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United States General Accounting Office
Washington, DC 20548

November 26, 2003

The Honorable Tom Davis
Chairman
The Honorable Christopher Shays
Vice-Chairman
Committee on Government Reform
House of Representatives

Subject: *Monitoring and Oversight of Federal Funds Awarded to Bridgeport, Connecticut*

In 2001 and 2002, federal prosecutors indicted the Mayor of Bridgeport, Connecticut, and a dozen conspirators on charges of racketeering, extortion, mail fraud, and tax evasion. In March 2003, the mayor was found guilty on 16 counts, and most of the others indicted have pleaded guilty. While the indictment did not refer to any misuse of federal funds, some of the corrupt activities were associated with projects that had received some federal funding in the past. This corruption has raised concerns about the adequacy of monitoring and oversight of the more than \$82 million in federal funds Bridgeport has received in recent years.

You asked us to examine federally funded programs operated by the city of Bridgeport and determine whether and to what extent the respective federal agencies, including program officials and Offices of Inspector General, have heightened program monitoring and oversight in light of the corruption. To respond to your request, we interviewed program and Inspector General officials from six federal agencies that provided about 95 percent of federal funds to Bridgeport in fiscal year 2002 to identify their general monitoring and oversight mechanisms as well as any monitoring activities specific to Bridgeport.¹ We also obtained and reviewed annual Single Audit Act audit reports for Bridgeport for fiscal years 1998 through 2002, as well as agency and Inspector General audit and monitoring reports on federally funded programs in Bridgeport.² In addition, we reviewed the indictment and verdict and met with officials from the Federal Bureau of Investigation (FBI) regarding the corruption investigation. We performed our work between June and October 2003 in accordance with generally accepted government auditing standards.

¹ The six federal agencies are the Environmental Protection Agency and the Departments of Agriculture, Education, Housing and Urban Development, Justice, and Transportation.

² The Single Audit Act (31 U.S.C. 7501 *et seq*) requires state and local governments that expend more than a threshold amount in a fiscal year to have either a single audit or a program-specific audit conducted and to forward the audit report to the Federal Audit Clearinghouse for distribution to each federal agency responsible for programs for which the audit report identifies a finding.

Results in Brief

The six federal agencies that provided funds to Bridgeport generally have not heightened monitoring and oversight activities in response to the Bridgeport corruption, but rather have continued to oversee program funding through routine, generally risk-based monitoring and oversight activities. These activities include the review of Single Audit Act audit reports and other reports required of fund recipients, comprehensive program reviews, field visits to grantees, and assessments of state oversight in cases where federal funds are provided to localities through states. In recent years, these types of monitoring and oversight activities in Bridgeport have not revealed misuse of federal funds. Further, according to a senior FBI agent who participated in the Bridgeport corruption investigation, the FBI did not identify any internal control weaknesses on the part of federal agencies as the basis for the corruption and concluded that the corruption was caused by corrupt individuals in the local area.

Background

During 2002, the federal government provided Bridgeport with more than \$82 million in funding. Six federal agencies provided about 95 percent of federal funds to the city. The Departments of Agriculture (USDA), Education, Housing and Urban Development (HUD), Justice (DOJ), and Transportation (DOT), as well as the Environmental Protection Agency (EPA) awarded these funds for over 20 different programs. For example, HUD provided funds to Bridgeport for its Community Development Block Grant (CDBG) and affordable housing programs; DOJ awarded funds for its Community Oriented Policing Services (COPS) program; and DOT provided funds through the Federal Transit Administration (FTA) for the development of the Bridgeport Intermodal Transportation Center. See enclosure I for information about each of the federal programs that provided funds to Bridgeport.

Funding for these programs does not always go directly to the city, and much of it flows through the states, which have responsibility for passing it to the local level. For example, USDA reimburses the states for its child nutrition programs, and the states, in turn, reimburse schools at the local level. Also, not all programs identify the city as the recipient of the grants. For example, the Bridgeport Housing Authority is an entity separate from the city of Bridgeport, and HUD's Public Housing program funds do not flow through the city but go directly to the Housing Authority.

Federal agencies use a variety of mechanisms to support their monitoring and oversight activities. The Single Audit Act is intended to, among other things, promote sound financial management, including effective internal controls, with respect to federal awards administered by state and local governments and nonprofit organizations. Under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, those entities that spend \$300,000 or more in federal awards during the fiscal year are required to have a single or

program-specific audit conducted for that year.³ The circular also notes that the entities are required to (1) maintain internal controls for federal programs, (2) comply with laws, regulations, and the provisions of contracts or grant agreements, (3) prepare appropriate financial statements, (4) ensure that the required single audits are properly performed and submitted when due, and (5) follow up and take corrective actions on audit findings. In addition to reviewing Single Audit Act audit reports, agencies may visit grantee sites, conduct risk-based grant reviews of local program operations, review national program operations, assess monitoring efforts at the state level, and/or conduct investigations and reviews initiated through fraud hotlines and other complaints or leads. High funding levels, inexperienced grantees, grantees with a history of performance problems, and a variety of other factors, including known instances of corruption, are elements of risk that might lead to increased scrutiny through risk-based approaches.

Federal Agencies Have Not Heightened Monitoring and Oversight Activities in Response to Corruption

In general, federal agencies have not heightened monitoring and oversight activities in light of the Bridgeport corruption. Rather, agencies continue to monitor program funding as they have in the past, as part of routine, risk-based monitoring and oversight. This type of monitoring and oversight in Bridgeport in recent years has not revealed misuse of federal funds. Further, the corruption investigation did not identify weaknesses in federal controls.

Agencies Have Continued to Conduct Routine, Risk-Based Monitoring and Oversight

While federal agencies have not heightened monitoring and oversight activities in light of the Bridgeport corruption, several risk-based grant reviews of Bridgeport's program operations have been conducted in recent years, particularly by HUD. However, according to HUD officials, without a lead or information from a concerned citizen or whistle-blower, routine risk-based reviews would not necessarily identify the kinds of fraud that occurred as part of the Bridgeport corruption, even if it had involved federal funds.

- In August 2000, HUD's Connecticut State Office reviewed Bridgeport's CDBG and Emergency Shelter Grant programs. The city of Bridgeport was found to be in compliance with the financial administrative and record-keeping requirements applicable to HUD-funded grants. HUD raised only one concern, observing that eight storm doors called for in rehabilitation specifications had not been installed.

³ In the June 27, 2003, *Federal Register*, OMB issued final revisions to Circular A-133 that raise the threshold for coverage from \$300,000 to \$500,000 in annual federal spending. These revisions generally apply to fiscal years ending after December 31, 2003.

- In May 2002, HUD's Connecticut State Office reviewed Bridgeport's Housing Opportunities for Persons with AIDS (HOPWA) program. The program was found to be in compliance in all the regulatory and performance areas that were monitored. For example, all individuals met HUD's definition of homeless prior to acceptance into the program, case files were well organized, and units appeared to be clean and adequately maintained.
- In May 2002, HUD's Connecticut State Office reviewed Bridgeport's CDBG program. The review found that assisted entities had provided public service benefits, that performance reports and financial documentation appeared to be accurate and timely, and that selected activities were found to be eligible. This review also found that Bridgeport had not collected and submitted interest earned on two revolving loan accounts for rehabilitation and other activities and that there was a lack of progress with regard to the implementation of some CDBG rehabilitation activities.

In addition, the following reviews were initiated as a result of leads external to HUD's Inspector General. HUD's Inspector General might not have conducted this work without the leads. For example:

- In 2000, in response to a citizen's complaint, HUD's Inspector General examined the Bridgeport Housing Authority and concluded that it was not operated in an efficient, effective, and economical manner and did not always comply with HUD regulations—including a failure to meet the time schedule on a court-ordered directive to replace 1,063 low-income housing units. According to HUD officials, most of the concerns identified in the Inspector General's Bridgeport Housing Authority report have been or are being addressed.
- In May 2003, partly based on information from HUD's Connecticut State Office that Bridgeport's HOME Investment Partnership program was suffering from poor management, HUD's Inspector General reported on Bridgeport's HOME program, finding that the city could not provide adequate support for \$989,929 in HOME program funds.

In addition to HUD, other federal agencies have reviewed Bridgeport's program operations:

- DOT hires engineering firms to perform project management oversight, including oversight of the development of the Bridgeport Intermodal Transportation Center. This oversight includes periodic site visits and the review of monthly reports. DOT has been monitoring this project since its inception in 1999.
- As part of the Bridgeport corruption investigation, DOT's Inspector General, working with the FBI, Internal Revenue Service, Defense Criminal Investigative Service, and FTA, investigated \$104,000 in DOT grant funds used

for the removal and disposal of contaminated soil, allegedly from the construction site of a municipal hockey arena, parking garage, and the Intermodal Transportation Center. The soil was actually from sites in Norwalk, Connecticut, and New York City. The parties charged in this investigation have pleaded guilty and agreed to pay \$104,000 in restitution.

- In commenting on our draft report, DOT noted that when the Greater Bridgeport Transit District was chosen to be the grantee for Bridgeport's Intermodal Transportation Center, FTA initiated a review of an architecture and engineering procurement under this grant. FTA found that the appropriate procurement procedures had not been followed, and the review resulted in the cancellation of the procurement. In addition, after collaboration between the Connecticut Department of Transportation and FTA, the city of Bridgeport was chosen to be the new grantee. The Greater Bridgeport Transit District was subsequently dissolved and the Greater Bridgeport Transit Authority was established.
- DOJ's Inspector General reviewed Bridgeport's COPS program in 2000 based on routine risk-based audit plans and found that the city generally performed at an acceptable level but had failed to submit some monitoring reports and had submitted many other reports late.
- In light of the corruption, DOJ's Weed and Seed Program changed the grant manager fiscal agent from the city of Bridgeport to the Office of Law Enforcement (the police department).

The Bridgeport Investigation Did Not Identify Weaknesses in Federal Controls

As part of its Bridgeport investigation, the FBI contacted officials from HUD, DOT, and EPA but did not identify any internal control weaknesses on the part of federal agencies, concluding that the Bridgeport corruption was not a result of poor internal controls. Instead, the FBI reported that the corruption was a result of some corrupt individuals in the local area. According to the FBI, fraud was committed, but there was no indication that the fraud was a result of a lack of proper internal controls at the federal level.

In addition, the indictment resulting from the investigation did not refer to any misuse of federal funds. Rather, it stated that the mayor and others committed illegal acts, a few of which were associated with projects that had received some federal funding in the past. For example, the indictment charged the following:

- The mayor and his associates wrongfully collected a payment from a private company in exchange for awarding the company a contract to operate and manage Bridgeport's waste water treatment facilities. (This charge resulted in a "guilty" verdict.) According to EPA officials, this facility was constructed in the 1970s or 1980s with financial assistance from EPA.

- The mayor agreed to select a specific private company to develop vacant tracts of land in Bridgeport, including the site of the former Father Panik Village public housing complex, in return for payments to be made from the company when the land was developed. (This charge resulted in a “guilty” verdict.) In 1990, the Bridgeport Housing Authority was directed by the United States District Court of Connecticut to replace all units demolished in the Father Panik Village public housing complex; HUD provided \$89 million for this replacement.⁴
- The mayor and his associates solicited and agreed to accept money and other items for awarding contracts to private companies for the design and construction of a minor league baseball stadium and hockey arena. (This charge was dismissed.) Prior to construction, in 1998, EPA provided \$200,000 in Brownfields program funds to assess the extent of soil and water contamination on this site. Also, DOT provided over \$5 million to help construct the site’s parking garage, which is also used for Bridgeport’s Intermodal Transportation Center.⁵

Agency Comments

We provided a draft of this report to USDA, Education, EPA, HUD, DOJ, and DOT for their review and comment. These agencies generally agreed with our findings. They provided some additional information on their monitoring activities in Bridgeport as well as some technical comments that are reflected in the letter as appropriate.

EPA noted that it has recently completed a 2-day desk review of Bridgeport’s Brownfields grant. This review was conducted after our draft was sent to agencies for comment.

In addition, DOT noted that, in light of the corruption, FTA has scheduled a financial management oversight review of Bridgeport to provide assurance that new accounting procedures implemented by the city will provide the necessary control over federal transportation funds.

⁴ When first built, Father Panik Village had a total of 1,239 units within 46 buildings on a 40-acre tract on the east side of Bridgeport. Two buildings were later torn down, reducing the overall facility to 1,063 units. In the 1970s, the complex began to fall into disrepair, and in the 1980s became known as one of the nation’s most poorly managed public housing facilities. Residents complained about the conditions at the complex and filed suit against HUD and the Bridgeport Housing Authority. A settlement was negotiated in 1990, and Father Panik Village was to be totally demolished and replaced by 818 units of new housing around the city, plus an additional 245 project-based Section 8 units. (Section 8 allows very low-income families to choose and lease or purchase safe, decent, and affordable privately owned housing.)

⁵ As noted previously, the DOT Inspector General concluded that \$104,000 of this amount was used fraudulently, and the agency has taken steps to retrieve the funds.

We are sending copies of this report to the Secretaries of USDA, Education, HUD, DOJ, and DOT, and to the Administrator of EPA. The report is also available at no cost on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions, please contact me at (202) 512-6878 or at woodd@gao.gov. Major contributors to this report were Andy Finkel and Eric Diamant.

David G. Wood

David G. Wood
Director, Financial Markets and
Community Investment

Enclosure

**Use of Funds Provided by Six Federal Agencies in Bridgeport, Connecticut
(by fiscal year)**

Total Federal Awards Expended in Bridgeport, Connecticut (dollars in millions)		1998	1999	2000	2001	2002
		\$69.22	\$73.06	\$92.20	\$82.32	\$82.35 ^a
Department of Agriculture						
Program	Purpose	1998	1999	2000	2001	2002
National School Lunch Program	Assist states, through cash grants and food donations, in making the school lunch program available to schoolchildren and to encourage the domestic consumption of nutritious agricultural commodities.	4.61	4.30	5.93	6.19	6.78
School Breakfast Program	Assist states, through cash grants and food donations, in providing a nutritious nonprofit breakfast service for schoolchildren.	1.04	1.04	1.32	1.26	1.50
Summer Food Service Program for Children	Assist states in conducting nonprofit food service programs for low-income children during summer months and at other approved times, when schools are out of session or closed for vacation.	0.49	0.48	0.52	0.50	0.44
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Help states provide to low-income pregnant, breastfeeding, and postpartum women, infants, and children up to age five, determined to be at nutritional risk, at no cost, supplemental nutritious foods, nutrition education, and referrals to health care providers.	0.81	0.76	0.74	0.74	0.75
Other Agriculture programs		0.49	0.49	0.47	0.53	0.58
Food Stamps ^b	Improve diets of low-income households by increasing their food purchasing ability.	--	1.9	2.2	2.3	2.5
Department of Education						
Title I Grants to Local Education Agencies	Help local education agencies and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging state academic standards.	8.71	9.87	11.10	9.88	11.75
21 st Century Community Learning Centers	Enable rural and inner city public elementary and secondary schools to plan, implement, or expand projects that benefit the educational, health, social service, cultural, and recreational needs of their communities.	0	0.63	1.70	3.28	4.23
Other Education programs		3.64	4.16	4.58	6.19	7.98
Environmental Protection Agency						
Brownfields Pilots/Grants and Demonstrations ^c	Empower states, communities, and other stakeholders in economic redevelopment to prevent, assess, safely clean up, and sustainably reuse brownfields (sites that have actual or perceived contamination and a potential for redevelopment or reuse). (Bridgeport's Brownfield grants generally are for environmental assessment activities.)	0.20	0	0	0.20	0
Other EPA programs		0	0	0	0	0.03

Enclosure I

Department of Housing and Urban Development						
Community Development Block Grants	Develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. Each activity funded must benefit low- and moderate-income families, aid in the prevention or elimination of slums or blight, or meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.	6.01	4.64	6.79	5.89	5.65
HOME Investment Partnership	Expand the supply of affordable housing, particularly rental housing, for low- and very low-income Americans; strengthen the abilities of and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; provide financial and technical assistance to participating jurisdictions; extend and strengthen partnerships among all levels of government and the private sector in the production and operation of affordable housing.	2.07	0.99	0.88	1.50	1.33
Emergency Shelter Grants	Improve the quality of emergency shelters and transitional housing for the homeless, make available additional shelters, meet the costs of operating shelters, provide essential social services to homeless individuals, and help prevent homelessness.	0.11	0.13	0.22	0.12	0.10
Housing Opportunities for People with AIDS	Provide states and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with AIDS, or related diseases, and their families.	0	0.12	0.37	0.50	0.45
Other HUD programs		2.64	3.73	4.78	6.51	0.73
Public Housing programs (Bridgeport Housing Authority)	Provide and operate cost-effective, decent, safe and affordable dwellings for lower income families through an authorized local public housing agency.	33.14	33.54	29.31	32.53	32.13 ^d
Department of Justice						
Local Law Enforcement Block Grant	Help units of local government reduce crime and improve public safety. Funds may be used for one or more of seven program purpose areas.	0.17	0.36	0.65	0.33	0.15
Community Oriented Policing Services (COPS)	Help to increase police presence and improve cooperative efforts between law enforcement agencies and members of the community, expand community policing efforts through the use of technology and other innovative strategies, increase security and reduce violence in schools, address crime and disorder problems, and otherwise enhance public safety.	0.90	2.25	1.40	0.38	0.36
Safe Start	Prevent and reduce the impact of family and community violence on young children (primarily from birth to six years of age) by helping communities to expand existing partnerships between service providers (such as law enforcement, mental health, health, early childhood education, and others) to create a comprehensive service delivery system.	0	0	0	0.24	0.30

Enclosure I

Executive Office for Weed and Seed	Combat violent crime, drug use, and gang activity in high-crime neighborhoods. "Weed out" violence and drug activity in high-crime neighborhoods and then "seed" the sites with a range of crime and drug prevention programs, human service resources, and neighborhood restoration activities to prevent crime from recurring.	0.14	0.15	0.03	0.07	0.04
Other Justice programs		0.18	0.29	0.37	0.52	0.29
Department of Transportation						
Federal Aid Highway Program (through the Federal Highway Administration)	Assist state transportation agencies in planning and developing an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System, improve all public roads except those functionally classified as local, provide aid for the repair of federal-aid roads following disasters, foster safe highway design, and replace or rehabilitate deficient or obsolete bridges.	1.72	0.56	0.45	0.21	0.01
Bridgeport Intermodal Transportation Center (through the Federal Transit Administration) ^e	Improve the speed and ease of transfer between transportation modes in downtown Bridgeport by colocating facilities and providing seamless connections where possible, and support economic development and land use initiatives in the city.	0	0.99	15.62	0	1.85
Airport Improvement Program (through the Federal Aviation Administration)	Assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.	0.55	0.05	0.05	0.10	0

Source: GAO analysis of data from Single Audit Act audit reports, Catalog of Federal Domestic Assistance, and agency program and Inspector General officials.

Note: These tables present federal awards expended in Bridgeport as reported in Single Audit Act audit reports and reflect funding provided by the Environmental Protection Agency and the Departments of Agriculture, Education, Housing and Urban Development, Justice, and Transportation. (The Departments of Commerce, Interior, Labor, Health and Human Services, and Treasury, as well as the Federal Emergency Management Agency and the Corporation for National Community Service, also provide funds to Bridgeport. These agencies provided approximately \$2.4 million to Bridgeport in 2002, or about 5 percent of the total federal funds that were provided to Bridgeport in that year.)

^aThe total for 2002 includes an approximation for funds provided to the Bridgeport Housing Authority using the average funds provided from 1998 through 2001.

^bFood Stamp Program funding as reported by the Department of Agriculture.

^cBrownfields Pilots/Grants and Demonstrations funding as reported by the Environmental Protection Agency.

^dThe figure for 2002 is an approximation for funds provided to the Bridgeport Housing Authority using the average funds provided from 1998 through 2001.

^eIntermodal Transportation Center funding as reported by the Department of Transportation. In 2003, DOT provided an additional \$8 million in grant funds for the final design and construction of the Bridgeport Intermodal Center's bus terminal.

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