and Urban Development (HUD) manages a similar program to demolish vacant and abandoned houses that requires those entities to adhere to federal requirements for necessary and reasonable costs, and ensure full and open competition. In contrast to the HUD program, SIGTARP found Treasury does not have similar protections.

In order to limit costs of the Blight Elimination Program, Treasury set a maximum allowable cost per property for HHF blight elimination activities of \$25,000 or \$35,000. SIGTARP notes, however, cost limits do not necessarily protect the program from overpayments, waste, and fraud. SIGTARP found average demolition costs in the program ranged from \$8,100 to \$14,918, and they determined Treasury has no way of knowing whether these median costs reflect the costs that are actually necessary and reasonable. None of the state HFAs in the program have a requirement that federal dollars are limited to necessary and reasonable costs. Additionally, recent media reports state that a local blight elimination program using TARP funds has come under scrutiny about how contracts were awarded, and raise concerns about an increase in demolition from \$8,500 to an average of \$16,400.<sup>6</sup> Furthermore, a vendor hired to assist with a state demolition program was recently charged with a felony involving alleged falsifying of bills.<sup>7</sup> In light of these recent allegations and SIGTARP's report, the Committee has questions about whether Treasury has adequate means to protect the Blight Elimination Program from waste, fraud, and abuse.

In addition to requirements for necessary and reasonable costs, SIGTARP raised concerns Treasury does not require full and open competition in the HHF Blight Elimination Program, and the program is not subject to any federal requirement for competitive solicitation or competitive awarding of funds. As a result, five of seven state agencies administering the program have no requirement for competitive solicitation. SIGTARP found "federal requirements for competition are critically important to keep programs fair, drive down costs, motivate better contractor performance, and help curb fraud, waste, abuse, favoritism, undue influence, contract steering, bid rigging, and other closed-door contract practices."<sup>8</sup>

As of June 2016, approximately \$458 million remains to be spent in the Blight Elimination Program. Treasury can still take action to implement SIGTARP's recommendations and create federal requirements to protect against waste, fraud, and abuse, while allowing for locally-tailored solutions and flexibility. To help the Committee better understand Treasury's plans to respond and implement SIGTARP's recommendations on the Blight Elimination Program, please provide Committee staff with a briefing no later than July 28, 2016. Please also provide the following documents and information as soon as possible, but by no later than noon on July 27, 2016:

---

<sup>5</sup> SIGTARP-16-003.

<sup>6</sup> Joe Guillen and Teresa Baldas, *FBI joins in probe of Detroit's demolition program*, DETROIT FREE PRESS, May 11, 2016.

<sup>7</sup> Joe Guillen, *State vendor in demolitions charged with falsifying bills*, DETROIT FREE PRESS, Dec. 12, 2015.

<sup>8</sup> SIGTARP-16-003.

The Honorable Jacob J. Lew

July 15, 2016

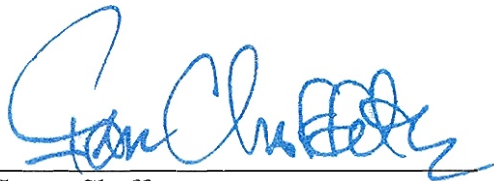
Page 3

1. All documents and communications referring or relating to Treasury's analysis of the costs, benefits, and potential harm from creating federal requirements for full and open competition and necessary and reasonable costs in the Blight Elimination Program;
2. All documents and communications referring or relating to Treasury's analysis on how implementing SIGTARP's recommendations may impact local flexibility in the Blight Elimination Program; and
3. All documents and communications referring or relating to Treasury's timeline for fully responding to SIGTARP's recommendations to Treasury for the Blight Elimination Program.

When producing documents to the Committee, please deliver production sets to the Majority staff in Room 2157 of the Rayburn House Office Building and the Minority staff in Room 2471 of the Rayburn House Office Building. The Committee prefers, if possible, to receive all documents in electronic format.

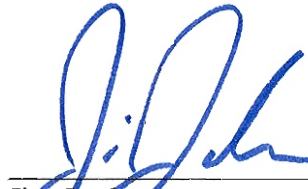
The Committee on Oversight and Government Reform is the principal oversight committee of the House of Representatives and has broad authority to investigate "any matter" at "any time" under House Rule X. An attachment to this letter provides additional information about responding to the Committee's request.

Please contact Maggie Childs of the Majority staff at (202) 225-5074 or with any questions about this request. Thank you for your prompt attention to this important matter.

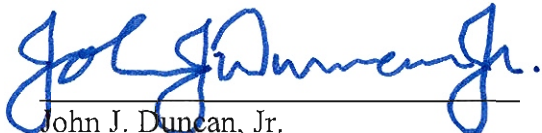


Jason Chaffetz  
Chairman

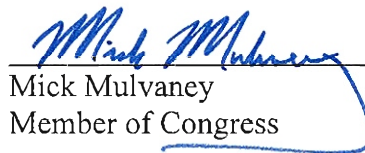
Sincerely,



Jim Jordan  
Chairman  
Subcommittee on Health Care,  
Benefits, and Administrative Rules



John J. Duncan, Jr.  
Member of Congress



Mick Mulvaney  
Member of Congress

Enclosure

cc: The Honorable Elijah E. Cummings, Ranking Member

The Honorable Matt Cartwright, Ranking Member  
Subcommittee on Health Care, Benefits, and Administrative Rules

## Responding to Committee Document Requests

1. In complying with this request, you are required to produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You should also produce documents that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party. Requested records, documents, data or information should not be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, or thumb drive) in lieu of paper productions.
4. Documents produced in electronic format should also be organized, identified, and indexed electronically.
5. Electronic document productions should be prepared according to the following standards:
  - (a) The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
  - (b) Document numbers in the load file should match document Bates numbers and TIF file names.
  - (c) If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
  - (d) All electronic documents produced to the Committee should include the following fields of metadata specific to each document:

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH,  
PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE,  
SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM,  
CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE,  
DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,  
INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION,  
BEGATTACH.
6. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, box or folder is produced, each CD, hard drive, memory stick, thumb drive, box or folder should contain an index describing its contents.

7. Documents produced in response to this request shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when the request was served.
8. When you produce documents, you should identify the paragraph in the Committee's schedule to which the documents respond.
9. It shall not be a basis for refusal to produce documents that any other person or entity also possesses non-identical or identical copies of the same documents.
10. If any of the requested information is only reasonably available in machine-readable form (such as on a computer server, hard drive, or computer backup tape), you should consult with the Committee staff to determine the appropriate format in which to produce the information.
11. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
12. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) the privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
13. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (stating its date, author, subject and recipients) and explain the circumstances under which the document ceased to be in your possession, custody, or control.
14. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all documents which would be responsive as if the date or other descriptive detail were correct.
15. Unless otherwise specified, the time period covered by this request is from January 1, 2009 to the present.
16. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data or information, not produced because it has not been located or discovered by the return date, shall be produced immediately upon subsequent location or discovery.
17. All documents shall be Bates-stamped sequentially and produced sequentially.
18. Two sets of documents shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building.

19. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

### **Definitions**

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, email (desktop or mobile device), text message, instant message, MMS or SMS message, regular mail, telexes, releases, or otherwise.
3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
4. The terms “person” or “persons” mean natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, or other units thereof.

5. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; and (b) the individual's business address and phone number.
6. The term “referring or relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is pertinent to that subject in any manner whatsoever.
7. The term “employee” means agent, borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, permanent employee, provisional employee, subcontractor, or any other type of service provider.