

June 2011

ACORN

Federal Funding and  
Monitoring



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## Why GAO Did This Study

The Association of Community Organizations for Reform Now (ACORN) was established in 1970 to advocate for low-income families. Allegations of voter registration fraud and videotapes of questionable behavior by ACORN employees raised concerns about ACORN, and Congress passed fiscal year 2010 laws prohibiting federal funds from being awarded to ACORN and ACORN related organizations. GAO was asked to report on these organizations, including (1) how much federal funding was awarded to them for fiscal years 2005 through 2009 and the purpose of the funding, (2) the extent to which federal agencies' monitoring of these awards detected issues identified by audits, (3) the nature and results of any federal investigations or prosecutions conducted of these organizations from fiscal years 2005 through 2009, and (4) how federal agencies implemented provisions prohibiting the award of funds. Among other things, GAO identified awards to ACORN or potentially related organizations by 31 federal agencies and audits of such awards; documentation of related investigations and cases; and actions to implement funding restrictions by the 27 agencies in our review subject to them.

## What GAO Recommends

GAO is not making any recommendations. Nine of the 45 agencies and organizations to which a draft of the report was sent provided technical comments, which GAO incorporated as appropriate.

View [GAO-11-484](#) or key components. For more information, contact Eileen R. Larence at (202) 512-8777 or [larencee@gao.gov](mailto:larencee@gao.gov).

## ACORN

### Federal Funding and Monitoring

## What GAO Found

Seventeen of the 31 agencies identified more than \$48 million—\$44.6 million in federal grants and at least \$3.8 million in subawards (grants and contracts awarded by federal grantees)—to ACORN or potentially related organizations, primarily for housing-related purposes, during fiscal years 2005 through 2009. Agencies were not required to collect data on subawards; consequently, agencies were limited in their ability to identify all funding they provided to ACORN or potentially related organizations through subawards.

Agencies reported that their monitoring of awards to ACORN and potentially related organizations was based primarily on the award amount or available resources and ranged from reviewing progress reports to conducting site visits. We found that agencies' monitoring of these awards generally did not detect issues identified by inspectors general or internal audits. Audits conducted by inspector general offices or the internal audit unit at six of the agencies supplemented agency monitoring and identified issues regarding the organizations' use and documentation of funding—such as lack of proper recording and accounting for how funds were spent—that were not detected by the agency, except in one case. The audits were generally more detailed than agency monitoring. Agency officials said they plan to use the findings of the audits to modify their monitoring processes for future grants, for example by revising monitoring guidance.

Of 22 investigations and cases of election and voter registration fraud and wage violations involving ACORN or potentially related organizations from fiscal years 2005 through 2009, most were closed without prosecution. One of the eight cases and investigations identified by the Department of Justice resulted in guilty pleas by eight defendants to voter registration fraud and seven were closed without action due to insufficient, or a lack of, evidence. The Federal Election Commission (FEC) reported five closed matters; for one, the FEC reached a conciliation agreement with a penalty. Another matter was dismissed, and FEC found no reason to believe the violations occurred for three matters. The Department of Labor identified eight wage and hour disputes, plus one delinquent reporting of required documentation, all of which resulted in an organization complying or agreeing to take corrective measures to comply with the applicable requirements.

Twenty-seven of the 31 agencies within the scope of our review were subject to fiscal year 2010 appropriations restrictions on funding to ACORN and certain related organizations, and all took action to comply with the restrictions. Most agencies alerted staff of the restrictions through e-mails, memorandums, or oral communications. Other actions included alerting awardees, and the Department of Housing and Urban Development and National Science Foundation provided guidance on which organizations may fall within the scope of their respective funding restrictions. Eleven agencies reported that they took action to implement the restrictions, at least in part, as a result of our inquiry and subsequent discussions.

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United States Government Accountability Office  
Washington, DC 20548

June 14, 2011

### Congressional Addressees

Nonprofit organizations play an important role in providing a wide range of public services. To provide these services, these organizations rely on funding through various sources, including federal grants and contracts. Just as federal agencies are held accountable for the efficient and effective use of taxpayer dollars, so too are nonprofit organizations held accountable for their use of federal funds.

The Association of Community Organizations for Reform Now (ACORN)—a nonprofit organization that received federal funds—was established in 1970 as a grassroots organization to advocate for low-income families. By 2009, ACORN’s General Counsel reported that ACORN had 500,000 members and had expanded into a national network of organizations involved in the development of affordable housing, foreclosure counseling, and voter registration, among other things. ACORN organizations relied on membership dues and on federal and private foundation funding to support various activities. Voter registration fraud allegations and widely distributed videotapes depicting what appeared to be inappropriate behavior by employees of several local ACORN chapters spurred calls to identify federal funding provided to ACORN and organizations potentially related to it, and for legislation to restrict or eliminate that funding.<sup>1</sup> In addition, the inspectors general at five agencies that provided funding to ACORN or potentially related organizations—the Corporation for Public Broadcasting (CPB), Department of Homeland Security (DHS), Department of Housing and Urban Development (HUD), Department of Justice (DOJ), and the Election Assistance Commission (EAC)—as well as NeighborWorks’ internal audit unit, initiated ACORN-related reviews.<sup>2</sup>

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<sup>1</sup>The term “potentially related organizations” is used in this report to encompass organizations where there is at least one indicator, such as a shared address with ACORN, that the organization may be related to ACORN.

<sup>2</sup>NeighborWorks is the trade name used by the Neighborhood Reinvestment Corporation, which was established in 1978 by federal law as a nonprofit corporation. See 42 U.S.C. § 8102. To streamline the discussion in this report we use the term “audits” to encompass the work of the five Inspectors General and NeighborWorks’ internal audit unit, which performs a similar function for that agency. In addition, while both CPB and NeighborWorks are federally chartered, private nonprofit organizations, for purposes of this report we refer to both as “agencies.” See 42 U.S.C. § 8102, 47 U.S.C. § 396.

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Subsequently, Congress passed provisions restricting the funding of ACORN or any of its affiliates, subsidiaries, or allied organizations in the fiscal year 2010 continuing resolutions, which were followed by several fiscal year 2010 appropriations acts that prohibited any appropriated funds from being awarded to ACORN and various ACORN-related organizations.<sup>3</sup> In addition to the federal funding restrictions, ACORN's General Counsel reported reductions in private foundation funding, and in March 2010 stated that the national ACORN organization would terminate its field operations and close all of its field offices because of the loss of funding, although some of its related organizations were to remain open. ACORN filed for chapter 7 bankruptcy on November 2, 2010.<sup>4</sup>

The Consolidated Appropriations Act, 2010, directed us to issue a report on funding to ACORN and related organizations within 180 days (by June 14, 2010).<sup>5</sup> We also received three request letters from a total of 23 members of Congress asking that we provide information on federal funding provided to ACORN and related organizations and on the monitoring of the use of this funding. A list of the congressional addressees is provided at the end of this report. We combined our work for the mandate and requests to produce a preliminary report on June 14, 2010, on the first three objectives below.<sup>6</sup> Our preliminary report identified at least \$40 million in federal funding awarded by nine agencies to ACORN and other organizations (that were identified by the Congressional Research Service as possibly related to ACORN). In terms of agency monitoring of the funding, we found that monitoring was based primarily on award amount or available resources, and generally did not identify problems with the funding awarded. In terms of investigations or prosecutions of ACORN or potentially related organizations or their

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<sup>3</sup>The restrictions contained in most fiscal year 2010 annual appropriations acts continue to be in effect for fiscal year 2011 under the terms of the continuing resolutions enacted. Pub. L. No. 111-242, § 101, 124 Stat. 2607 (2010); Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, Div. B, §§ 1101, 1105.

<sup>4</sup>In re ACORN, No. 10-50380 (Bankr. E.D.N.Y. Nov. 2, 2010). We continued our work for this final ACORN report because the time frame for our work on funding and monitoring—fiscal years 2005-2009, was prior to ACORN's bankruptcy filing. Further, objective 4 looks at agency processes for restricting funding to ACORN and related organizations, organizations which may or may not be included as part of the bankruptcy proceedings.

<sup>5</sup>Pub. L. No. 111-117, Div. B, § 535, 123 Stat. 3034, 3157.

<sup>6</sup>GAO, *Preliminary Observations on Funding, Oversight, and Investigations and Prosecutions of ACORN or Potentially Related Organizations*, [GAO-10-648R](#) (Washington, D.C.: June 14, 2010).

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employees, we also described 12 closed cases and investigations reported by the Executive Office of U.S. Attorneys (EOUSA) and the Federal Bureau of Investigation (FBI), and four closed Federal Election Commission (FEC) matters related to ACORN or potentially related organizations. This report includes our final results on these three objectives, as well as a fourth objective for this final report, which was added based on congressional interest:

(1) From fiscal years 2005 through 2009, how much funding did federal agencies award to ACORN or any potentially related organizations, and what was the purpose of the funding?

(2) To what extent did federal agencies' monitoring of ACORN or potentially related organizations' use of federal funding detect issues identified by inspector general and internal audits?

(3) What federal investigations or prosecutions were conducted of ACORN or potentially related organizations from fiscal years 2005 through 2009, and what were the nature and results of these investigations and prosecutions?

(4) How have federal agencies subject to fiscal year 2010 provisions barring the distribution of appropriated funds to ACORN or its affiliates, subsidiaries, or allied organizations implemented those provisions?

To conduct our work, we first had to determine which organizations may be related to ACORN as a branch, subsidiary, or affiliate. We consolidated nine lists of potential ACORN organizations that others, including federal agencies and congressional committees, had created. We provided the consolidated list to Dun and Bradstreet (D&B). We selected D&B because it has the most comprehensive information on business entities of any source that we identified, and D&B maintains data on all Data Universal Numbering System (DUNS) numbers.<sup>7</sup> We asked D&B to consolidate duplicate records into one unique record and identify those that could be matched with a DUNS number. As a result of its analysis, D&B provided us with DUNS numbers associated with organizations on the nine lists. D&B also identified which of these DUNS numbers were associated with a

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<sup>7</sup>A DUNS number, which is assigned by D&B, is a unique identifier for a business location. Federal agencies require that an organization obtain a DUNS number to be eligible to receive direct federal funding.



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member of the ACORN “family tree”—that is, a branch or subsidiary of ACORN.<sup>8</sup>

For our first objective, we asked the 31 federal agencies we believe might have provided funding (based on factors such as whether the agency was included in the federal government’s grant availability Web site, grants.gov), to identify any grants, contracts, or cooperative agreements awarded directly or as a subaward (subgrant or subcontract) from fiscal years 2005 through 2009 to organizations associated with the complete list of DUNS numbers. We assessed the reliability of agency databases used to search for funding by reviewing agency annual financial statements and agency responses to questions regarding the integrity of those databases. We determined that the databases were reliable for our purposes.

For each of the organizations included on the list from D&B that agencies had funded, we conducted additional analysis to determine whether there was a potential affiliation with ACORN.<sup>9</sup> Specifically, we looked for five indicators of affiliation—shared address, phone number, bank account, employer identification number, or at least one executive or member of the board of directors in common between the organization and ACORN. These five indicators are data points that relate to various statutory and regulatory tests for determining whether an affiliate or subsidiary relationship exists between entities, the crux of which is the ability of one entity to control the other.<sup>10</sup> When reporting on funding to ACORN and potentially related organizations, we included only those organizations that had at least one indicator of affiliation with ACORN, but the presence

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<sup>8</sup>Related organizations could also include affiliates or allied organizations. However, D&B’s ACORN family tree—which includes organizations that are considered to be part of ACORN—only consists of branches and subsidiaries. ACORN’s attorney provided information on organizations that are ACORN chapters or share a mission with ACORN, information that was incorporated into our analysis; however, a list of affiliates was not provided, and ACORN has since declared bankruptcy.

<sup>9</sup>Our comparison to ACORN included a comparison with ACORN headquarters, ACORN branches, as identified by the D&B-generated ACORN family tree, and the ACORN organizations listed in the ACORN bankruptcy proceedings.

<sup>10</sup>Specifically, a “subsidiary” is a company in which half of its stock or a controlling interest is owned by another company or parent company. An “affiliate” is a person or entity that controls, is controlled by, or is under common control with another person or entity. Several of the definitions of “affiliate” we identified provided tests for determining control relationships between entities; whether an entity meets one or more of these tests does not necessarily mean there is a control relationship, but may suggest one, and there may be other factors that are relevant to determining whether control, and thus affiliation, exists.

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of any one or more of these indicators does not necessarily mean that there is a control relationship between the entities so as to make them affiliates. Organizations that were on our list of DUNS numbers and were funded, but did not have an indicator of affiliation, were excluded from this report. We did not determine whether the organizations included in this report were actually affiliated with ACORN because sufficient information was not available to make that determination for the various organizations within the scope of our review. Therefore, we refer to these organizations as “potentially related.”

To address our second objective, we obtained reports that reviewed funding awarded to ACORN or a potentially related organization that were issued by the inspectors general at CPB, DHS, HUD, DOJ, or EAC, or by the internal audit unit of NeighborWorks. We also reviewed these reports and found the conclusions and recommendations drawn in each report to be appropriate based on methodologies used. For each agency where a review was conducted, we analyzed documentation of the agency’s monitoring of the funding encompassed by the audits. We also interviewed officials at the six agencies to determine the extent to which the specific monitoring mechanisms applied at each agency captured the issues identified in the audits, the rationale for the monitoring mechanisms the agency applied, and whether the monitoring process would be modified based on the audits.

For our third objective, we analyzed information from DOJ—including the FBI and DOJ litigating divisions<sup>11</sup>—as well as the 31 agencies and the investigative components of their offices of inspector general regarding any investigations or prosecutions they have conducted of ACORN or potentially related organizations or their employees from fiscal years 2005 through 2009. As with our first objective, for any organizations that agencies reported having been involved in an investigation or prosecution, we determined whether the organizations had any indicators of affiliation with ACORN. Only those organizations that had at least one indicator are

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<sup>11</sup>The DOJ litigating divisions we queried included Civil, Environment and Natural Resources, Antitrust, Civil Rights, Criminal, Tax, National Security, and the Executive Office for U.S. Attorneys. The default rule is that DOJ is responsible for all litigation on behalf of the United States and its administrative agencies; accordingly, in general, agencies must refer investigations to DOJ for prosecution. 28 U.S.C. §§ 516, 519; 5 U.S.C. § 3106. However, there are certain exceptions where agencies have civil litigation authority; for example, the Federal Election Commission has the authority to bring enforcement actions for violations of the Federal Election Campaign Act of 1971, as amended. 2 U.S.C. §§ 437c, 437d.

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included in this report. We assessed the reliability of the data that EOUSA, FBI, DOL, and FEC used to search for the investigations and prosecutions they reported to us, and found the data to be reliable for our purposes. Agencies used name searches to identify cases in their systems, which is not as precise a method of searching as by number, so there is a potential that some cases may have been missed using this method.

For our fourth objective, we asked officials representing the 27 out of the 31 agencies within our scope that are subject to fiscal year 2010 appropriations provisions that prohibit funding to ACORN and related organizations to describe and provide documentation of the actions the agencies have taken to implement the provisions. The remaining four of the 31 agencies in our scope—DHS, Department of Energy (DOE), the United States Department of Agriculture (USDA), and the Nuclear Regulatory Commission (NRC)—were not subject to such provisions. We analyzed actions taken by agencies to implement their specific provisions. Executive agencies are required to establish and maintain systems of accounting and internal controls that reasonably ensure compliance with applicable law; the control activities are established by management of the audited agency.<sup>12</sup> We did not make an independent assessment of the sufficiency of processes agencies have in place to restrict funding, as a review of the internal controls in place at 27 agencies (a lengthy and resource intensive process) was not feasible within the scope of this review. In addition, there is no defined list of organizations that agencies are prohibited from funding (to determine if the internal controls were sufficient to prevent these organizations from receiving federal funds). We are not making a determination that any organization named in this report falls within the scope of the funding restrictions. Agencies are responsible for ensuring that they are implementing their applicable appropriations statutes properly.<sup>13</sup>

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<sup>12</sup>31 U.S.C. § 3512(c), commonly referred to as the Federal Managers' Financial Integrity Act of 1982. Agencies' systems of internal control must be consistent with the *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999).

<sup>13</sup>See GAO, *Principles of Federal Appropriations Law*, vol. 1, 3rd ed., GAO-04-261SP (Washington, D.C.: January 2004), 1-35. "Every federal department or agency has the initial and fundamental responsibility to ensure that its application of public funds adheres to the terms of the pertinent authorization and appropriation acts, as well as any other relevant statutory provisions."

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Appendix I provides additional detail on our objectives, scope, and methodology. We conducted this performance audit from August 2010 through June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Agencies Reported Awarding More Than \$48 Million to ACORN or Potentially Related Organizations from 2005 through 2009

Seventeen of the 31 agencies identified a total of approximately \$48.4 million—\$44.6 million in direct federal grants and \$3.8 million in subgrants and subcontracts—awarded to ACORN or potentially related organizations for fiscal years 2005 through 2009, with much of the funding designated for housing-related purposes.<sup>14</sup> We identified a total of 73 direct awards and 44 subawards during this period. Of the awardees, ACORN Housing Corporation received the most federal funding, primarily for foreclosure mitigation and housing counseling services. ACORN Housing Corporation received over \$25 million from one agency (NeighborWorks) in 2008. Federal funding was also awarded to ACORN and potentially related organizations for other purposes, including operating public radio stations and foreign language programs. For example, the Tides Center received \$238,755 from the Department of Education in fiscal year 2008 to teach Chinese and Arabic to high school students from low-income families.

Table 1 identifies agency-reported direct federal funding awarded to ACORN or potentially related organizations.

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<sup>14</sup>In our prior report, we identified approximately \$40 million that was awarded to ACORN and potentially related organizations, as identified by the Congressional Research Service (CRS). However, for this report, we did not rely exclusively on the CRS list, but instead conducted our own analysis to identify organizations that are part of or potentially related to ACORN. As a result, we identified additional organizations that received federal funding and had at least one indicator of possible affiliation with ACORN. Further, agencies included in our review provided information on additional awards that they had not provided to us for our prior report.

**Table 1: Direct Awards to ACORN or Potentially Related Organizations, Fiscal Years 2005 through 2009**

<b>Agency/office or division</b>	<b>Funded organization</b>	<b>Fiscal year and amount (in dollars)</b>	<b>Program description</b>
<b>Corporation for Public Broadcasting (CPB)</b>			
	Arkansas Broadcasting Foundation (KABF-FM)	2005 - 37,694 2006 - 84,801 2007 - 87,388 2008 - 77,475 2009 - 81,250	<b>Community Services Grant (CSG)</b> Supports radio stations in their general operations and programming.
	Agape Broadcasting Foundation (KNON-FM)	2005 - 19,508 2006 - 115,484 2007 - 110,162 2008 - 103,839 2009 - 97,249	
	Arkansas Broadcasting Foundation (KABF-FM)	2005 - 15,000	<b>Internet Acquisition Grant (IAG)</b> Helps rural and minority radio stations use Web technology to increase services to their listeners.
	Agape Broadcasting Foundation (KNON-FM)	2005 - 15,000	
	Agape Broadcasting Foundation (KNON-FM)	2006 - 80,000	<b>Digital Radio Conversion Fund (DRC)</b> Provides funds to radio stations planning to convert to digital audio transmission.
<b>Department of Agriculture (USDA)</b>			
Risk Management Agency (RMA) <sup>b</sup>	The Tides Center	2005 - 100,000 <sup>a</sup> 2006 - 110,111 <sup>a</sup> 2007 - 115,000 <sup>a</sup>	<b>Community Outreach and Assistance Partnership Program</b> Provides direct marketing tools, technical assistance, and service to a selected group of farmer advocacy organizations.
Agricultural Marketing Service (AMS)	The Tides Center	2009 - 61,380	<b>Farmers Market Promotion Program</b> Promotes the domestic consumption of agricultural commodities by expanding opportunities for direct producer-to-consumer sales.
<b>Department of Defense (DOD)</b>			
Army Corps of Engineers	The Tides Center	2005 - 132,785 <sup>a</sup>	<b>Feasibility Study</b> Provides labor and materials to prepare selected marine areas of Puget Sound for analysis of change in near-shore areas.
National Security Agency (NSA)	The Tides Center	2008 - 119,980 2008 - 119,980 2009 - 115,000 2009 - 115,000	<b>OneWorld Now! Summer Language Camp and After School Classes</b> Introduces middle and high school students to different languages and motivates continued study of the language and culture. The grants funded studies of Chinese and Arabic.

Agency/office or division	Funded organization	Fiscal year and amount (in dollars)	Program description
<b>Department of Education (Education)</b>			
	The Tides Center	2005 - 248,000 2005 - 198,400 2008 - 238,755	<b>Fund for the Improvement of Education</b> The grants were congressional earmarks that funded secondary student foreign language instruction in Chinese and Arabic.
<b>Department of Health and Human Services (HHS)</b>			
Office of Refugee Settlement	The Tides Center	2006 - 855,000 <sup>e</sup>	<b>Comprehensive Torture Treatment Services and Capacity Building Project</b> Provides services such as training, consultation, and outreach for agencies, educators, and social service providers who serve refugee/ asylum survivors. Also can support specialized and culturally appropriate psychological and medical case management and advocacy for their treatment.
<b>Department of Homeland Security (DHS)</b>			
Federal Emergency Management Agency (FEMA)	ACORN Institute	2007 - 450,484 2008 - 997,482 <sup>d</sup>	<b>Fire Prevention and Safety Program</b> Enhances the safety of the public and firefighters from fire and related hazards. The primary goal is to target high-risk populations and reduce injury and prevent death.
<b>Department of Housing and Urban Development (HUD)</b>			
Office of Community Planning and Development (CPD)	ACORN Housing Corporation (AHC)	2005 - 527,000 <sup>e</sup>	<b>Self-Help Homeownership Opportunity Program (SHOP)</b> Provides funds for eligible national and regional non-profit organizations and consortia to purchase home sites and develop or improve the infrastructure for homeowner improvements and volunteer-based homeownership programs for low-income persons and families.
Federal Housing Administration (FHA)	AHC	2005 - 1,197,255 2005 - 275,000 2005 - 323,439 2005 - 78,123 2006 - 1,821,596 2007 - 1,628,829 2008 - 1,623,570	<b>Housing Counseling Grant</b> Supports the delivery of a wide variety of housing counseling services to homebuyers, homeowners, low- to moderate-income renters, and the homeless. The primary program objectives are to improve financial literacy, expand homeownership opportunities, improve access to affordable housing, and preserve homeownership.

Agency/office or division	Funded organization	Fiscal year and amount (in dollars)	Program description
Office of Fair Housing and Equal Opportunity (FHEO)	AHC	2005 - 100,000 <sup>a</sup> 2007 - 100,000 <sup>f</sup>	<b>Fair Housing Initiatives Program (FHIP)</b> Supports nonprofit organizations that assist people who feel they have been victims of housing discrimination.
	Arkansas Community Housing Corporation	2005 - 100,000 <sup>a</sup> 2007 - 99,948	
	New York Agency for Community Affairs (NYACA)	2005 - 99,975 2008 - 99,427	
	ACORN Community Land Association of LA, Inc.	2005 - 100,000 2006 - 100,000	
	New Mexico ACORN Fair Housing	2006 - 99,724 2007 - 99,757	
	ACORN Associates, Inc.	2006 - 49,997 2008 - 99,974 <sup>g</sup>	
	American Institute for Social Justice	2005 - 100,000 <sup>a</sup> 2006 - 99,080 2007 - 99,887	
	American Environmental Justice Project	2006 - 99,716 <sup>h</sup>	
	Missouri Tax Justice Research Project	2005 - 100,000 <sup>a</sup>	
	ACORN Institute	2005 - 96,953 <sup>a</sup>	
Office of Healthy Homes and Lead Hazard Control (OHHLHC)	ACORN Associates, Inc.	2005 - 1,999,920 <sup>i</sup>	<b>Lead Elimination Action Program (LEAP)</b> Assists private-sector and non-profit organizations in creating wide-ranging programs to identify and control lead-based paint hazards in eligible privately owned housing.
Office of Public and Indian Housing (PIH)	NYACA	2005 - 124,942 2006 - 249,894	<b>Resident Opportunities and Self Sufficiency Grant (ROSS)</b> Provides supportive services to public housing residents, for example, by linking them with essential services, or providing assistance to become economically self sufficient. Also supports independent living for the elderly.
		ACORN Institute	

Agency/office or division	Funded organization	Fiscal year and amount (in dollars)	Program description
<b>Department of Justice (DOJ)</b>			
Office of Justice Programs (OJP)	NYACA	2005 - 138,130	<b>Office of Juvenile Justice and Delinquency Prevention Grant</b> Provides youth leadership training to students at select New York City schools; forms "ACORN Youth Union" chapters; and coordinates student campaigns to address issues such as school funding, neighborhood safety, and school governance.
	The Tides Center	2006 - 450,000 <sup>a</sup>	<b>Trafficking Task Forces and Victim Services Program</b> Provides comprehensive services to human trafficking victims in the state of Utah.
<b>Department of State (DOS)<sup>k</sup></b>		2007	<b>Federal Assistance Award</b>
<b>Department of Transportation (DOT)</b>			
Pipeline and Hazardous Materials Safety Administration	The Tides Center	2009 - 50,000	<b>Technical Assistance Grant</b> Provides funding to communities and non-profit groups for technical assistance in the form of engineering or other scientific analysis of pipeline safety issues or to help promote public participation in official proceedings pertaining to pipeline safety.
<b>Election Assistance Commission (EAC)</b>			
	Project Vote <sup>l</sup>	2006 - 16,875	<b>Help America Vote College Program, College Poll Worker Grants</b> Develops programs that recruit and train college students to serve as nonpartisan poll workers and poll assistants and to encourage students to assist in the administration of elections.
	Project Vote <sup>l</sup>	2006 - 16,875	
<b>National Aeronautics and Space Administration (NASA)</b>			
	The Tides Center	2009 - 581,839 <sup>a</sup>	<b>Cooperative Research in Planetary Astronomy</b> Provides support to an educational institution for the development or improvement of that institution's capability to contribute to the public and to the national aeronautical and space program.



Agency/office or division	Funded organization	Fiscal year and amount (in dollars)	Program description
NeighborWorks	AHC	2008 - 25,050,939 <sup>m</sup>	<b>National Foreclosure Mitigation Counseling Program</b> Provides counseling services to people facing foreclosure through a national network of nonprofit organizations.
<b>Direct Awards Total</b>		<b>\$44,553,968</b>	

Source: GAO analysis of agency data.

<sup>a</sup>NASA's funding and selected USDA, HUD, and DOJ funding were awarded as cooperative agreements. The award by DOD in 2005 was a contract. All other funding was awarded as grants.

<sup>b</sup>According to the Tides Center, these three awards were not to the Tides Center, but to an affiliated organization, Tides Center (PA), which has since terminated its existence. We include the awards here because our analysis of potentially related organizations was based on DUNS numbers, and the DUNS number and EIN included in the grant documentation for Tides Center (PA) matched the DUNS number and EIN used by the Tides Center.

<sup>c</sup>The Tides Center asked HHS to terminate this grant because, according to the Tides Center, the Utah Health and Human Rights Project, which had been a project of the Tides Center responsible for carrying out the duties identified in the grant agreement, separated from the Tides Center. The decision was made to change the grantee from the Tides Center to the Utah Health and Human Rights Project. HHS officials indicated that because Tides Center was not administering the grant, which was being done by the Utah Health and Human Rights Project (UHHR), and because UHHR had the financial capabilities to properly manage the grant's resources, a decision was made to change the grantee from the Tides Center to the Utah Health and Human Rights.

<sup>d</sup>DHS awarded a second Fire Prevention and Safety Program grant to the ACORN Institute in 2008 for \$997,482; however, that grant was rescinded in November 2009 in response to section 163 of the Continuing Resolution, which prohibited funding to ACORN or any of ACORN's affiliates, subsidiaries, or allied organizations.

<sup>e</sup>The grant was closed with a balance of \$461,086 not expended before the expenditure deadline.

<sup>f</sup>This grant expired with an unobligated balance of \$20,000.

<sup>g</sup>HUD reported this award was terminated due to the grantee's failure to effectively manage and monitor the project, with \$15,000 of the total expended before termination.

<sup>h</sup>HUD reported this award was terminated before any activities were completed due to inaccuracies in the grant agreement and negotiation difficulties. Funds awarded were rescinded.

<sup>i</sup>This grant was closed with a balance of \$594,218 remaining.

<sup>j</sup>This grant had a remaining balance of \$63,450.

<sup>k</sup>DOS awarded a grant to ACORN or a potentially related organization; however because the nature of the grant is sensitive, details of the grant are not included in this report.

<sup>l</sup>EAC awarded two separate grants to Project Vote-Delaware and Project Vote-Michigan and both of these grantees used the DUNS number for Project Vote in Washington, D.C. in their grant documentation.

<sup>m</sup>Funding was from fiscal year 2008 appropriations, but the funds were disbursed to the awardee in two rounds in 2008 and 2009. NeighborWorks stated that \$6,231,438 was recaptured or deobligated.

Subawards to ACORN or potentially related organizations were not identifiable for all agencies for fiscal years 2005 through 2009 because agencies were not required to collect information on subawards until after October 1, 2010. Congress passed the Federal Funding Accountability and Transparency Act of 2006 (Transparency Act) which, among other things,

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required the Office of Management and Budget (OMB) to establish, no later than January 1, 2008, a publicly accessible Web site containing data on direct federal awards and to include data on subawards in the accessible Web site by January 1, 2009.<sup>15</sup> On April 6, 2010, OMB issued a memorandum directing agencies to initiate subaward reporting as of October 1, 2010, through USAspending.gov, pursuant to the Transparency Act.<sup>16</sup>

Although it was not required at the time, officials from at least nine agencies were able to identify subawards to ACORN or potentially related organizations. Officials from NeighborWorks and the Corporation for National and Community Service (CNCS) stated that subaward information was collected from grantees in their grant applications and these officials were confident that any subawards to ACORN or potentially related organizations would have been identified. Other agency officials indicated some confidence that subawards would have been identified based on their search. DOE, for example, contacted individual contracting offices and checked available documentation to search for subawards to ACORN or potentially related organizations. United States Geological Survey (a component of the Department of Interior [DOI]) officials said that while they could not track subaward funding, given their mission, they believed there was little likelihood that the agency's grantees made any subawards to ACORN or potentially related organizations. Officials from about half of the 31 agencies stated that they did not collect information on subawards, or they were not able to search for subawards using DUNS numbers because the subawardee DUNS numbers were not available, as was the case with the Environmental Protection Agency (EPA), DOI, and the Institute of Museum and Library Services (IMLS).<sup>17</sup>

Table 2 includes information agencies were able to provide on funding that their grantees awarded to ACORN or potentially related organizations through subgrants or subcontracts. Given the limitations described above,

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<sup>15</sup>Pub. L. No. 109-282, 120 Stat. 1186.

<sup>16</sup>Subawards are to be reported for awards over \$25,000 beginning October 1, 2010, with a goal of 100 percent complete and accurate reporting by the end of the fourth quarter of fiscal year 2011. Our data collection period preceded the goal for full reporting, so we chose to ask agencies directly for this information, and also to capture funding below the reporting threshold.

<sup>17</sup>DUNS numbers are required for reporting subaward information to USAspending.gov starting October 1, 2010.

this table may not include all of the subawards that may have been awarded to ACORN or potentially related organizations.

**Table 2: Selected Subawards to ACORN and Potentially Related Organizations, Fiscal Years 2005 through 2009**

Funding agency	Subawardee	Grantee	Fiscal year and amount	Grant program description
<b>DOJ<sup>a</sup></b>				
	ACORN Institute	Operation Weed and Seed - St. Louis Inc.	2007 – 13,000	Weed and Seed Grant Program Prevents, controls, and reduces violent crime, drug abuse, and gang activities in designated high-crime neighborhoods across the country, following a strategy to “weed out” criminals and “seed” neighborhoods with human services.
	ACORN Institute	City of Phoenix	2008 – 8,539 <sup>b</sup>	
<b>EPA</b>				
	ACORN Institute	Ysleta Tribe	2007 – 23,770	<b>Lead Poisoning Baseline Assessment of Children and Education Outreach</b> Provides grants for tribal education on lead exposure, prevention, poisoning detection, and treatment routes.
	Arkansas ACORN	University of Arkansas	2009 – 32,651 <sup>c</sup>	<b>National Community-Based Lead Outreach and Training Grant</b> Promotes efforts to prevent or reduce childhood lead poisoning.
<b>HUD</b>				
Community Planning and Development	ACORN Beverly, L.L.C. <sup>d</sup>	Phoenix	2005 – 750,000	<b>HOME Investment Partnerships Program (HOME)</b> Provides grants to state and local governments to implement local housing strategies designed to increase homeownership and affordable housing opportunities for low- and very-low-income Americans.
Community Planning and Development	Arizona AHC	Phoenix	2007 – 10,500 <sup>e</sup>	<b>Community Development Block Grant Program</b> Supports efforts, among other things, to promote affordable housing, provide services to the most vulnerable community members, and create jobs through the expansion and retention of businesses. The
	AHC	Oakland	2005-2007 – 76,000 <sup>f</sup>	
	AHC	Bridgeport	2006 – 20,000	
	AHC	New Orleans	2008 – 75,000 <sup>g</sup>	
	AHC	Baltimore	2005 – 41,900 <sup>h</sup> 2006 – 41,900	

<b>Funding agency</b>	<b>Subawardee</b>	<b>Grantee</b>	<b>Fiscal year and amount</b>	<b>Grant program description</b>
	AHC of Pennsylvania	Philadelphia	2005 – 175,000 2006 – 186,250 2007 – 163,096 2008 – 140,000 2009 – 140,000	annual CDBG appropriation is allocated to states and local jurisdictions using a formula comprised of several measures of community need. A majority of the funds are for activities that benefit low- and moderate-income persons, and each activity must meet one of the national program objectives, such as prevention or elimination of slums or blight.
	AHC	Houston	2008 – 155,000	
	AHC	Houston	2009 – 31,546	
	AHC	Chicago	2005 – 22,500 <sup>j</sup> 2006 – 22,500 <sup>j</sup> 2007 – 22,000 <sup>k</sup>	
<b>National Endowment for the Arts (NEA)</b>				
(Operating Support)	Arkansas Broadcasting Foundation (KABF-FM)	Arkansas Arts Council	2009 – 5,853	<b>Partnership Agreements-State Partnership Grant Program</b> Supports the state arts agencies and regional arts organizations to make arts available to more communities.
<b>National Endowment for the Humanities (NEH)</b>				
	ACORN	Humanities Texas	2008 - 1,500	Provides public screening and discussion of an historical documentary.
<b>NeighborWorks</b>				
	AHC	Connecticut Housing Finance Agency (HFA)	2008 - 93,060	<b>National Foreclosure Mitigation Counseling Program</b> Provides counseling services to people facing foreclosure using a national network of non-profit organizations.
	AHC	State of New York Mortgage Agency/ New York HFA (SONYMA)	2008 - 110,716	
	MHANY Management Inc	SONYMA	2008 - 46,147	
	MHANY Management Inc	SONYMA	2009 – 63,569	
	AHC	Florida Housing Finance Corporation	2008 - 162,464	
	AHC	Missouri Housing Development Commission (MHDC)	2008 - 201,800 <sup>j</sup>	
	AHC	Minnesota HFA	2008 - 126,225	
	AHC	California Housing Finance Commission	2008 - 611,340	
	AHC of Pennsylvania	Pennsylvania HFA	2008 - 120,400	

Funding agency	Subawardee	Grantee	Fiscal year and amount	Grant program description
<b>Treasury</b>				
	ACORN	Central New Mexico Community College	2009 - 418	<b>Volunteer Income Tax Assistance Program</b> Provides free tax help to low- to moderate-income people. Certified volunteers sponsored by various organizations receive training to assist in preparing basic tax returns in communities.
	ACORN		2009 - 426	
	ACORN Maryland	Baltimore CASH Coalition ACORN Maryland	2009 - 17,260	
	San Mateo ACORN	United Way-Bay Area	2009 - 10,000	
	San Francisco ACORN		2009 - 15,000	
	Contra Costa ACORN		2009 - 12,000	
	Oakland ACORN		2009 - 10,000 <sup>m</sup>	
	Hartford ACORN	Co-Opportunity Inc	2009 - 4,825	
	ACORN Bridgeport	Connecticut Assoc. for Human Services	2009 - 4,500	
<b>Total Awarded</b>			<b>\$3,768,655</b>	

Source: GAO analysis of agency data.

<sup>a</sup>The DOJ Inspector General identified a subaward to ACORN from a DOJ grantee, Citizen Community of New York City (CCNYC) see Review of Department of Justice Grants to the Association of Community Organizations for Reform Now, Inc. (ACORN) and its Affiliated Organizations, November, 2009. We included this subaward in our preliminary report, based on the Inspector General report; however the award is not included here because indicator information was not available on the subawardee to establish it as an ACORN or a potentially related organization. According to CCNYC, no funds were ever disbursed to the subawardee.

<sup>b</sup>Funds were not disbursed. ACORN Institute relinquished the full award amount based on a request from DOJ that grant funds not be used to fund ACORN affiliates.

<sup>c</sup>Our preliminary report mistakenly reported the year of the award as fiscal year 2008 instead of fiscal year 2009.

<sup>d</sup>This award was in the form of a home construction loan to ACORN Beverly L.L.C, a limited liability corporation formed by Arizona ACORN Housing Corporation, for the purposes of building a low income housing subdivision, according to Phoenix officials and the contract document. City officials stated that the planned subdivision was scaled back due to economic conditions. Affordable Housing Centers of America (AHCOA) officials stated that \$200,000 of the loan was never drawn down. ACORN Housing Corporation formally changed its name to AHCOA in December 2009.

<sup>e</sup>The City of Phoenix closed this grant with \$3,945 remaining when the terms of the grant ended.

<sup>f</sup>A total of \$42,554 was disbursed before the award was canceled because of noncompliance with reporting requirements.

<sup>g</sup>This award was canceled in response to section 163 of the continuing resolution prohibiting funding to ACORN.

<sup>h</sup>A total of \$41,473 was expended.

<sup>i</sup>A total of \$21,925 was expended.

<sup>j</sup>A total of \$21,675 was expended.

<sup>k</sup>A total of \$21,470 was expended.

<sup>l</sup>According to NeighborWorks' internal audit and letter from MHDC, this subaward was terminated by the Commission due to non-compliance with the agreement by the subawardee. AHCOA has disputed this claim, stating that the termination was mutually agreed upon.

<sup>m</sup>Grantee funding was reduced from \$10,000 to \$7,000 after being cited for poor performance.

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## Agencies' Monitoring Was Based Primarily on Award Amount or Available Resources; Agencies Plan to Modify Monitoring as a Result of Audit Findings

Agencies' selection of monitoring mechanisms—ranging from the review of progress reports to site observations—used to monitor ACORN or potentially related organizations' use of direct funding awards depended primarily on risk factors such as the award amount or available resources to carry out the monitoring. Most of the mechanisms used by agencies did not detect issues identified through inspector general and internal audits; however, agency officials said they plan to use the audit findings to modify their monitoring processes for future grants.

Agencies conduct monitoring to ensure that grantees are using funds for the intended purposes of their grants, as described in the grant agreements, and rely on their grantees to do the same for subawards. OMB Circular No. A-110 contains administrative requirements for federal grants. For monitoring program performance, the circular provides that the federal agency awarding the grant prescribes the frequency at which grantees should submit performance reports that contain information on progress in meeting grant goals.<sup>18</sup> For financial reporting, Circular No. A-110 requires that recipients provide financial information on an OMB-approved form to report income, expenditures, and unobligated balances, among other things. While agencies are required to adhere to OMB guidelines, they have flexibility to develop grant monitoring protocols that are tailored to specific grant programs. The grant monitoring protocols we reviewed consisted of a range of monitoring mechanisms from which an agency's grant program officials could choose, such as reviews of progress reports or financial information, communications with grantee staff, or site observations. As stated in our June 2010 report, grant program officials generally considered grant amount or availability of resources when determining which monitoring mechanisms to apply.<sup>19</sup> For example, CPB officials based their monitoring of the two radio stations (KABF and KNON) on self-reported information because a provision of the Communication Act of 1934, as amended, limits CPB to using no more than 5 percent of available funds (which equates to approximately five employees) for administrative expenses, including conducting grant monitoring.<sup>20</sup> According to CPB officials, because CPB issues approximately 800 grants annually, it is not feasible for these employees to

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<sup>18</sup>OMB Circular No. A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

<sup>19</sup>[GAO-10-648R](#).

<sup>20</sup>47 U.S.C. § 396(k)(3)(A)(i)(I).

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conduct extensive monitoring for many of CPB's grants. Also, FEMA officials stated that they selected to review ACORN Institute's progress reports and workplans because the relatively low grant amount did not call for additional monitoring such as on-site observation.<sup>21</sup> Additional details on the monitoring activities conducted by the 13 agencies that provided direct funding to ACORN or potentially related organizations are in appendix II.<sup>22</sup>

Of the 13 agencies that provided direct awards to ACORN or potentially related organizations, the inspector general or internal audit unit at 5 agencies (CPB, EAC, DHS, HUD, and NeighborWorks) conducted audits of the direct awards in addition to the routine monitoring that had already been conducted. In addition, the DOJ Office of Inspector General issued a report in November 2009 regarding DOJ grants to ACORN and its affiliates, and has an ongoing audit of a direct award to a potentially related organization which had not been completed as of May 31, 2011. The audits and DOJ Inspector General collectively reviewed \$31.2 million of the \$44.6 million in direct funding to ACORN or potentially related organizations. These audits and the review were agency-initiated, or due to congressional requests or third-party complaints. All 5 agencies that completed audits of direct awards identified problems with the way ACORN or a potentially related organization managed federal funds, with the lack of proper recording and accounting for how funds were spent by the grantees being the primary problems identified. For example, the EAC Inspector General found that Project Vote's use of federal funds was not accounted for or properly recorded and recommended that EAC recover all unsupported and unallowable costs paid to Project Vote under the grant. A summary of the audit and review findings with regard to the way in which ACORN and

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<sup>21</sup>FEMA officials stated that for the Fire Prevention and Safety grant, high dollar amount was about \$1 million.

<sup>22</sup>Seventeen of the 31 agencies in our scope identified funding to ACORN or a potentially related organization; 13 agencies awarded funding directly (3 also provided subawards), and an additional 4 agencies identified only subawards (EPA, NEA, NEH, and Treasury).

potentially related organizations managed federal funds can be found in Table 3.<sup>23</sup>

**Table 3: Summary of Audit and DOJ-IG Review Findings Regarding ACORN and Potentially Related Organizations' Management of Federal Grant Funds**

Agency / grant program	Grantee	Summary of audit findings	Findings identified by audit? (Yes/No)	Findings identified by grant monitoring? (Yes/No)
<b>CPB</b>				
Internet Acquisition Grant (FY05, \$15,000) Communication Service Grants (FY07, \$87,388)	KABF-FM	Grantee: <ul style="list-style-type: none"> <li>Not in compliance with grant requirements</li> <li>Not properly accounting for receipts and expenditures</li> <li>Questioned for \$49,957 of costs</li> </ul> Recommendation: CPB management should require KABF to refund the questioned costs and establish controls to ensure future compliance with CPB guidelines for documenting, recording, and reporting grant funds, among others.	Yes	No
Internet Acquisition Grant (FY05, \$15,000) Communication Service Grants (FY08, \$103,839) Digital Radio Conversion Fund (FY06, \$80,000)	KNON-FM	Grantee: <ul style="list-style-type: none"> <li>Not in compliance with grant requirements</li> <li>Not properly accounting for receipts and expenditures</li> <li>Questioned \$87,741 of costs</li> </ul> Recommendation: CPB management should require KNON to refund a portion of the questioned costs and institute controls to ensure CPB grant funds are expended on allowable activities, among others.	Yes	No

<sup>23</sup>The inspector general offices at DHS, HUD, and DOJ received an additional congressional request in August 2010 to conduct a review of ACORN or potentially related organizations. According to a DHS Inspector General official, the office was already conducting an audit of ACORN Institute when it received the additional request; therefore, the office incorporated the results from the additional request into the ACORN Institute report. See Department of Homeland Security, Office of Inspector General, *DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates* (Washington, D.C., 2010). A HUD Inspector General official stated that the office did not have adequate information to conduct an audit in response to the additional request. The DOJ Inspector General's audit was not issued as of May 31, 2011.



Agency / grant program	Grantee	Summary of audit findings	Findings identified by audit? (Yes/No)	Findings identified by grant monitoring? (Yes/No)
<b>DHS</b>				
Fire Prevention and Safety Grant (FY07, \$450,484)	ACORN Institute	<p>Grantee:</p> <ul style="list-style-type: none"> <li>Not fully implementing and evaluating the program as approved</li> <li>Not substantiating all of its grant expenditures</li> <li>Questioned \$160,797 of costs</li> </ul> <p>Recommendation: Agency (FEMA) should incorporate key indicators such as grantee's experience in its monitoring plan.</p>	Yes	No
<b>HUD</b>				
Housing Counseling Program (FY07 and FY08, \$3,252,399)	AHC	<p>Grantee:</p> <ul style="list-style-type: none"> <li>Incurring \$65,548 in ineligible salary expenses</li> <li>Salary expenses of \$2.544 million were not fully supported</li> <li>Failing to follow federal procurement standards outlined in 24 C.F.R. for free and open competition for vendor goods and services</li> </ul> <p>Recommendation: HUD should require AHC to refund unsupported costs and provide documentation for funds used.</p>	Yes	No
Lead Elimination Action Program (FY05, \$1,999,920)	ACORN Associates, Inc.	<p>Grantee:</p> <ul style="list-style-type: none"> <li>Not administering its program in accordance with the grant agreement</li> <li>Failing to follow federal procurement standards for free and open competition for subawards</li> <li>Failing to maintain documentation for \$217,995 in disbursed funds</li> <li>Expending \$1,199,282 for unapproved purposes including campaign services and grant fundraising activities</li> </ul> <p>Recommendation: HUD should require ACORN Associates to provide documentation of used funds and to reimburse for unapproved costs.</p>	Yes	Yes
<b>DOJ</b>				
Office of Juvenile Justice and Delinquency Prevention Grant (FY05, \$138,130)	NYACA	<p>The Inspector General's report summarized all DOJ grants to ACORN or potentially related organizations. It reported that the DOJ component that issued the direct grant—the Office of Justice Programs—had received progress and financial status reports, but had not conducted audits, financial reviews, or on-site reviews of funds provided to NYACA.</p> <p>Recommendation: None.</p>	No	No

Agency / grant program	Grantee	Summary of audit findings	Findings identified by audit? (Yes/No)	Findings identified by grant monitoring? (Yes/No)
<b>EAC</b>				
Help America Vote College Program (FY06, \$33,750)	Project Vote (Delaware)	Grantee unable to: <ul style="list-style-type: none"> <li>Maintain cost records in accordance with grant requirements</li> <li>Document allowable costs</li> </ul> Recommendation: EAC should follow policies and procedures regarding obtaining and retaining required reporting documents and should work with Project Vote to identify any supporting cost records and recover any unsupported or unallowable costs.	Yes	No
	Project Vote (Michigan)			
<b>NeighborWorks</b>				
National Foreclosure Mitigation Counseling Program (FY08, \$25,050,939) <sup>a</sup>	AHC	Grantee: <ul style="list-style-type: none"> <li>Not in compliance with program and regulatory requirements, such as submitting audited financial statements on time.</li> <li>Having incomplete file documentation including missing documentation in client case files that would support their billing.</li> </ul> Recommendation: AHC should provide and submit audited financial statements in a timely manner and implement control methods to improve completeness of documentation.	Yes	No

Source: GAO analysis of agency audit findings.

<sup>a</sup>NeighborWorks National Foreclosure Mitigation Counseling (NFMC) management sent a letter to AHC (i.e., AHCOA) in April 2011 confirming that AHCOA provided satisfactory responses to the programmatic issues raised in the internal audit report.

Agencies' grant monitoring processes and additional audits had the same purpose—to assess whether grantees were managing federal funds appropriately. However, as shown in table 3, for the specific nine grantees audited, in all but one case, the agencies' monitoring procedures did not identify the same findings as their respective audits. Based on our analysis and discussions with officials from the six agencies overseeing these grants, the monitoring process that detected the same findings as the audit was very extensive and involved both document and receipt reviews as well as on-site observations. On the other hand, the monitoring processes that did not detect the same findings identified in the audits were generally less extensive, and typically involved a review of the grantee's financial information and progress reports, with one exception. NeighborWorks grant officials explained that they use a risk-based approach for including on-site reviews in the monitoring of grantees and a random selection

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process for on-site reviews of subgrantees, branches, and affiliates. ACORN Housing Corporation was selected for review the first year of the program, officials stated, but not for the second year because an internal audit was planned. Officials believed that the issues found by the internal audit would also have been identified by NeighborWorks' program monitoring process had the on-site review been conducted.

The one instance in which the agency monitoring process did detect the same findings identified in its respective audit was with a grant issued by HUD's Office of Healthy Homes and Lead Hazard Control (Healthy Homes). Healthy Homes' grant officials stated that their monitoring activities were designed to and did identify the findings reported in the audit.<sup>24</sup> For example, through their review of ACORN Associates' financial documentation, the Healthy Homes officials identified that this grantee failed or was unable to provide supporting documentation related to payment requests. Also, through their on-site review of the grantee, Healthy Homes grant officials identified deficiencies in ACORN Associates' record keeping and subcontracting, which were confirmed by the audit findings. The lack of documentation to justify payment requests raised questions by the Healthy Homes grant official regarding ACORN Associates' compliance with record keeping requirements in the grant agreement. Subsequently, Healthy Homes determined that a referral to the Inspector General's Audit Division for additional review was appropriate, especially to determine whether ACORN Associates expended program funds in accordance with HUD's requirements. Furthermore, Healthy Homes grant officials stated that they referred ACORN Associates for administrative sanctions with a recommendation for suspension and debarment based on their findings.

Grant officials from agencies other than Healthy Homes stated that their monitoring processes did not detect the audit findings because they were not able to conduct extensive monitoring activities due to limited resources. For example, EAC officials stated that monitoring provided by the EAC grant program officials for grants to ACORN or potentially related organizations was limited to a review of the grantee's progress reports based on, among others, perceived risk of the grant's low dollar amount

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<sup>24</sup>HUD refers to five division offices that conduct different monitoring processes based on the programs for which they are responsible. These five division offices consist of: Community Planning and Development (CPD), Federal Housing Administration (FHA), Fair Housing and Equal Opportunity (FHEO), Public and Indian Housing (PIH), and Healthy Homes and Lead Hazard Control (Healthy Homes).

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and lack of resources. The officials said the limited number of staff (four) and the large number of grants to monitor (more than 200 each year) did not allow them to conduct more in-depth monitoring, such as verification of receipts and invoices. The EAC Inspector General may also conduct a more in-depth review of grantees' financial information as part of an audit rather than in a general monitoring role, such as the monitoring of the use of funds, which is the EAC program's responsibility. Similarly, FEMA grant program officials said that they have about 50 staff who could reasonably monitor about 5,000 grants a year; however, FEMA issues about 14,000 grants every year, in which case it has decided to use a risk-based approach to determine which grants it will monitor more extensively. HUD-Federal Housing Administration (HUD-FHA) grant officials stated that their monitoring process did not explicitly cover the issue of recording and documenting expenses, which was the finding identified by HUD Inspector General's audit of ACORN Housing Corporation. In addition, they stated that their monitoring officials did not have the resources to travel and conduct the extensive monitoring that the Inspector General conducted. Lastly, in the case of CPB, officials stated that the agency's administrative costs (which include monitoring activities) are capped at 5 percent of their total budget by law, thus limiting more extensive monitoring activities, such as on-site monitoring. CPB officials stated that because of this statutory cap, they rely on the audits conducted by the Inspector General to supplement CPB's own program monitoring efforts.

Based on the results of the audits, most agency officials stated that they have improved, or plan to improve, their monitoring processes consistent with their resource levels.<sup>25</sup> For example, NeighborWorks grant officials stated that in response to their internal audit unit's findings, NeighborWorks improved its monitoring process by increasing the number of grantees (from 179 to 275 grantees) that were randomly selected for more extensive reviews by a third party. EAC grant officials stated that they developed a grantee tracking sheet and are conducting site visits of newly awarded grantees. Also, EAC officials stated that they have developed materials to help grantees better understand documentation and reporting, including a grant handbook as well as holding webinars training sessions.<sup>26</sup> The FEMA grant director said that in response to the

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<sup>25</sup>CPB officials did not identify changes in monitoring processes, as they continue to be subject to a cap on administrative costs.

<sup>26</sup>Webinars refer to technical assistance seminars transmitted over the Internet.

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DHS Inspector General's report, FEMA has revised the way in which it assesses the perceived risk of potential grantees by requiring additional application information regarding their prior experience using federal funds. Subsequently, FEMA officials reported that they plan to use this risk assessment to determine the extent of monitoring required for that particular grantee. Lastly, HUD-FHA grant officials stated that they have revised their existing monitoring review form and guidance to better assess compliance with proper recording and documenting expenses. For example, under the HUD-FHA performance review checklist that guides the monitoring review, HUD grant officials stated that they added questions related to having source documentation on file to support all expenditures of HUD Housing Counseling Grant funding as well as demonstrating that activities billed under the HUD Housing Counseling Grant were not billed under any other funding sources. Also, HUD-FHA officials stated that they have added a segment to the grantee requirement section of the performance review guide related to properly recording and documenting expenses to help guide and standardize the performance review analysis. HUD-FHA officials also said that they are requiring annual on-site financial and administrative reviews to be conducted by a third party on all of HUD-approved housing counseling organizations.

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## Twenty-two Federal Investigations of Wage Violations and Voter Registration and Election Fraud Resulted in Guilty Pleas in One Case and One Civil Penalty

Distinct from routine grant monitoring efforts, which are intended to assess whether grantees are meeting the purposes of the grant program and spending funds appropriately, federal agencies may also conduct investigations of an organization or an employee of an organization to determine whether the organization or employee violated federal law. We received information about such investigations from EOUSA, FBI, FEC, and DOL.<sup>27</sup> From fiscal years 2005 to 2009, ACORN and potentially related organizations or their employees were identified as being involved to varying degrees in the 22 matters detailed in the tables below. The allegations involved were generally related to voter registration fraud, election fraud, and wage violations, and while most were closed without prosecution, eight defendants were convicted of various federal criminal violations and one FEC matter resulted in a civil penalty. Only information on closed investigations and cases was provided. The offices of inspector general can also conduct investigations related to agency programs. However, each of the 31 inspectors general that we contacted stated that they had no closed investigations of ACORN or potentially related organizations from fiscal years 2005 through 2009.<sup>28</sup>

The case that resulted in guilty pleas involved allegations of voter registration fraud by eight employees of ACORN, but did not allege

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<sup>27</sup>These agencies provided us with information on cases, matters, and investigations. The term “case” refers to an investigation that has resulted in the filing of some legal action in court such as an activity that has been assigned an identification number that has resulted in the filing of a complaint, an indictment, or information in court. The terms “matter” or “investigation” are used to identify investigations which are activities that have been assigned identification numbers, but which, for a variety of reasons—typically lack of sufficient evidence—have been closed without resulting in the filing of a complaint, an indictment, or information in court—for example, the investigation of a complaint or an allegation of discrimination referred by another federal agency. The agencies did not provide information on “open” investigations.

<sup>28</sup>The IG for the National Endowment for the Humanities (NEH) responded for its agency and for the IMLS, as it is responsible for both agencies. Also, the U.S. Treasury Inspector General for Tax Administration (TIGTA) identified 11 tax-preparer investigations, but could not provide us indicator information to establish potential affiliation for the investigated organizations because § 6103 of the Internal Revenue Code precludes them from providing such data. These investigations generally concerned loss or theft of information technology assets, fraud, theft, or embezzlement of refunds. TIGTA did not search its other agency records because § 6103 of the Internal Revenue Code prohibits the disclosure of taxpayer information by the Internal Revenue Service, except in specifically enumerated circumstances.

wrongdoing by ACORN or any potentially related organizations.<sup>29</sup> This case resulted in guilty pleas by the defendants, and penalties included probation and imprisonment. EOUSA and the FBI also identified seven closed investigations, most concerning allegations of voter registration fraud on the part of employees of ACORN. Of the seven investigations, all were closed without federal prosecution for reasons such as lack of, or insufficiency of, evidence. These investigations are summarized in table 4.

**Table 4: U.S. Attorney’s Office and FBI Closed Case and Investigations Involving ACORN or Potentially Related Organizations or Their Employees; Fiscal Years 2005 through 2009**

<b>Case name</b>	<b>Case summary</b>	<b>Outcome</b>
United States v. Bland No. 07-0763 (E.D. Mo.)	Eight defendants were charged in an indictment filed on December 20, 2007 with two counts each of voter registration fraud in violation of 42 U.S.C. §§ 1973i(c), 1973gg-10 and 18 U.S.C. § 2. The indictment alleged that ACORN <sup>a</sup> recruited workers to obtain voter registrations in the City of St. Louis and St. Louis County and trained them in how to properly obtain registration applications. It further alleged that the defendants were employed by ACORN to obtain voter registrations and that defendants knowingly submitted voter registration applications with false information.	All defendants entered guilty pleas. Defendants received a variety of sentences ranging from, for example, a term of probation for 1 year and an assessment of \$100.00 and imprisonment for a term of 6 months with a term of probation for 2 years and a term of supervised release of 12 months.
<b>Date when the investigation was closed</b>	<b>Allegations</b>	<b>Outcome</b>
2005	The FBI investigated allegations that employees of ACORN/Project Vote submitted fraudulent voter registration cards.	The USAO closed the investigation due to lack of conclusive evidence.
2006	The FBI investigated allegations that a person identified as being affiliated with ACORN procured or submitted false voter registration applications.	The FBI referred the case to the USAO, which declined to proceed with federal criminal prosecution due to insufficient evidence.
2007	The FBI investigated allegations that employees of ACORN were registering non-U.S. citizens to vote.	The FBI referred the case to the USAO, which declined to proceed with a federal criminal prosecution due to insufficient evidence.

<sup>29</sup>An additional 5 closed cases were identified by EOUSA and included in our preliminary report; however, they are not included in this report because indicators for the organizations involved, including address, phone number, and executives as provided by EOUSA, did not match with indicators for ACORN. We identified an additional case for which the original indictment indicated that the defendant was employed by ACORN; however, superseding information stated that the defendant was employed by another not-for profit organization. Therefore, we did not include this case in our report.

Case name	Case summary	Outcome
2008	The FBI investigated allegations that subjects affiliated with ACORN provided false information regarding a voter registration drive.	The FBI referred the case to the USAO which declined to proceed with federal criminal prosecution due to pending criminal charges in a state jurisdiction.
2008	The FBI investigation involving ACORN/Project Vote and false voter registration documents.	The matter was referred to the USAO which declined to proceed with federal criminal prosecution due to insufficient evidence.
2009	The FBI investigated allegations of voter registration fraud by employees of ACORN.	The FBI closed the investigation without action due to lack of evidence of a violation of state or federal election laws.
2009	The FBI investigation involving ACORN and allegations of possible violation of section 2 of the Voting Rights Act, 42 U.S.C. § 1973. <sup>b</sup>	The matter was referred to the USAO which declined to proceed with federal criminal prosecution and referred the matter to local district attorney.

Source: GAO analysis of FBI information.

<sup>a</sup>Our preliminary report identified an additional organization involved in this case; we excluded the name of this organization because we did not have indicator information to link it with ACORN.

<sup>b</sup>Section 2 of the Voting Rights Act prohibits voting practices or procedures that discriminate on the basis of race, color, or membership in a language minority group.

The FEC identified five closed matters of alleged or submitted violations of the Federal Election Campaign Act, such as violations of political committee registration requirements and campaign contributions, involving ACORN and potentially related organizations.<sup>30</sup> In three of the matters, the FEC determined that there was no reason to believe that the alleged violations occurred and the FEC dismissed one matter. In the remaining matter, an organization potentially related to ACORN filed a submission to the FEC that one of its employees improperly solicited donations for the organization. FEC accepted a conciliation agreement, which required the organization to pay a penalty and disgorge the donations it received.<sup>31</sup> These matters are summarized in table 5.

<sup>30</sup>Federal Election Campaign Act of 1971, Pub. L No. 92-255, 86 Stat. 3 (1972), as amended. FEC included only matters in which ACORN or a related entity (as identified in a congressional request to the FEC dated August 11, 2009) were respondents. Because pending FEC matters are confidential, the FEC's response was also limited to matters that were closed and publicly available.

<sup>31</sup>Disgorgement refers to the act of giving up something (such as profits illegally obtained) on demand or by legal compulsion.



**Table 5: FEC Matters Opened from Fiscal Years 2005 to 2009 That Involve ACORN or Potentially Related Organizations**

Matter no.	ACORN or potentially related organization	Matter summary	Outcome
MUR no. 5820	ACORN	A complaint was filed with the FEC alleging that ACORN and Project Vote violated the registration requirements for political committees under the Federal Election Campaign Act and FEC regulations. The complaint stated that based upon publicly available information found on ACORN's web site, depositions and exhibits filed in the federal case <i>Mac Stuart v. Acorn</i> , and press coverage of ACORN and affiliated organizations, there was reason to believe that ACORN and Project Vote failed to file the independent expenditure reports required by 2 U.S.C. § 434(c). The complaint further alleged that ACORN and Project Vote received contributions or made expenditures for which the aggregate value was in excess of \$1,000 during a calendar year without registering as political committees under the act.	The FEC found no reason to believe that ACORN or Project Vote failed to register as a political committee and failed to file disclosure reports, in violation of 2 U.S.C. §§ 433 and 434(a).
	Project Vote		
MUR no. 5843	ACORN	A complaint was filed with the FEC alleging that ACORN violated the registration requirements for political committees under the Federal Election Campaign Act and FEC regulations. The complaint stated that based upon publicly available information (including documentary video footage of ACORN employees) and press reports, there was reason to believe that ACORN, and its affiliated entity "Give Missourians a Raise, Inc.," failed to file the independent expenditure reports required by 2 U.S.C. § 434(c). The complaint further alleged that ACORN and Give Missourians a Raise, Inc. received contributions or made expenditures aggregating in excess of \$1,000 during a calendar year without registering as political committees under the act.	The FEC voted to dismiss the allegations that ACORN failed to register as a political committee and failed to file disclosure reports, in violation of 2 U.S.C. §§ 433 and 434(a).
MUR no. 5859	ACORN	A complaint was filed with the FEC alleging that ACORN illegally coordinated with the campaign committee of Lois Murphy. The complaint alleged this activity was in violation of FEC regulations regarding endorsements of organizations.	The FEC found no reason to believe that ACORN violated 2 U.S.C § 441(b).
MUR no. 5970	ACORN	A complaint was filed with the FEC alleging that the Donna Edwards for Congress Committee received substantial monetary assistance by way of unreported contributions from organizations that professed to have operated independently of the Edwards campaign.	The FEC found no reason to believe that the respondents violated the Federal Election Campaign Act.
	Citizens Consulting Inc.		
	SEIU Local 100		

Matter no.	ACORN or potentially related organization	Matter summary	Outcome
MUR no. 6290	Project Vote	Project Vote and one of its former directors filed a submission to the FEC that the director solicited donations from individuals whose names and addresses appeared on a political committee disclosure report obtained from the FEC's Web site in violation of 2 U.S.C. § 438(a)(4) and 11 C.F.R. § 104.15(a). Project Vote received \$4,415 in donations from individuals whose names and addresses were from the FEC's Web site; Project Vote had not refunded these donations when the matter was initiated.	The FEC accepted a conciliation agreement, which required Project Vote to pay a civil penalty of \$2,200 to the FEC and disgorge to the U.S. Treasury the \$4,415 in donations it received from improper solicitations.

Source: GAO analysis of information provided by the FEC.

DOL reported nine cases and investigations of ACORN and potentially related organizations—one delinquent reporting case for failure to file required documentation and eight conciliation cases and investigations involving alleged wage violations.<sup>32</sup> For all of these cases and investigations, ACORN or a potentially related organization has either complied with or has agreed to take corrective measures to comply with applicable requirements. The cases and investigations are summarized in table 6.

<sup>32</sup>A conciliation, as defined by DOL, is a compliance action limited to the correction of minor violations involving last paychecks, or a single issue affecting one or a few employees, in which Wage and Hour division staff seeks resolution between the employer and the complainant with a minimal expenditure of enforcement time. As noted in the table, DOL reported limited and full investigations. A limited investigation, as defined by DOL, is a comprehensive compliance action that includes all of the elements found in a full investigation, but is narrowed in scope to a specific department, employment practice, time frame, classification of employees, individual government contract or section of an act. A full investigation, as defined by DOL, is a comprehensive compliance action that examines all aspects of an employer's compliance with a particular Wage and Hour Act(s) for the full 2-year or other applicable maximum period.

**Table 6: DOL Cases and Investigations Opened from Fiscal Years 2005 through 2009 that Involve ACORN or Potentially Related Organizations**

<b>ACORN or potentially related organization</b>	<b>Case no.</b>	<b>Summary</b>	<b>Outcome</b>
ACORN (Tucson)	1458871	The Phoenix Office of the Wage and Hour Division opened a conciliation case in response to a complaint that ACORN failed to pay two employees for all back wages owed, which totaled \$211.	ACORN agreed to comply; the complainant verified receipt of \$211 received in back wages.
ACORN Housing Corporation (AHC) (Oakland)	1470652	The San Francisco Office of the Wage and Hour Division opened a conciliation case in response to a complaint that AHC did not pay an employee for 109 overtime hours. The complainant was not able to document this allegation and AHC could only verify 51.61 hours of overtime worked.	ACORN Housing Corporation agreed to pay the complainant \$835 for 51.61 hours of overtime; the Office is awaiting proof of payment.
ACORN Associates	1564327	The New Orleans Office of the Wage and Hour Division opened a conciliation case in response to a complaint that ACORN Associates failed to pay an employee for 222 hours worked.	ACORN Associates initially refused to pay but then agreed to pay \$4,884 for the 222 hours worked; the employer provided documentation to substantiate the payment.
ACORN Housing (Kansas City)	1547810	The Kansas City Office of the Wage and Hour Division opened a conciliation case in response to a complaint alleging non payment of \$1000 for two weeks of salary.	ACORN Housing notified the Kansas City District Office that the complainant had received the back wages. The Office confirmed that the complainant received payment of \$524.
ACORN (Newark)	1547981	The Northern New Jersey Office of the Wage and Hour Division opened a limited investigation over alleged minimum wage and overtime violations.	ACORN agreed to pay all of the owed back wages; the complainant verified that all the wages were paid in full totaling \$3,805.
ACORN Housing Corporation (Houston)	1508221	The Houston Office of the Wage and Hour Division opened a limited investigation over alleged overtime violations.	ACORN Housing agreed to comply and pay all back wages due of \$2,499 to seven employees; the employer provided proof of payment to the District Office for four employees and payment to DOL for the three other employees because ACORN Housing Corporation could not locate them.
ACORN (Columbus)	1513410	The Columbus, Ohio Office of the Wage and Hour Division opened a full investigation over alleged overtime violations.	ACORN agreed to comply and pay the \$87 owed in back wages for two employees.
ACORN (Miami)	1477594	The Miami Office of the Wage and Hour Division opened a conciliation case in response to a complaint that ACORN failed to pay an employee for 11.5 hours, which totaled \$59 in back wages.	ACORN agreed to comply and pay the \$59 owed in back wages; ACORN stated that the employee could pick up his check.
SEIU Local 100 (renamed United Labor Union Local 100)	93065	The Office of Labor Management Standards opened a delinquent reporting case of SEIU Local 100.	The Office of Labor Management Standards closed the case. SEIU Local 100 complied with the reporting requirements.

Source: GAO analysis of information provided by DOL.

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## All 27 Agencies within the Scope of Our Review That Were Subject to Fiscal Year 2010 ACORN Appropriations Restrictions Have Taken Action to Implement Those Restrictions, Some in Response to Our Inquiries

Twenty-seven agencies took action to comply with applicable fiscal year 2010 appropriations restrictions prohibiting funding for ACORN and certain related organizations, while four agencies did not have an ACORN restriction provision in their appropriations acts.<sup>33</sup> According to federal law and OMB guidance, agencies are required to establish and maintain a system of accounting and internal controls that reasonably ensure that their obligations and costs comply with applicable law.<sup>34</sup> However, for statutory provisions that affect multiple federal agencies, OMB may also provide guidance to help ensure agency compliance. Further, agencies are required by the Antideficiency Act to establish, subject to OMB approval, a system of administrative control (also known as funds control) designed to, among other things, restrict obligations or expenditures from each appropriation to the amounts appropriated.<sup>35</sup> With regard to the ACORN funding restrictions, OMB issued a memorandum in October 2009 which included guidance to help agencies comply with funding restrictions related to ACORN or its affiliates, subsidiaries, or allied organizations that appeared in continuing resolutions (CR) preceding the enactment of the fiscal year 2010 appropriations acts.<sup>36</sup> OMB's CR guidance directed agencies to take all appropriate and necessary steps to comply with the restriction, including notifying all federal grant and contract recipients of the restriction for sub-award purposes. OMB did not provide similar guidance on how agencies should comply with subsequent restrictions contained in their fiscal year 2010 appropriations acts, which were more narrow than the CR restrictions for 24 of the 27 agencies and applied only to ACORN and its subsidiaries. However, OMB did provide updates on whether the restrictions were still in effect per ongoing litigation—including a March 2010 memorandum stating that the restrictions were not in effect based on a federal district court order, and a May 2010 update note added to this memorandum stating that the restrictions were again in

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<sup>33</sup>DHS, NRC, DOE, and USDA were not subject to ACORN funding restrictions in their respective annual appropriations acts.

<sup>34</sup>31 U.S.C. § 3512(c)(1); OMB Circular A-123.

<sup>35</sup>31 U.S.C. § 1514(a)(1). Because both CPB and NeighborWorks are private, nonprofit corporations, they are not subject to the same restrictions and controls on their expenditures as are government agencies. See B-131935, Mar. 18, 1986; see also B-308037, Sept. 17, 2006. However, appropriations made available to those agencies are subject to restrictions in appropriations acts. B-131935; B-320329.

<sup>36</sup>*Guidance on section 163 of the Continuing Resolution regarding the Association of Community Organizations for Reform Now (ACORN)*, OMB Memorandum M-10-02.

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effect based on an appellate court order.<sup>37</sup> Additional information on each agency’s funding restriction and the related litigation can be found in appendix III.

The actions that agencies most commonly reported taking to implement the applicable funding restrictions were communicating with internal staff and notifying grantees about the restrictions. Twenty-six agencies communicated internally about the restrictions through e-mails, memorandums, or oral communication to alert agency personnel of the applicable restriction. For example, a Senior Procurement Executive in the DOL issued a memorandum on the restriction to all agency heads directing them to add language from the restriction to their award documentation and to advise grant and contract recipients of the restriction. In addition, 10 agencies alerted their awardees of the restriction in award documentation or written notices. The “terms and conditions” section of Education’s grant award notification, for example, requires award recipients to consult with Education regarding the appropriateness of subawards to ACORN or its subsidiaries. Five agencies disseminated information to staff regarding the legal status of the appropriations restrictions, based on OMB’s May 2010 update note that the restrictions were again in effect. Two agencies—HUD and the National Science Foundation (NSF)—provided guidance on which organizations may fall within the scope of their respective funding restrictions. Specifically, in a memo to its awardees, HUD described its determination that AHCOA is not an ACORN subsidiary, affiliate, or allied organization to illustrate the process that grantees should use to make determinations

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<sup>37</sup>In December 2009, Congress passed fiscal year 2010 appropriations acts with ACORN-related appropriations restrictions. The United States District Court for the Eastern District of New York ruled on March 10, 2010 that funding restrictions regarding ACORN and related entities are unconstitutional and prevented them from going into effect. *ACORN v. United States*, 692 F. Supp. 2nd 260 (E.D.N.Y. 2010). On March 16, 2010, OMB issued M-10-12 informing agencies of the Federal District Court’s decision. The Department of Justice filed an appeal to the Court of Appeals for the Second Circuit and was granted an administrative stay of the lower court’s decision on April 2, 2010, and then a stay pending the appeal. *ACORN v. United States*, Nos. 09-5172, 10-992, slip op. (2nd Cir. Apr. 21, 2010). In response, OMB added a note on May 21, 2010, stating that per the stay granted by the Second Circuit Court of Appeals, the FY 2010 appropriations acts remain in force during the pendency of the stay (OMB M-10-12, Washington, D.C.: March 16, 2010). On August 13, 2010, the Second Circuit Court of Appeals reversed the Federal District Court’s decision and remanded the case for further proceedings on First Amendment and due process claims. On February 22, 2011, plaintiffs filed a petition for a writ of certiorari with the United States Supreme Court seeking to have the case heard, and on May 9, 2011, the District Court stayed the proceedings until the Supreme Court has ruled on plaintiffs’ petition.

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regarding their subaward recipients.<sup>38</sup> NSF provided internal guidance specifying that “ACORN subsidiaries” appear to include the name “ACORN” in the title. As an additional implementation action, NeighborWorks requested that GAO issue a decision as to the availability of its appropriation for grants to AHCOA, one of its potential awardees.<sup>39</sup> When determining what actions to take to implement the funding restrictions, agencies considered the likelihood that they would fund an organization such as ACORN. EAC, National Archives and Records Administration (NARA), NEH, and IMLS volunteered that they considered themselves at a low-risk for funding the organizations within their restriction. For example, IMLS officials stated that their eligibility requirements, which limit funding to the furtherance of museum and library services, would prevent them from funding ACORN or its subsidiaries, even in the absence of the funding restriction.

Not all agencies had taken action to implement the funding restriction provisions prior to when we began our review in August 2010. Specifically, 11 agencies—CNCS, DOD, DOS, DOT, HHS, NASA, NEH, NARA, NSF, the Small Business Administration (SBA), and Social Security Administration (SSA)—indicated that they took action to implement the restriction, at least in part, as a result of our inquiries and subsequent conversations. Agencies’ implementation actions are categorized below in table 8.

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<sup>38</sup>HUD based its determination that AHCOA is not subject to its restriction on a review of the legal definitions for “subsidiary,” “affiliate,” and “allied organization,” and a review of documents provided by AHCOA regarding its business structure as of the time of the restriction.

<sup>39</sup>B-320329, Sept. 29, 2010. NeighborWorks America—Availability of Appropriations for Grants to Affordable Housing Centers of America. GAO concluded that AHCOA, as constituted September 2010, is not an affiliate, subsidiary, or allied organization of ACORN because the two entities are not currently financially or organizationally related; accordingly, AHCOA does not currently fall within the scope of section 418 of the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2010. Id. GAO’s Office of the General Counsel is responsible for providing decisions on the use and obligation of appropriated funds, separate from GAO’s statutory authority to investigate matters related to the use of public money and evaluate the results of programs and activities carried out by the government. See 31 U.S.C. §§ 712, 717, 3529. GAO may issue decisions when requested by disbursing officers, certifying officers, or the heads of federal agencies and agency components, who may be uncertain whether they have authority to make, or authorize the making of, particular payments.

**Table 7: Actions Agencies Have Taken to Implement Applicable Funding Restrictions<sup>a</sup>**

Agency	Advised staff of the restrictions	Provided staff information from OMB's update note	Notified grantees of the restriction in grant documentation or otherwise	Provided guidance on which ACORN organizations are subject to restriction	Requested determination on whether a specific organization is subject to restriction
CNCS <sup>b</sup>	•	•			
CPB	•				
Department of Commerce (DOC)	•	•			
Department of Veterans Affairs (VA)	•				
DOD <sup>c,d</sup>	•				
DOI	•	•			
DOJ	•	•	•		
DOL	•		•		
DOS	•				
DOT	•				
EAC	•				
Education	•		•		
EPA	•		•		
FEC	•				
HHS	•	•	•		
HUD	•		•	•	
IMLS	•	•			
NARA	•				
NASA	•				
NEA	•		•		
NEH	•		•		
NeighborWorks	•		•		•
NSF	•			•	
SBA	•		•		
SSA	•				
Treasury	•		• <sup>e</sup>		
United States Agency for International Development (USAID)	•				
<b>Total</b>	<b>27</b>	<b>6</b>	<b>11</b>	<b>2</b>	<b>1</b>

Source: GAO analysis of information provided by agency.

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<sup>a</sup>Our table does not include actions taken to implement the ACORN funding restrictions contained in the continuing resolutions that preceded the fiscal year 2010 appropriations acts because the CR restrictions were not the same as the appropriations act restrictions for 24 of the 27 covered agencies. This is true for the 14 agencies that reported disseminating OMB's CR guidance to staff: CNCS, NASA, DOJ, SBA, SSA, DOS, Education, EPA, DOD, DOI, NEA, DOL, Treasury, and USAID.

<sup>b</sup>CNCS provided a link to OMB's May 2010 update, stating that the appropriations restrictions remain in effect, however the newsletter containing the OMB link stated that the CNCS restriction applies to ACORN, its affiliates, its subsidiaries, or allied organizations. CNCS's restriction, however, applies to only ACORN and its subsidiaries.

<sup>c</sup>In addition to internally communicating about the restriction, DOD distributed a memorandum on April 12, 2011, stating that under continuing resolution appropriations, the provisions of DOD's appropriations act for 2010—which contained an ACORN-related funding prohibition—continue in effect. The memo incorrectly described the prohibition as restricting funds provided to ACORN, its affiliates, subsidiaries, or allied organizations, but the restriction applies to only funds provided to ACORN and its subsidiaries. However, as of 3 days later, on April 15, 2011, when DOD's fiscal year 2011 appropriations bill became law, DOD is not subject to an ACORN-related appropriations restriction. See Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10 Div.A.

<sup>d</sup>Upon becoming aware of the possibility that one grantee was potentially related to ACORN, NSA—which is an agency of DOD under the authority, direction, and control of the Secretary of Defense—took an additional action to implement the restriction. Specifically, NSA created a Representation and Certification in October 2010 requiring any prospective grantee to represent and certify that the prospective grantee is not related to ACORN with a continuing obligation to notify NSA within 15 days of the establishment of any future relationship.

<sup>e</sup>This action was not taken by the entire Department of the Treasury, but only IRS-VITA.

We were not able to assess how effective agencies' actions were at preventing agencies from awarding funding to the organizations included in their funding restrictions because there is no definitive list of organizations that agencies are prohibited from funding. However, we searched USASpending.gov to determine if, during fiscal year 2010 and the first two quarters of 2011, the organizations included in this report that are potentially related to ACORN received any federal funding.<sup>40</sup> Based on our search, we found that none of the organizations included in this report that continue to have indicators of affiliation with ACORN received federal

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<sup>40</sup>USASpending.gov is a free, publicly accessible Web site established by the Federal Funding Accountability and Transparency Act of 2006 that contains data on awards from federal agencies (e.g., contracts, loans, grants, and subawards beginning October 2010). Funding restrictions contained in appropriations acts for fiscal year 2010 continued to be in place for fiscal year 2011 for agencies operating under continuing resolutions. As we have previously discussed, the presence of any one or more indicators may be suggestive of a control relationship, and thus, affiliation, but does not mean that an entity is affiliated with ACORN. In addition, some agencies are prohibited from providing funds to ACORN and its affiliates, subsidiaries, and allied organizations, while other agencies are prohibited from providing funds to ACORN or its subsidiaries only.



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funding during fiscal years 2010 and the first two quarters of 2011.<sup>41</sup> For fiscal year 2010, four agencies initially made nine awards to organizations included in this report—specifically, Tides Center (six awards), ACORN Albuquerque (also known as ACORN Associates) (one award), ACORN Community Land Association of Louisiana (one award), and New York Agency for Community Affairs (one award), but the awards to the latter three organizations were retracted, and we determined that after 2009, Tides Center no longer had any indicators of affiliation with ACORN.<sup>42</sup> For the first two quarters of fiscal year 2011, one agency made two awards to ACORN Housing Corporation (New Orleans)—currently Affordable Housing Centers of America (AHCOA). One of these awards was retracted, and in September 2010, we found that AHCOA did not have any indicators of affiliation with ACORN.<sup>43</sup>

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## Agency Comments, Third-Party Views, and Our Evaluation

We provided a draft of this report for review and comment to the 31 agencies included in this review; the inspectors general for CPB, DHS, DOJ, EAC, and HUD; internal audit officials at NeighborWorks; and OMB.<sup>44</sup> We also sent a draft of this report to the nine organizations identified in this report as being part of ACORN or potentially related to ACORN for

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<sup>41</sup>See GAO, *Electronic Government: Implementation of the Federal Funding Accountability and Transparency Act of 2006*, [GAO-10-365](#) (Washington, D.C.: March 12, 2010). GAO identified some data inconsistencies with USAspending.gov and agency records in a random sample of 100 awards, most commonly in the purpose of the award and city where the work was performed. As subaward information was not required to be reported until after this report was issued, the completeness of subaward reporting was not reviewed.

<sup>42</sup>An executive of ACORN who served on the board of directors of the Tides Center from 1995 through 2008 left the Tides Center Board in 2009. No other indicators of affiliation with ACORN were identified.

<sup>43</sup>[GAO- B-320329](#), GAO determined that as of September 2010, AHCOA was not an affiliate, subsidiary, or allied organization of ACORN and does not fall within the scope of section 418 of the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2010. Pub. L. No. 111-117.

<sup>44</sup>A draft was sent to CNCS, CPB, DOC, DOD, DHS, DOI, DOJ, DOL, DOS, DOT, EAC, Education, EPA, FEC, HHS, HUD, IMLS, NARA, NASA, NEA, NEH, NeighborWorks, NSF, SBA, SSA, Treasury, USAID, USDA, and VA. We did not request comment from two agencies, the Nuclear Regulatory Commission and Department of Energy, because they did not identify any funding to ACORN and potentially related organizations during our time frame and had no related funding restrictions in their appropriations acts.

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which contact information was available.<sup>45</sup> We received technical comments from Education, DOT, DOL, HHS, NeighborWorks, VA, and the DOJ Inspector General, which were incorporated into our report. Education and HHS provided additional documentation to support actions taken to implement their funding restrictions, which we incorporated as appropriate. OMB identified additional steps it took to inform agencies about the ACORN litigation, which we added to the relevant section of appendix III. Thirteen agencies and the HUD and EAC Inspectors General replied that they had no comments on the draft report.<sup>46</sup> The remaining XX agencies and XX inspectors general did not reply within the time requested; however, we had already incorporated comments they provided on an earlier draft of the report. Of the nine third-parties, AHCOA responded with one technical comment, which we incorporated. The Tides Center provided a letter response with no comments for incorporation. The remaining seven third parties did not reply to our request for comment.

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We are sending copies of this report to the appropriate congressional committees. We are also sending copies to 29 of the 31 agencies included in this review (two agencies, the Nuclear Regulatory Commission and Department of Energy, did not identify funding and had no funding restrictions in their appropriations acts) and to other interested parties. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

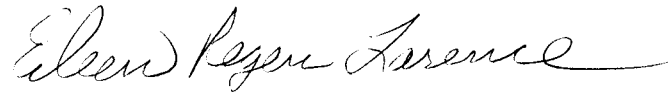
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<sup>45</sup>A copy of the draft report was sent to: the attorney formerly representing ACORN; the Tides Center; AHCOA; Project Vote; the Agape Broadcasting Foundation; the Arkansas Broadcasting Foundation; ACORN Community Land Association of Louisiana, Inc.; MHANY Management, Inc.; and the New York Agency for Community Affairs. Contact information was not available to send the draft report to the remaining third parties.

<sup>46</sup>Agencies that reviewed the draft and had no comment included DOC, DOS, DOJ, DHS, Treasury, EAC, HUD, NSF, NEA, NEH, NASA, SSA, and USDA.

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If you or your staffs have any questions about this report, please contact me at 202-512-6510 or [LarenceE@gao.gov](mailto:LarenceE@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.

A handwritten signature in cursive script that reads "Eileen R. Larence". The signature is written in black ink and is positioned above the printed name and title.

Eileen R. Larence  
Director, Homeland Security and Justice Issues

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*List of Congressional Addressees*

The Honorable Daniel K. Inouye  
Chairman

The Honorable Thad Cochran  
Vice Chairman  
Committee on Appropriations  
United States Senate

The Honorable Charles E. Grassley  
Ranking Member  
Committee on the Judiciary  
United States Senate

The Honorable Barbara A. Mikulski  
Chairwoman  
The Honorable Kay Bailey Hutchison  
Ranking Member  
Subcommittee on Commerce, Justice, Science, and Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Harold Rogers  
Chairman  
The Honorable Norman D. Dicks  
Ranking Member  
Committee on Appropriations  
House of Representatives

The Honorable Lamar S. Smith  
Chairman  
Committee on the Judiciary  
House of Representatives

The Honorable Frank R. Wolf  
Chairman  
The Honorable Chaka Fattah  
Ranking Member  
Subcommittee on Commerce, Justice, Science, and Related Agencies  
Committee on Appropriations  
House of Representatives

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The Honorable Darrell E. Issa  
Chairman  
Committee on Oversight and Government Reform  
House of Representatives

The Honorable Lamar Alexander  
The Honorable John A. Barrasso  
The Honorable Saxby Chambliss  
The Honorable Thomas A. Coburn  
The Honorable Susan M. Collins  
The Honorable Michael D. Crapo  
The Honorable Richard J. Durbin  
The Honorable Lindsey O. Graham  
The Honorable Orrin G. Hatch  
The Honorable Kay Bailey Hutchison  
The Honorable James M. Inhofe  
The Honorable John H. Isakson  
The Honorable Mike O. Johanns  
The Honorable Richard G. Lugar  
The Honorable Pat Roberts  
The Honorable John R. Thune  
The Honorable Roger F. Wicker  
United States Senate

The Honorable Rush D. Holt  
House of Representatives

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# Appendix I: Objectives, Scope and Methodology

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We addressed the following questions as part of our review:

1. From fiscal years 2005 through 2009, how much funding did federal agencies award to Association of Community Organizations for Reform Now (ACORN) or any potentially related organizations, and what was the purpose of the funding?
2. To what extent did federal agencies' monitoring of ACORN or potentially related organizations' use of federal funding detect issues identified by inspectors general and internal audits?<sup>1</sup>
3. What federal investigations or prosecutions were conducted of ACORN or potentially related organizations from fiscal years 2005 through 2009, and what were the nature and results of these investigations and prosecutions?
4. How have federal agencies subject to fiscal year 2010 provisions barring the distribution of appropriated funds to ACORN or its affiliates, subsidiaries, or allied organizations implemented those provisions?

Our scope for this report includes 31 federal agencies we determined might have awarded funding to ACORN or potentially related organizations from fiscal years 2005 through 2009 based on one or more of the following factors.<sup>2</sup> (1) An audit was conducted by the agency's inspector general or internal audit unit of funding awarded to ACORN or potentially related organizations; (2) the agency participates in grants.gov, the primary Web site portal for organizations to apply for federal grants; or (3) the agency or its inspector general or internal audit unit received a congressional request to review ACORN or potentially related organizations.

Table 9 identifies the federal agencies included in our report and the basis for inclusion.

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<sup>1</sup>We use the term "audit" to encompass the work of the five inspectors general and NeighborWorks' internal audit unit, which performs a similar function for that agency.

<sup>2</sup>For the purposes of this report, we use the term federal "agency" to encompass federal entities that include selected federal executive departments, independent agencies, and nonprofit entities created by law, such as NeighborWorks and the Corporation for Public Broadcasting (CPB).

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**Table 8: Agency Characteristics That Indicate They Could Have Funded ACORN or Potentially Related Organizations**

<b>Federal agency</b>	<b>Agency inspector general or internal audit unit review conducted</b>	<b>Included in grants.gov</b>	<b>Congressional review requested</b>
Agriculture		•	
Commerce		•	
Corporation for National and Community Service		•	•
Corporation for Public Broadcasting	•		
Defense		•	
Education		•	
Election Assistance Commission	•	•	•
Energy		•	
Environmental Protection Agency		•	
Federal Election Commission			•
Homeland Security	•	•	•
Health and Human Services		•	
Housing and Urban Development	•	•	•
Institute of Museum and Library Service		•	
Interior		•	
Justice	•	•	•
Labor		•	•
National Aeronautics and Space Administration		•	
National Archives and Records Administration		•	
National Endowment for the Arts		•	
National Endowment for the Humanities		•	
National Science Foundation		•	
NeighborWorks	•		•
Nuclear Regulatory Commission		•	
Small Business Administration		•	•
Social Security Administration		•	
State		•	

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<b>Federal agency</b>	<b>Agency inspector general or internal audit unit review conducted</b>	<b>Included in grants.gov</b>	<b>Congressional review requested</b>
Department of Transportation		•	
Department of Treasury		•	•
United States Agency for International Development		•	
Department of Veterans Affairs		•	
<b>Total</b>	<b>6</b>	<b>28</b>	<b>10</b>

Source: GAO analysis based on agency information.

**Identifying Organizations Potentially Related to ACORN**

We determined, as part of this review, whether an organization was potentially related to ACORN based on the organization’s inclusion on various lists of organizations that may be related to ACORN and on our analysis of whether the organization shared any indicators of affiliation, which are described below. We did not determine whether an organization was actually related to ACORN due to several limitations—including lack of complete information—which are also discussed below.

We began by conducting a literature review to identify existing lists of ACORN or potentially related organizations, and asked agencies and their inspectors general, and the Federal Audit Executive Council whether they had developed or were aware of any other lists.<sup>3</sup> We identified a total of nine lists of organizations that could be part of ACORN or potentially related to ACORN from different sources: the Committee on Oversight and Government Reform,<sup>4</sup> the Congressional Research Service,<sup>5</sup> a Department of Justice (DOJ) Inspector General report,<sup>6</sup> ACORN legal counsel, the

<sup>3</sup>The Federal Audit Executive Council was created by the Council of Inspectors General on Integrity and Efficiency to aid in the discussion and coordination of issues affecting the federal audit community.

<sup>4</sup>*Is ACORN Intentionally Structured As a Criminal Enterprise?* Staff Report, July 23, 2009, U.S. House of Representatives, Committee on Oversight and Government Reform.

<sup>5</sup>*Federal Funding to the Association of Community Organizations for Reform Now (ACORN) and Related Organizations*, Congressional Research Service, November 4, 2009, Memorandum.

<sup>6</sup>*Review of the Department of Justice Grants to the Association of Community Organizations for Reform Now Inc. (ACORN) and its Affiliated Organizations*, Department of Justice, Office of the Inspector General, November, 2009.



Department of Labor (DOL) Inspector General, Senator Grassley’s staff,<sup>7</sup> the Small Business Administration (SBA) (which was provided to the SBA by the Committee on Oversight and Government Reform), and the Department of Housing and Urban Development (HUD) Inspector General.<sup>8</sup> We then included all the lists in one file, and provided the file—which contained names for 2,319 organizations—to Dun & Bradstreet (D&B) for further analysis. We selected D&B because it has the most comprehensive information on business entities of any source that we identified, and D&B maintains data on all DUNS numbers, which are required for federal contracts and grants, as specified by the Federal Acquisition Regulation and OMB guidance.<sup>9</sup>

Specifically, we asked D&B to (1) consolidate duplicate records into one unique record and (2) remove organizations that, with the information available, could not be confidently matched with a specific DUNS number (a nine-digit universal identifier assigned by D&B and used to apply for federal contracts, grants, cooperative agreements and other financial assistance). D&B also identified organizations potentially related to ACORN that had DUNS numbers based on research it independently conducted to identify organizations that were branches and subsidiaries of ACORN, which are considered by D&B to be part of the ACORN “family tree.”<sup>10</sup>

As a result of D&B’s analysis, a reduced list of 276 DUNS numbers associated with the unduplicated list of organization was identified. We validated the list D&B provided us by conducting our own search of D&B’s Global Reference Solutions database (GRS) to determine if there were any

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<sup>7</sup>Senator Grassley’s staff provided us with a list of ACORN and potentially related organizations.

<sup>8</sup>The HUD Inspector General provided us with two lists of ACORN and potentially related organizations—one that it generated on its own and another that it obtained from a bank with which a number of these organizations held accounts.

<sup>9</sup>FAR § 4.607(a); 68 Fed. Reg. 38402.

<sup>10</sup>D&B uses the term family tree to identify linkages between organizations, including a parent organization and its subsidiaries (a corporation whose capital stock is more than 50 percent owned by another corporation) and branches (a secondary location of its headquarters). Linkages are based on D&B’s global database of entity information and D&B’s proprietary linkage criteria, which included electronic and manual matching components for ACORN’s family tree. According to D&B, linkage for nonprofit entities (which by definition do not issue capital stock) is not readily apparent; therefore, alternate methodologies were incorporated by D&B to establish family relationships.

additional DUNS numbers associated with these organizations that D&B did not include based on its analysis. Our validation resulted in an additional 37 DUNS numbers—a total of 313.<sup>11</sup> One organization can be associated with several DUNS numbers, primarily when a branch of an organization has its own DUNS number.

We asked each of the 31 agencies to search their grant and procurement files to determine if, from fiscal years 2005 through 2009, the agency awarded federal funding (or any of the agency’s grantees provided subawards)—in the form of grants, contracts, or cooperative agreements—to any organizations linked with the 313 DUNS numbers.<sup>12</sup> We also asked agencies and their inspectors general to search their investigative—and additionally for the Department of Justice their prosecutorial—case management systems to determine whether they conducted any investigations or prosecutions from fiscal years 2005 through 2009 of organizations linked with the 313 DUNS numbers.

Using a set of indicators, which are described below, we compared organizations on the list that agencies identified as having funded, investigated, or prosecuted to organizations that were part of ACORN (including ACORN headquarters, branches in the D&B-generated ACORN family tree, and the ACORN organizations listed in the ACORN bankruptcy proceedings).<sup>13</sup> Table 10 includes the list of ACORN organizations that we used for comparison.

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<sup>11</sup>D&B officials said that there were various reasons the additional 37 DUNS numbers were not included in the list they provided us, including potential duplicate information, updates that changed the information, and errors. We included the 37 DUNS numbers as part of the 313 DUNS sent to agencies.

<sup>12</sup>DUNS numbers were not required for subawards, so matching was generally by organization name for subawards.

<sup>13</sup>ACORN filed for chapter 7 bankruptcy on November 2, 2010. *In re* ACORN, No. 10-50380 (Bankr. E.D.N.Y. Nov. 2, 2010). The bankruptcy filing contained a list of prior addresses for the debtor (ACORN) including the name used for the organization at various locations. The ACORN family tree included two subsidiaries, Wal-Mart Worker’s Association, Inc., and Wal-Mart Alliance for Reform Now, Inc.; we did not include these two organizations as part of ACORN but included them in our list of potentially related organizations because our mandate directed us to review funds received by ACORN, or any subsidiary or affiliate of ACORN.

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**Table 9: ACORN—Family Tree and ACORN Bankruptcy Identified Organizations**

<b>ACORN family tree</b>			
ACORN (Brooklyn)	ACORN (Bronx)	ACORN (Chicago)	ACORN (Dallas)
ACORN (Detroit)	ACORN (Dorchester)	ACORN (Flagstaff)	ACORN (Houston)
ACORN (Little Rock)	ACORN (New Orleans)	ACORN (Oakland)	ACORN (Phoenix)
ACORN (Pine Bluff)	ACORN (San Diego)	ACORN (Washington)	Albuquerque ACORN
Alleghany County ACORN	Atlanta ACORN	Aurora ACORN	Baton Rouge ACORN
Boise ACORN	Bridgeport ACORN	Broward County ACORN	Charlotte ACORN
Chula Vista ACORN	Cincinnati ACORN	Cleveland ACORN	Columbus ACORN
Contra Costa ACORN	Denver ACORN	El Paso ACORN	Fresno ACORN
Glendale ACORN	Grand Rapids ACORN	Hartford ACORN	Irving ACORN
Kansas City ACORN	Lake Charles ACORN	Lake Worth ACORN	Long Island ACORN
Los Angeles ACORN	Maryland ACORN	Miami ACORN	Milwaukee ACORN
Minnesota ACORN	Mississippi ACORN	NW Indiana ACORN	Orange County ACORN
Orlando ACORN	Patterson ACORN	Philadelphia ACORN	Prince George's County ACORN
Raleigh ACORN	Rhode Island ACORN	Sacramento ACORN	San Antonio ACORN
San Bernardino ACORN	San Fernando Valley ACORN	San Francisco ACORN	San Jose ACORN
San Mateo County ACORN	St Louis ACORN	Suffolk ACORN	Topeka ACORN
Tucson ACORN	Wilmington ACORN	Washington ACORN	
<b>ACORN bankruptcy-identified organizations</b>			
Akron ACORN	Alabama ACORN	Allegheny Count ACORN	Arizona ACORN
Arkansas ACORN	Aurora ACORN	Baton Rouge ACORN	Bridgeport ACORN
Bronx/Manhattan ACORN	Broward County ACORN	Cincinnati ACORN	Colorado ACORN
Columbus ACORN	Connecticut ACORN	Contra Costa ACORN	Dallas ACORN
Dayton ACORN	DC ACORN	Delaware ACORN	Durham ACORN
El Paso ACORN	Everett ACORN	Flint ACORN	Florida ACORN
Fresno ACORN	Ft Worth ACORN	Georgia ACORN	Glendale ACORN
Grand Rapids ACORN	Harrisburg ACORN	Hawaii ACORN	Illinois ACORN
Indiana ACORN	Indianapolis ACORN	Iowa ACORN	Kansas City ACORN
Kentucky ACORN	Lake Charles ACORN	Lansing ACORN	Las Cruces ACORN
Lehigh Valley ACORN	Long Beach ACORN	Long Island ACORN	Los Angeles ACORN
Louisiana ACORN	Maryland ACORN	Massachusetts ACORN	Mesa ACORN
Michigan ACORN	Minnesota ACORN	Mississippi ACORN	Missouri ACORN
National ACORN	Nebraska ACORN	Nevada ACORN	New Jersey ACORN
New Mexico ACORN	New York ACORN	Newark ACORN	North Carolina ACORN
NY ACORN	Oakland ACORN	Ohio ACORN	Orange County ACORN
Oregon ACORN	Orlando ACORN	Palm Beach County ACORN	Patterson ACORN

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<b>ACORN family tree</b>			
Pennsylvania ACORN	Pine Bluff ACORN	Prince Georges County ACORN	Raleigh ACORN
Rhode Island ACORN	Rio Grand ACORN	Sacramento ACORN	San Antonio ACORN
San Bernardino ACORN	San Francisco ACORN	San Jose ACORN	San Diego ACORN
San Mateo County ACORN	South Bay San Diego ACORN	South Carolina ACORN	Springfield ACORN
Tacoma ACORN	Tennessee ACORN	Texas ACORN	Toledo ACORN
Tucson ACORN	Tulsa ACORN	Utah ACORN	Washington ACORN
Wisconsin ACORN			

Source: GAO summary of ACORN organizations.

We used five indicators (where available) to determine for purposes of our report whether an organization was potentially related with a member of the ACORN family tree from fiscal years 2005 through 2009—shared address, shared phone number, at least one executive or member of a board of directors in common, shared employer identification number (EIN), and shared bank accounts.<sup>14</sup> These five indicators are data points that relate to various tests for determining whether a control relationship exists between entities, with the tests serving as the basis for statutory and regulatory definitions of a “subsidiary” or “affiliate.” Specifically, a “subsidiary” is a company in which half of its stock or a controlling interest is owned by another company or parent company. An “affiliate” is a person or entity that controls, is controlled by, or is under common control with another person or entity. Several of the definitions of “affiliate” we identified provided tests for determining control relationships between entities; whether an entity meets one or more of these tests does not necessarily mean there is a control relationship, but may suggest one, and there may be other factors that are relevant to determining whether control and thus, affiliation, exists. These tests include:

- One entity controls at least a specific percentage of voting shares of the other entity;
- An entity controls the election of a majority of the other entity’s board of directors;
- There is an overlap between a majority of the entities’ board members;
- An employment relationship exists between an entity and an individual;

<sup>14</sup>EINs provide unique tax identification for recording or tracking tax activities.

- An individual's business is operated by a debtor under a lease or operating agreement;
- One entity has contributed more than twenty percent of the capital of the other;
- Interlocking management or ownership;
- Identity of interests among family members;
- Shared facilities and equipment;
- Common use of employees; or
- A business entity that has the same or similar management, ownership, or employees as a contractor that was previously debarred, suspended, or proposed for debarment.

Our five indicators of affiliation reflect data available that relate to these tests. The presence of any one or more of the indicators does not necessarily mean there is a control relationship or affiliation. For example, if we identified data showing that a member of the ACORN board of directors was an executive of another company, we would identify that company as potentially related for purposes of this report. However, such a finding would not constitute a determination on our part that the company is an ACORN affiliate. We did not determine whether an organization was actually affiliated with ACORN during this time period because sufficient information was not available to make that determination for the various organizations within the scope of our review. For example, a full list of executives for fiscal years 2005 through 2009 for all ACORN branches was not available (particularly since some entities no longer exist). In this report, we only include organizations as potentially related that were funded, investigated, or prosecuted, and for which we found at least one indicator of potential affiliation.

The information sources we used to obtain indicator information largely depended on whether the agency was able to confirm the DUNS number of the organization that it funded, investigated, or prosecuted.<sup>15</sup> For funded organizations that agencies could link with a DUNS number—primarily direct awards—we collected indicator information from a range of sources, including D&B's databases (GRS and credit reports/business information reports), Recovery Act Accountability and Transparency Board, Guidestar, and D&B Duns Market Identifiers (Global) on Lexis-

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<sup>15</sup>A DUNS number is a unique identifier for an entity, and is associated with information that can then be compared to the ACORN organizations.

Nexis.<sup>16</sup> We selected these information sources because they were the most comprehensive sources for indicator information we identified. Second, for funded organizations that agencies could not link with a DUNS number—primarily subawards—we contacted the direct grantees to ask if they could provide a DUNS number or any indicator information for the subawardee (The Office of Management and Budget [OMB] directed agencies to report subaward information, including DUNS numbers, starting in October 2010.)<sup>17</sup> For the direct grantees that could provide indicator information, they generally provided the organization’s address, phone number, or the name of an executive. We were not able to obtain indicator information on all subgrantees; consequently, limited information was available for those organizations to establish potential affiliation with ACORN. For organizations that were investigated or prosecuted, agencies reported no DUNS numbers. To obtain indicator information on these organizations, we searched the investigation or case materials and requested indicator information from the agency reporting the investigation or prosecution. As with subaward recipients, we matched the organizations involved in investigations to organizations with the same name to the extent possible where they had at least the same name and shared at least one indicator of affiliation.

Tables 11 and 12, respectively, document the indicator analysis we conducted for funded organizations for which agencies could identify a DUNS number, and funded organizations for which agencies could not

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<sup>16</sup> The Recovery Act Accountability and Transparency Board (Board) was created by the American Recovery and Reinvestment Act of 2009 to coordinate and conduct oversight of Recovery Act funds to prevent fraud, waste, and abuse. Pub. L. No. 111-5, § 1521, 123 Stat. 115, 289. Board officials used various databases—including Central Contractor Registration (CCR), Excluded Parties List System (EPLS), and the Federal Procurement Data System (FPDS)—which they were able to search simultaneously to access information pertinent to our indicator analysis. Guidestar’s database of 1.8 million IRS-recognized organizations includes information such as the IRS Letter of Determination, Form 990s (annual form exempt organizations must file with the IRS each year regarding assets, officers, and other information) financial statements, and annual reports. D&B Duns Market Identifiers (Global) on LEXIS-NEXIS is a global offering of Dun & Bradstreet’s Market Identifier documents that includes U.S. and non-U.S. records, as well as public and private companies in over 220 countries. Information includes: company name, address, DUNS and phone numbers.

<sup>17</sup>The Federal Funding Accountability and Transparency Act of 2006 (FFATA), among other things, required the OMB to establish, no later than January 1, 2008, a publicly accessible Web site containing data on direct federal awards. OMB was to include data on subawards in the accessible Website by January 2009 Pub. L. No. 109-282, §2(d), 120 Stat. 1186, 1188. OMB issued a memorandum to agencies directing agencies to initiate subaward reporting on October 1, 2010 through USASpending.gov, pursuant to FFATA.

identify a DUNS number (but information was available from the grant document or direct grantee to identify an indicator). Our tables distinguish between instances where there was not information available to compare with ACORN indicators (signified with “-”) and instances where there was information available to make the comparison, but no match was found (the cell is blank). Of the organizations that agencies identified as having funded, we found at least one indicator of affiliation for all but four organizations.<sup>18</sup>

**Table 10: Indicators of Potential Affiliation with ACORN: Organizations Identified by DUNS Number that Received Federal Funding from Fiscal Years 2005 through 2009**

Organization	Shared address	Shared phone number	Executive(s) or director(s) in Common	Shared EIN	Shared bank account
ACORN Associates, Inc. (also referred to as ACORN Albuquerque)	•	√	√	√	√
ACORN Community Land Association of Louisiana, Inc.	•	√	√	√	
ACORN Housing Corporation (AHC) (Baltimore) <sup>19</sup>			√	-	-
ACORN Institute (Columbus, OH)	•				-
ACORN Institute (Washington, D.C.)	•		√		
Agape Broadcasting Foundation (KNON-FM)	•				-

<sup>18</sup>Agencies provided a DUNS number for two of these four organizations: we had address, phone number, executive, EIN, and bank account information for one organization; address, phone number, and executive information for the second organization; and neither the agency nor the primary grantee could provide a DUNS number or other indicator information for the third or fourth organization.

<sup>19</sup>Our analysis of organizations potentially related to ACORN that were funded fiscal years 2005 through 2009 included the ACORN Housing Corporation, which shared executives and addresses in common with ACORN during that period. ACORN Housing Corporation formally changed its name to Affordable Housing Centers of America (AHCOA) in December 2009. HUD determined that for purposes of its 2010 agency’s appropriations restrictions that ACHOA was not a subsidiary, affiliate, or allied organization of ACORN, and a GAO appropriations decision concluded that as of September 2010, ACHOA was not a subsidiary, affiliate, or allied organization of ACORN for purposes of NeighborWorks’ appropriations restrictions. B-320329, Sept. 29, 2010. Our indicator analysis is for organizations funded in fiscal years 2005 through 2009 only and not for purposes of determining whether an organization falls within the scope of any appropriations restriction.

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Organization	Shared address	Shared phone number	Executive(s) or director(s) in Common	Shared EIN	Shared bank account
AHC (Chicago)	•		√	√	
American Environmental Justice Project, Inc.	•		√	-	-
Arkansas Broadcasting Foundation (KABF-FM)	•	√	√		
Arkansas Community Housing Corporation	•				-
Missouri Tax Justice Research Project	•	√	√		
New Mexico ACORN Fair Housing Corporation	•	√	√	√	
New York Agency for Community Affairs	•		√		
Project Vote	•		√		-
Tides Center <sup>a</sup>			√		

Legend:

√ = shared indicator with ACORN fiscal years 2005 through 2009

(blank) = no shared indicator with ACORN fiscal years 2005 through 2009

- = no information available to support indicator analysis

Source: GAO analysis of indicator data.

<sup>a</sup>One executive for ACORN was also one of multiple board members of the Tides Center until 2009. According to Tides Center representatives, this board member recused himself from voting on issues related to ACORN and did not have managerial responsibilities at the Tides Center. The former attorney for ACORN stated that although the Tides Foundation (which Tides Center was once a part of) may have acted as a fiscal agent on some grants to ACORN, it had no affiliation with ACORN and was entirely separate.

**Table 11: Indicators of Potential Affiliation with ACORN: Organizations Identified other than by DUNS Number that Received Federal Funding from Fiscal Years 2005 through 2009**

Organization	Shared address	Shared phone number	Executive(s) or director(s) in common	Shared EIN	Shared bank account
ACORN Albuquerque	-	-	√	-	-
ACORN Beverly, LLC	√		√	-	-
ACORN Bridgeport	√			-	-
ACORN Contra Costa	√	-	-	√	-
ACORN (El Paso)	√			-	-
ACORN Hartford	√	√		-	-
ACORN Institute (New Orleans)	√		√	-	-
ACORN Institute (St. Louis)	√	√		-	-
ACORN Las Cruces	-	-	√	-	-



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<b>Organization</b>	<b>Shared address</b>	<b>Shared phone number</b>	<b>Executive(s) or director(s) in common</b>	<b>Shared EIN</b>	<b>Shared bank account</b>
ACORN Maryland	√	√		-	-
ACORN Oakland	√	-	-	-	-
ACORN San Francisco	√	-	-		-
ACORN San Mateo	√	-	-	√	-
AHC (Baltimore)	√	-		-	-
AHC (Bridgeport)	√	√	√	-	-
AHC (Chicago)	√		√	√	-
AHC (Houston) <sup>a</sup>	√	-		-	-
AHC (Kansas City)	√			-	-
AHC (Miami)	√	√	-	-	-
AHC (New Orleans)	√	-		-	-
AHC New York	√			-	-
AHC (Oakland)	√	-	√	-	-
AHC of Pennsylvania	√		√	-	-
AHC (St. Louis)	√			-	-
AHC (St. Paul)	√		√	-	-
American Institute for Social Justice (Denver)	√	-	√	-	-
American Institute for Social Justice (Washington, D.C.)	√	-	√	-	-
Arizona AHC	√		√	-	-
Arkansas ACORN	√	√	√	√	-
Arkansas Broadcasting Foundation (KABF-FM)	√			-	-
MHANY Management, Inc	√			-	-

**Legend:**

√ = shared indicator with ACORN fiscal years 2005 through 2009

(blank) = no shared indicator with ACORN fiscal years 2005 through FY2009

- = no information available to support indicator analysis

Source: GAO analysis of indicator data.

<sup>a</sup>The indicator information available in the grant documentation for AHC (Houston) does not match with ACORN. We included this organization because the databases we consulted as part of our indicator analysis reflect that it is the same organization as "ACORN Housing (Houston)," which was involved in a DOL investigation and shares an indicator of affiliation with ACORN.

Table 13 documents the indicator analysis we conducted for the organizations involved in investigations, prosecutions, cases, and matters identified by DOJ, the Federal Election Commission (FEC) and DOL for which the agencies did not have DUNS numbers available for these organizations. Similar to tables 11 and 12, table 13 distinguishes between

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instances where there was not information available to compare with ACORN indicators (signified with “-”) and instances where there was information available to make the comparison, but no match was found (the cell is blank). We did not identify any indicators of affiliation for the organizations involved in 22 of the 44 investigations or cases identified by agencies.<sup>20</sup>

**Table 12: Indicators of Potential Affiliation with ACORN: Organizations or Their Employees Investigated or Prosecuted by DOJ, FBI, FEC or DOL, Fiscal Years 2005 through 2009**

Organization	Shared address	Shared phone number	Executive(s) or director(s) in common	Shared EIN	Shared bank account
ACORN <sup>a</sup>	•	√	√	-	-
ACORN <sup>a</sup>	•	√	-	-	-
ACORN <sup>a</sup>	•		-	-	-
ACORN, Inc. <sup>a</sup>	•	√	-	-	-
ACORN <sup>a</sup>	•	√	-	-	-
ACORN <sup>a</sup>	•	√	-	-	-
ACORN Associates	•	-	-	-	-
ACORN (Columbus)	•		-	√	-
ACORN (Dorchester)	-	√	√	-	-
ACORN Housing (Houston)	•			√	-
ACORN Housing (Kansas City)	•	-	-	-	-
ACORN (Miami)	•	-	-	√	-
ACORN (Newark)			-	√	-
ACORN (New Orleans)	•	√	√	-	-
ACORN (St. Louis) <sup>b</sup>	•	-	-	-	-
ACORN (St. Louis) <sup>b</sup>	-	√	√	-	-
ACORN (Tucson)	•	-	-	-	-

<sup>20</sup>We did not include 11 investigations reported by the U.S. Treasury Inspector General for Tax Administration (TIGTA). TIGTA officials stated that they could not provide us indicator information for these organizations because § 6103 of the Internal Revenue Code precludes them from providing such data. We excluded five cases identified by Executive Office for United States Attorneys (EOUSA) and one investigation identified by the Federal Bureau of Investigation (FBI) because the address, phone number, and executive information provided by EOUSA and the address provided by FBI did not match the indicator information for ACORN. For the organizations involved in the remaining five investigations, we had address and executive information for one, address information for three, and executive information for one, none of which matched indicators for ACORN.

**Appendix I: Objectives, Scope and Methodology**

Organization	Shared address	Shared phone number	Executive(s) or director(s) in common	Shared EIN	Shared bank account
AHC (Oakland)	•		-	-	-
Citizens Consulting, Inc.	•	√	√	-	-
Project Vote <sup>c</sup>	•		-	-	-
SEIU	-	-	√	-	-
SEIU Local 100 (New Orleans)	•		√	-	-

Legend:

√ = shared indicator with ACORN fiscal years 2005 through 2009

(blank) = no shared indicator with ACORN fiscal years 2005 through 2009

- = no information available to support indicator analysis

Source: GAO analysis of indicator data.

<sup>a</sup>For the “ACORN” organizations listed without a city, the agency that provided these investigations requested that we not name the cities in our report.

<sup>b</sup>ACORN (St. Louis) is involved in separate investigations or cases. It is listed twice because we could not verify that this is the same organization based on the indicator information available.

<sup>c</sup>The indicator information available in the case and investigation materials for “Project Vote” do not match with ACORN. We included this organization because the information available indicates that this organization is the same as the funded organization named “Project Vote,” which shares an indicator of affiliation with ACORN.

**Objectives Methodology**

To identify funding awarded to ACORN or potentially related organizations and the purpose of this funding, we asked 31 federal agencies to identify grants, contracts, or cooperative agreements awarded as a direct award, or to the extent possible, subawards, to a list of ACORN or potentially related organizations for fiscal years 2005 through 2009.<sup>21</sup> We requested information on federal funding that was awarded to ACORN or potentially related organizations, without regard to how much of the total award amount was actually disbursed to the organizations. We requested and reviewed documentation from selected agency grantees regarding funding that was provided as subawards (grants or contracts awarded by the direct recipient of federal funds to another organization) to ACORN or potentially related organizations.

For those agencies that relied on databases to identify any ACORN funding, we requested information that would enable us to determine

<sup>21</sup>For the purposes of this report, we use the term federal “agency” to encompass federal entities that include selected federal executive departments, independent agencies, and nonprofit entities created by law such as the Corporation for Public Broadcasting and NeighborWorks.

whether the databases were reliable for our purposes. We assessed the reliability of agency databases used to search for funding by reviewing agencies' annual financial statements and agency responses to questions regarding the integrity of those databases. We determined that the databases were reliable for our purposes.

To determine the extent to which agencies' monitoring processes captured issues identified by audits, we obtained and reviewed relevant inspector general and internal audit reports from the six agencies—CPB, DHS, HUD, DOJ, EAC, and NeighborWorks—that provided direct funding to ACORN or potentially related organizations from fiscal years 2005 through 2009 and whose Inspectors General or internal audit units had conducted evaluations of these organizations for the same time period.<sup>22</sup> We also reviewed these reports and found the conclusions and recommendations drawn in each report to be appropriate based on methodologies used. In addition, we obtained and reviewed information from these six, as well as the other seven agencies that reported providing direct awards, on their protocols for monitoring how ACORN or potentially related organizations used federal funds and whether these organizations complied with the terms of their grant agreements. We interviewed agency officials regarding their monitoring activities and the extent to which their monitoring

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<sup>22</sup>The audit reports from the six agencies' Inspectors General and internal audit unit consist of: Corporation for Public Broadcasting, Office of Inspector General, *Examination of Agape Broadcasting Foundation, Inc., Licensee of KNON-FM, Dallas, Texas for Selected Grant Periods and Fiscal Year 2008* (Washington, D.C., 2010); Corporation for Public Broadcasting, Office of Inspector General, *Examination of Arkansas Broadcasting Foundation, Inc., Licensee of KABF-FM, Little Rock, Arkansas for Fiscal Year 2007* (Washington, D.C., 2010); Department of Homeland Security, Office of Inspector General, *DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates* (Washington, D.C., 2010); Department of Housing and Urban Development, Office of Inspector General for Audit, *ACORN Associates, Inc., New Orleans, LA, Materially Failed to Use Its Lead Elimination Action Program Grant Funds Appropriately* (Washington, D.C., 2010); Department of Housing and Urban Development, Office of Inspector General for Investigation, Inspection, and Evaluations Division, *ACORN Housing Corporation, Inc., Evaluation of HUD Housing Counseling Grant Expenditures* (Washington, D.C., 2010); Department of Justice, Office of the Inspector General, *Review of Department of Justice Grants to the Association of Community Organizations for Reform Now, Inc. (ACORN) and its Affiliated Organizations* (Washington, D.C., 2009); U.S. Election Assistance Commission, Office of Inspector General, *Administration of Grant Funds Received Under the Help America Vote College Program by Project Vote* (Washington, D.C., 2010); and NeighborWorks, Office of Internal Audit, *Special Audit on the Use of National Foreclosure Mitigation Counseling Program Grant Funds by ACORN Housing Corporation, Inc.* (Washington, D.C., 2010). The inspectors general for the remaining 7 agencies that provided direct funding to ACORN or potentially related organizations did not conduct evaluations of these organizations.

processes were designed to capture the issues identified in the audits, when relevant. We asked grant program and financial managers and staff to identify any changes made to their monitoring processes due to the audit findings. We reviewed the extent to which agencies' applied their monitoring processes to funding awarded to ACORN or potentially related organizations, whether these processes captured findings from the audits, and identified any changes made by the agency as a result of the review findings.

To identify investigations of ACORN or potentially related organizations, we asked DOJ—including the Federal Bureau of Investigation (FBI) and DOJ litigating divisions<sup>23</sup>—as well as the 31 agencies and the investigative components of the Inspectors General for those 31 agencies to identify any investigations or prosecutions they have conducted related to the organizations on our search list from fiscal years 2005 through 2009.<sup>24</sup> <sup>25</sup> The Executive Office for U.S. Attorneys (EOUSA)<sup>26</sup> searched its case management system, the Legal Information Office Network System (LIONS) to determine if any of the organizations identified on our search list had been the subject of an investigation or case handled by any of

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<sup>23</sup>The DOJ litigating divisions we queried included Civil, Environment and Natural Resources, Antitrust, Civil Rights, Criminal, Tax, National Security, and EOUSA. The default rule is that DOJ is responsible for all litigation on behalf of the United States and its administrative agencies; accordingly, in general, agencies must refer investigations to DOJ for prosecution. 28 U.S.C. §§ 516, 519; 5 U.S.C. § 3106. However, there are certain exceptions where agencies have civil litigation authority; for example, the Federal Election Commission has the authority to bring enforcement actions for violations of the Federal Election Campaign Act of 1971, as amended. 2 U.S.C. §§ 437c, 437d.

<sup>24</sup>FEC searched a list of 12 organizations included on a congressional request, nine of which appeared on the list of DUNS numbers we sent to agencies. Based on guidance from FEC, we searched the remaining entities on their Enforcement Query System, which is FEC's publicly available case management system.

<sup>25</sup>The IG for the National Endowment for the Humanities (NEH) responded for its agency and for the Institute of Museum and Library Services (IMLS), as it is responsible for both agencies.

<sup>26</sup>EOUSA provides administrative and operational support to the USAOs, among other things.

DOJ's 94 U.S. Attorneys Offices (USAO).<sup>27</sup> Cases in which the prosecuted party was an individual (rather than an organization) were identified by EOUSA from responses it received pursuant to a request made to all USAOs to identify all cases related to ACORN. In addition to investigations or cases identified by DOJ, the FEC identified matters involving federal election law and DOL identified wage and hour disputes that they have jurisdiction to investigate. We assessed the reliability of the data that EOUSA, FBI, DOL, and FEC used to search for the investigations and prosecutions they reported to us by reviewing information provided about their systems, and found the data to be reliable for our purposes. Agencies used name searches to identify cases in their systems, which is not as precise a method of searching as by number, so there is a potential that some cases may have been missed using this method.

To address objective 4, we asked officials representing 27 out of the 31 agencies within our scope that are subject to 2010 appropriations provisions that prohibit funding to ACORN or related organizations to describe and provide documentation of the actions agencies took to implement the applicable provisions. Various appropriations acts for fiscal year 2010 restricted 27 of the 31 federal agencies in our review from providing funding to ACORN and certain related entities; these provisions are listed in appendix IV. Four agencies in our scope—DHS, Department of Energy (DOE), the United States Department of Agriculture (USDA), and the Nuclear Regulatory Commission (NRC)—were not subject to 2010 appropriations provisions that restrict funding to ACORN and related organizations. Executive agencies are required to establish and maintain systems of accounting and internal controls that reasonably ensure compliance with applicable law, with the control activities established by management of the audited agency.<sup>28</sup> An analyst and legal counsel

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<sup>27</sup>The term “case” refers to an investigation that has resulted in the filing of some legal action in court such as an activity that has been assigned an identification number that has resulted in the filing of a complaint, an indictment, or information in court. The terms “matter” or “investigation” are used to identify investigations which are activities that have been assigned identification numbers, but which, for a variety of reasons—e.g., lack of sufficient evidence—have been closed without resulting in the filing of a complaint, an indictment, or information in court—for example, the investigation of a complaint or an allegation of discrimination referred by another federal agency. The agencies did not provide information on “open” investigations...

<sup>28</sup>31 U.S.C. § 3512(c), commonly referred to as the Federal Managers' Financial Integrity Act of 1982. Agencies' systems of internal control must be consistent with the *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999).

reviewed the actions described and agreed on categories that encompassed the actions. Also, since we are only identifying organizations in this report that are potentially related, but which may not be actually related to ACORN, we are not making a determination that any organization named in this report falls within the scope of any ACORN funding restriction. Agencies are responsible for ensuring that they are implementing their applicable appropriations statutes properly.<sup>29</sup>

We conducted this performance audit from August 2010 through June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>29</sup>See GAO, *Principles of Federal Appropriations Law*, vol. 1, 3rd ed., [GAO-04-261SP](#) (Washington, D.C.: January 2004), 1-35. “Every federal department or agency has the initial and fundamental responsibility to ensure that its application of public funds adheres to the terms of the pertinent authorization and appropriation acts, as well as any other relevant statutory provisions.”

# Appendix II: Monitoring Activities of Direct Grant Programs Conducted by Agencies, Fiscal Years 2005 through 2009

Table 14 shows the monitoring activities reported by the 13 agencies that provided direct funding to the Association of Community Organizations for Reform Now (ACORN) or potentially related organizations from fiscal years 2005 through 2009.<sup>1</sup>

**Table 13: Monitoring Activities of Direct Awards Conducted by Agencies, Fiscal Years 2005 through 2009**

Funding agency/office or division	Award program	Awarded organization	Monitoring activities <sup>a</sup>					
			Review of progress Review of report	Review of financial information	Review of work plans or other audit reports	Communication with grantee staff	Review of expenditures	Site observation
<b>Corporation for Public Broadcasting (CPB)</b>								
	Community Service Grant	KABF-FM		•				
		KNON-FM		•				
	Internet Acquisition Grant	KABF-FM		•				
		KNON-FM		•				
	Direct Radio Conversion Fund	KNON-FM		•				
<b>Department of Agriculture (USDA)</b>								
Risk Management Agency	Community Outreach and Assistance Partnership Program	The Tides Center	•	•	•	•		
Agricultural Marketing Service	Farmers Market Promotion Program	The Tides Center	•	•				
<b>Department of Defense (DOD)<sup>b</sup></b>								
National Security Agency <sup>c</sup>	OneWorld Now! Summer Language Camp and After School Classes	The Tides Center	•	•	•	•	•	•
<b>Department of Education (Education)</b>								
	Fund for the Improvement of Education	The Tides Center	•		•	•		

<sup>1</sup>For the purpose of this report, direct awards (awards made by the agency directly to an award-requesting recipient) include direct grants, cooperative agreements, and contracts.



**Appendix II: Monitoring Activities of Direct Grant Programs Conducted by Agencies, Fiscal Years 2005 through 2009**

			Monitoring activities <sup>a</sup>					
Funding agency/office or division	Award program	Awarded organization	Review of progress Review of report	Review of financial information	Review of work plans or other audit reports	Communication with grantee staff	Review of expenditures	Site observation
<b>Department of Health and Human Services (HHS)</b>								
Office of Refugee Settlement	Comprehensive Torture Treatment Services and Capacity Building Project	The Tides Center	•	•	•	•		
<b>Department of Homeland Security (DHS)</b>								
Federal Emergency Management Agency	Fire Prevention and Safety Grant	ACORN Institute	•		•			
<b>Department of Housing and Urban Development (HUD)</b>								
Office of Community Planning and Development	Self-Help Homeownership Opportunity Program	AHC	•	•	•			
Federal Housing Administration	Housing Counseling Grant	AHC	•	•	•	•		•
Office of Fair Housing and Equal Opportunity	Fair Housing Initiatives Program	AHC	•	•				
		Arkansas Community Housing	•	•				
		New York Agency for Community Affairs (NYACA)	•	•		•		•
		ACORN Community Land Association of LA, Inc.	•	•				
		New Mexico ACORN Fair Housing	•					•
		ACORN Associates, Inc	•	•	•			•

**Appendix II: Monitoring Activities of Direct Grant Programs Conducted by Agencies, Fiscal Years 2005 through 2009**

Funding agency/office or division	Award program	Awarded organization	Monitoring activities <sup>a</sup>					
			Review of progress Review of report	Review of financial information	Review of work plans or other audit reports	Communication with grantee staff	Review of expenditures	Site observation
		American Institute for Social Justice	•	•				
		American Environmental Justice Project			•			
		Missouri Tax Justice Research Project	•	•				
		ACORN Institute	•	•				
Office of Healthy Homes and Lead Hazard Control	Lead Elimination Action Program	ACORN Associates, Inc.	•	•	•	•	•	•
Office of Public and Indian Housing	Resident Opportunities and Self Sufficiency	NYACA	•	•				
		ACORN Institute	•	•				
<b>Department of Justice (DOJ)</b>								
Office of Justice Programs	Office of Juvenile Justice and Delinquency Prevention Grant	NYACA	•	•				
	Trafficking Task Forces and Victim Services Program	The Tides Center	•	•	•	•	•	•
<b>Department of State (DOS)<sup>d</sup></b>								
<b>Department of Transportation (DOT)</b>								
Pipeline and Hazardous Materials Safety Administration	Technical Assistance Grant	The Tides Center	•	•	•	•	•	
<b>Election Assistance Commission (EAC)</b>								
	Help America Vote College Program, College Poll Worker Grants	Project Vote (Delaware)	•					

**Appendix II: Monitoring Activities of Direct Grant Programs Conducted by Agencies, Fiscal Years 2005 through 2009**

			Monitoring activities <sup>a</sup>					
Funding agency/office or division	Award program	Awarded organization	Review of progress Review of report	Review of financial information	Review of work plans or other audit reports	Communication with grantee staff	Review of expenditures	Site observation
		Project Vote (Michigan)	•					
<b>National Aeronautics and Space Administration (NASA)</b>								
	Cooperative Research in Planetary Astronomy	The Tides Center	•	•				
<b>NeighborWorks (NW)</b>								
	National Foreclosure Mitigation Counseling Program	AHC	•	•	•	•	•	•

Source: GAO analysis of agency data.

<sup>a</sup>As part of the monitoring activities, a review of progress report could include a quarterly, biannually, or final report, with agency officials reviewing the grantee-provided progress report. Review of financial information includes reviewing the financial report. Review of workplans or other audit reports consists of agency officials reviewing the scope of grantee's work or other audit reports (such as inspector general or Single Audit reports) related to the grantee. Communication with grantee staff includes both in person interview, telephone, e-mail, and mail communication. Review of expenditures includes receipts or invoices of funds used. Site observation includes on-site program and financial observations by agency grant managers and staff.

<sup>b</sup>DOD Army Corps of Engineers contracted with the Tides Center for a feasibility study of selected near-shore marine areas of Puget in fiscal year 2005 for the amount of \$132,785. An Army of Corps of Engineers official stated that the contract has been closed and file documents with information on monitoring have been destroyed per records retention policy and thus, are not available. However, the official stated that there were no apparent problems as evidenced by full payment and no evidence of contract termination.

<sup>c</sup>DOD NSA official indicated that the Office of Naval Research received delegation authority to review and certify invoices for NSA grants and NSA grant office receives a copy of each certified invoice and maintains it in the grant file.

<sup>d</sup>DOS awarded a direct grant to ACORN or a potentially related organization; however, because the nature of the grant is sensitive, details of the grant are not included in this report.

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# Appendix III: Federal Provisions Restricting Funding to ACORN and Related Organizations and Related Court Case

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Congress passed provisions restricting the funding of ACORN or any of its affiliates, subsidiaries, or allied organizations in the fiscal year 2010 continuing resolutions (CR).<sup>1</sup> In order to direct agencies implementation of this restriction, OMB issued guidance that called for agencies to take steps to comply with the restriction, such as suspending existing grants and contracts with ACORN or related organizations and notifying all federal grant and contract recipients of the restrictions, among other actions.<sup>2</sup> Subsequently, Congress passed several fiscal year 2010 appropriations acts that prohibited 27 agencies in our review from providing appropriated funds to ACORN or various ACORN-related organizations.<sup>3</sup> For 3 of these agencies, the restrictions contained in their fiscal year 2010 appropriations acts covered the same organizations as the 2010 CRs, i.e., ACORN or its subsidiaries, affiliates, or allied organizations. For the other 24 agencies, the restrictions contained in the fiscal year 2010 appropriations acts applied only to ACORN or its subsidiaries Table 15 identifies the restriction provisions for the 27 agencies within the scope of our review that are subject to ACORN-related restrictions.

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<sup>1</sup>Continuing Appropriations Resolution, 2010, Pub. L. No. 111-68, Div. B, § 163, 123 Stat. 2043, 2053 (2009); Further Continuing Appropriations Resolution, 2010, Pub. L. No. 111-88, Div. B, § 101, 123 Stat. 2904, 2972 (2009).

<sup>2</sup>OMB M-10-02.

<sup>3</sup>Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010, Pub. L. No. 111-88, Div. A, § 427, 123 Stat. 2904, 2962 (2009) (prohibiting funds made available under the act from being distributed to ACORN or its subsidiaries); Consolidated Appropriations Act, 2010, Div. A, § 418, 123 Stat. 3034, 3112 (2009) (prohibiting funds made available under Division A—the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2010—as well as prior acts, from being provided to ACORN, or any of its affiliates, subsidiaries, or allied organizations); Div. B, § 534, 123 Stat. at 3157 (prohibiting funds made available under Division B—the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2010—from being distributed to ACORN or its subsidiaries); Div. E, § 511, 123 Stat. at 3311 (prohibiting funds made available under Division E—the Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2010—as well as any other division of the Consolidated Appropriations Act, from being distributed to ACORN or any of its subsidiaries); Department of Defense Appropriations Act, 2010, Pub. L. No. 111-118, § 8123, 123 Stat. 3409, 3458 (2009) (prohibiting funds made available under the act from being distributed to ACORN or its subsidiaries).

**Appendix III: Federal Provisions Restricting  
Funding to ACORN and Related Organizations  
and Related Court Case**

**Table 14: Fiscal Year 2010 Appropriations Act Restrictions on Funding ACORN and Other Entities for 27 of the 31 Agencies Reviewed**

<b>Name of Federal Agency</b>	<b>Restriction</b>	<b>Entities within Scope of Restriction</b>
Department of Commerce (Commerce)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. B., § 534, 123 Stat. 3034, 3157 (2009).	ACORN or its subsidiaries
Department of Education (Education)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Department of Health and Human Services (HHS)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Department of Defense (DOD)	Department of Defense Appropriations Act, 2010, Pub. L. No. 111-118, § 8123, 123 Stat. 3409, 3458 (2009).	ACORN or its subsidiaries
Department of Interior (DOI)	Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010, Pub. L. No. 111-88, Div. A, § 427, 123 Stat. 2904, 2962 (2009).	ACORN or its subsidiaries
Department of Transportation (DOT)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. A., § 418, 123 Stat. 3034, 3112 (2009).	ACORN or any of its affiliates, subsidiaries, allied organizations
Department of State (STATE)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Department of Veterans Affairs (VA)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Environmental Protection Agency (EPA)	Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010, Pub. L. No. 111-88, div. A, § 427, 123 Stat. 2904, 2962 (2009).	ACORN or its subsidiaries
Federal Election Commission (FEC)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Department of Justice (DOJ)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. B., § 534, 123 Stat. 3034, 3157 (2009).	ACORN or its subsidiaries
Department of Labor (DOL)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Department of Treasury (Treasury) (including the IRS)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Election Assistance Commission (EAC)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Department of Housing and Urban Development (HUD)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. A., § 418, 123 Stat. 3034, 3112 (2009).	ACORN or any of its affiliates, subsidiaries, allied organizations
Corporation for National and Community Service (CNCS)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
Small Business Administration (SBA)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
NeighborWorks	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. A., § 418, 123 Stat. 3034, 3112 (2009).	ACORN or any of its affiliates, subsidiaries, allied organizations
Corporation for Public Broadcasting (CPB)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009). <sup>a</sup>	ACORN or its subsidiaries

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<b>Name of Federal Agency</b>	<b>Restriction</b>	<b>Entities within Scope of Restriction</b>
National Science Foundation (NSF)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. B., § 534, 123 Stat. 3034, 3157 (2009).	ACORN or its subsidiaries
Institute of Museum and Library Service (IMLS)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
National Endowment for the Arts (NEA)	Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010, Pub. L. No. 111-88, Div. A, § 427, 123 Stat. 2904, 2962 (2009).	ACORN or its subsidiaries
National Endowment for the Humanities (NEH)	Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010, Pub. L. No. 111-88, Div. A, § 427, 123 Stat. 2904, 2962 (2009).	ACORN or its subsidiaries
National Archives and Records Administration (NARA)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
National Aeronautics and Space Administration (NASA)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. B., § 534, 123 Stat. 3034, 3157 (2009).	ACORN or its subsidiaries
Social Security Administration (SSA)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries
United States Agency for International Development (USAID)	Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. E., § 511, 123 Stat. 3034, 3311 (2009).	ACORN or its subsidiaries

Source: GAO Analysis of agency appropriations acts.

Note: Our review disclosed that DHS, Department of Energy, Department of Agriculture, and the Nuclear Regulatory Commission were not subject to FY2010 appropriations provisions that restrict funding to ACORN and related organizations.

<sup>a</sup>The Consolidated Appropriations Act, 2010, provided funds to CPB for fiscal year 2012, as well as additional funds for specified purposes for 2010, for example, for public radio and television fiscal stabilization grants. Pub. L. No. 111-117, 123 Stat. 3034, 3274 (2009).

ACORN and other plaintiffs filed suit against the United States claiming that the restrictions in the 2010CR were unconstitutional.<sup>4</sup> The federal district court preliminarily enjoined the ACORN appropriations restriction contained in the fiscal year 2010 CRs; the CRs also then expired.<sup>5</sup> The ACORN plaintiffs amended their complaint to added the additional appropriations restrictions in the fiscal year 2010 appropriations acts that prohibited any appropriated funds from being awarded to ACORN and other related organizations. The court ruled that these restrictions were unconstitutional and enjoined their enforcement on March 10, 2010;<sup>6</sup> the

<sup>4</sup> Plaintiffs claimed that the restrictions constituted a bill of attainder and violated the First Amendment and due process.

<sup>5</sup> ACORN v. United States, 662 F. Supp. 2d 285 (E.D.N.Y. 2009).

<sup>6</sup> ACORN v. United States, 692 F.Supp.2d 260 (E.D.N.Y. 2010).

court also ordered OMB to rescind its guidance to agencies for implementing the 2010CR as well as inform agencies of the court's ruling, which OMB did.<sup>7</sup> The Department of Justice filed an appeal to the Court of Appeals for the Second Circuit and was granted a stay of the lower court's decision on April 2, 2010, which meant the restrictions would remain in effect while the appeal was being considered.<sup>8</sup> The Second Circuit then reversed the district court such that the restrictions have continued to remain in effect.<sup>9</sup> Accordingly, the appropriations restrictions have been in effect since April 2, 2010.<sup>10</sup> OMB did not issue additional guidance to agencies on the implementation of the restrictions contained in the fiscal year 2010 appropriations acts; however, OMB added a note to the guidance it issued after the district court found the restrictions unconstitutional stating the Second Circuit had issued a stay and that restrictions remained in force. Figure 1 shows the timeline of actions related to ACORN v. United States.

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<sup>7</sup> OMB M-10-12.

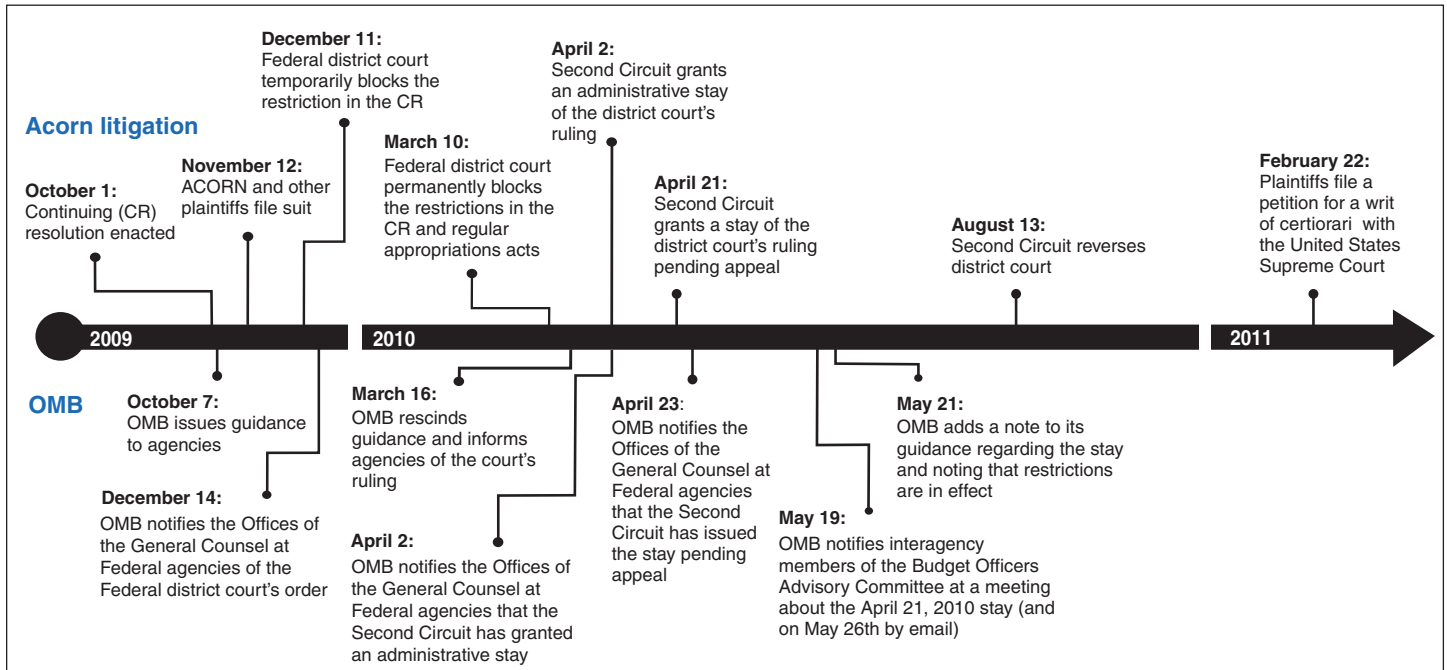
<sup>8</sup> ACORN v. United States, Nos. 09-5172, 10-992, slip op. (2nd Cir. Apr. 21, 2010). The Second Circuit granted an administrative stay on April 2, 2010, and a stay pending appeal on April 21, 2010.

<sup>9</sup> Plaintiffs subsequently filed for re hearing en banc, which was denied on November 23, 2010. On February 22, 2011, plaintiffs filed a petition for writ of certiorari seeking to have their case heard by the Supreme Court, and on May 9, 2011, the District Court stayed the proceedings until the Supreme Court has ruled on plaintiffs' petition.

<sup>10</sup> The restrictions contained in the fiscal year 2010 annual appropriations acts continue to be in effect for fiscal year 2011 under the terms of the continuing resolutions enacted. Pub. L. No. 111-242, § 101, 124 Stat. 2607 (2010). Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, Div. B, §§ 1101, 1105. However, as of April 15, 2011, when DOD's fiscal year 2011 appropriations bill became law, DOD is not subject to an ACORN-related appropriations restriction. See *id.* at div. A.

**Appendix III: Federal Provisions Restricting  
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**Figure 1: Timeline of Actions Related to ACORN v. United States**



Source: GAO analysis of court and OMB documents.



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# Appendix IV: GAO Contact and Acknowledgments

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## GAO Contact

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## Acknowledgments

In addition to the contact named above, Kristy Brown, Assistant Director, and Monica Kelly, Analyst-In-Charge, managed this assignment. Leyla Kazaz, Julian King, Kimberly McGatlin, Lara Miklozek, Amanda Miller, Diane Morris, Janet Temko, Robert Wilson, and Su Jin Yon made significant contributions to this report. Sylvia Bascope, Sunny Chang, Colleen Candrl, Christine Davis, Francis Dymond, Richard Eiserman, Cheron Green, Barbara Guffy, Brandon Jones, Daniel Klabunde, Susanna Kuebler, Mathew Scire, and Thomas Short also provided valuable assistance.

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