

Report of Investigation

U.S. Department of Housing
and Urban Development
Office of Inspector General



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Title

THOMAS T. DEMERY
Former Assistant Secretary for Housing
HUD Section 8 Moderate Rehabilitation Program
HUD Headquarters
Washington, D.C.

Narrative

Information developed during an audit, as well as that received from various sources, including public housing authority officials and Congressional staffers, indicated a growing perception of favoritism in the allocation of Section 8 Moderate Rehabilitation (Mod Rehab) units. Factors contributing to this included:

- apparent allocation of units to specific projects or developers;
- receipt of a substantial number of units by certain developers/owners, including several former HUD employees;
- payment of substantial fees--up to \$1,500 per unit--by developers to consultants, including several former HUD employees, for assistance in obtaining the allocation of units;
- apparent access to inside or advance information by former employees and developers; and
- contributions by participants in the Mod Rehab and other HUD programs to F.O.O.D. FOR AFRICA (FOOD), an organization supported by then Assistant Secretary for Housing/Federal Housing Commissioner, THOMAS T. DEMERY.

The findings of the audit and the results of the investigation indicated that there was little or no documentation for the PHAs selected for funding by a HUD Headquarters committee; that there was little assurance that units were allocated to PHAs equitably; and that the projects may not have been selected competitively. The following are examples of specific project allocations that illustrate the circumstances causing the perception of favoritism, including the involvement of former high-level HUD officials, the use of consultants, and the fund raising activity for FOOD.

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